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The Role of Accounting in the Strategizing Process

– A case study in the context of an acquisition

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Abstract: This paper studies two strategic decisions developed in an acquisition and subsequent integration of one company into another, with the purpose of understanding what roles accounting can take in the strategizing process (i.e. the iterative process between organizational members who shape and develop company strategy). This is studied through a qualitative single-case study, investigating the interplay between accounting and strategizing through the lens of ambidexterity theory. We found that accounting was an active participator in the strategizing process. This active participation of accounting came from two distinctive roles: a) *confirming* the strategic setting: accounting was drawn upon by management to confirm that the organization could leverage current knowledge from the existing business in the acquiring company's core industry to shape a strategy for the new business in the new market and b) *amplifying* the strategic direction: accounting pre-set the frames within which the organization could strategize. These two roles are evidence of a new type of interplay between accounting and strategizing that has not been observed in previous studies.

Keywords: *Accounting, Strategizing, Ambidexterity, Explore, Exploit, Mergers and Acquisitions*

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1. Introduction

The aim of this study is to contribute to existing accounting and strategizing literature by understanding how accounting can affect the strategizing process, by examining what roles accounting can take in it.

During the last decades there has been an increased focus within the accounting literature on accounting in relation to company strategy (see e.g. Simmonds 1981; Vaivio, 1991; Chenhall, 2003; Hansen and Mouritsen, 2005; Bhimani and Langfield-Smith 2007; Chua, 2007; Ahrens and Chapman, 2007; Skærbæk and Tryggestad 2010; Jorgensen and Messner 2010). Although the research field of accounting is not new, nor is the research field of strategy, new perspectives within the strategy literature has resulted in a fresh surge of interest in accounting in relation to strategy.

Strategy was previously viewed as deliberate and predefined by top management, where accounting was viewed as a tool to implement and follow up these strategies (See e.g. Bhimani and Langfield-Smith, 2007; Nixon and Burns, 2012). During more recent years, the notion of 'accounting and strategizing' has been developed. In this notion, strategy is not viewed as deliberate and set by top management and later implemented by the organization, but as an iterative process between organizational members at different organizational levels (Whittington, 2006; Jarzabkowski et al., 2007). Strategy does not exist prior to accounting but is developed simultaneously with it (Chua, 2007; Ahrens and Chapman; 2007; Skærbæk and Tryggestad, 2010).

The notion of 'accounting and strategizing' is further supported by e.g. Vavio (1999), Hansen and Mouritsen (2005), Ahrens and Chapman (2007), Skærbæk and Tryggestad (2010) and Jorgensen and Messner (2010). These authors all show how accounting and strategizing interplays in various ways. As an example, the study by Jorgensen and Messner (2010) illustrated through a case study how accounting was both used to follow up and alter strategy through guiding the strategizing process, but also how strategizing can complement the usage of, and reliance on, accounting information. Another example is the study made by Ahrens and Chapman (2007), where they focused on the specific activities that resulted in an intervention between accounting and strategizing. They found that managers in the organization studied used their accounting systems through evaluating past performance in order to form strategic actions for the future.

A theoretical lens that seems promising in helping to explain what roles accounting can take in the strategizing process builds on the concept of ambidexterity.

Ambidexterity refers to the ability of a firm to do two things simultaneously (Tushman and O'Reilly, 2013). March (1991) concretizes the term by referring to ambidexterity as firms' abilities to both *exploit* existing assets in an efficient and profit-producing way, and to simultaneously *explore* new technologies and markets to utilize resources to capture both existing and new opportunities. Ambidexterity as a concept becomes interesting since several studies have shown that it affects the firm's ability to survive, grow and be profitable (see e.g. Katila and Ahuja, 2002; He and Wong 2004; Uotila et al, 2008; Piao, 2010; Geerts et al., 2010; Caspin-Wagner et al., 2012; Yu and Khessina, 2012; Laplume and Dass, 2012).

If accounting affects the strategy process and strategy is affected by its explorative and exploitative dimensions, it does appear useful to apply the concept of ambidexterity as an analytical lens through which accounting and strategizing can be studied. This is done in order to find out how accounting affects strategizing and what role accounting can take in the strategizing process. By applying the theoretical lens of ambidexterity, this paper seeks to contribute to the accounting and strategizing theory through finding answers to the question:

"What roles can accounting take in the strategizing process?"

The case study will be made on a single case company acquiring and integrating another, (i.e. M&A). The reason for choosing the context of M&A – in this case a company acquisition and subsequent integration of the acquired company into the acquirer – is that the strategizing processes in this context tend to be complex. Complexity of the strategizing process allows for a deeper understanding of it and accounting's role within it. The complexity is related to the fact that integration implies an environmental context of conflicting demands and procedures of the two organizations that need to be managed and overcome to ensure successful and sustainable integration. The concept of M&A has previously been studied in the field of accounting and strategy (see e.g. Child et al, 2001; Nilsson, 2002; Jordao et al, 2014). However, in these studies, strategy is seen as deliberate, which is not in line with the notion of strategizing. Thus, accounting's role in the iterative process of shaping company strategy – i.e. the notion of A&S – has not been studied to date in the context of M&A.

To be able to isolate when accounting is specifically used in the strategizing process in the integration following an acquisition, two strategic events, or decisions, have been analyzed:

1. Focusing on winning large contracts
2. Applying a new service delivery model

These two strategic events were selected due to their importance in the acquisition. The case company studied is a division of a company that will be labelled GlobTech. GlobTech is a publicly traded European company operating in several markets and industries and the core operations are focusing on handling the outsourced part of their customers' service delivery system. The case study will specifically be narrowed down to a particular acquisition and subsequent integration of a company that will be called Target, acquired by GlobTech and subsequently integrated into a division of GlobTech, operating in the same industry as Target.

The approach to answer the research question at hand is abductive, through simultaneously using empirical observations and theory, where empirics are used to both test and develop theory at the same time in an iterative manner.

The structure of the paper is as follows: in chapter 2 the theoretical concepts that will be used to analyze the case company are introduced; chapter 3 outlines the methodology of conducting the case study; chapter 4 presents the findings of the case study; chapter 5 covers the discussion and chapter 6 the conclusions, including managerial implications and suggestions for further research.

2. Theoretical development

2.1 Previous research on accounting and strategizing

The complex relationship between accounting and strategy has been of increasing interest within accounting research during recent years (see e.g. Simmonds 1981; Chenhall, 2003; Hansen and Mouritzen, 2005; Bhimani and Langfield-Smith 2007; Chua, 2007; Ahrens and Chapman, 2007; Skærbæk and Tryggestad 2010; Jorgensen, Messner 2010). This interest is attributable to a development within the field of strategy, where one talks less about *strategy* and more about *strategizing*. The strategizing view focuses on the micro-dynamics of strategy making and is defined in this paper as '*the various activities through which rather abstract strategic ideas or objectives are interpreted and enacted by organizational members who, in turn, shape and develop these ideas*' (Whittington, 2006; Jarzabkowski et al., 2007). It is thus an iterative process between organizational members at different levels of the organization (Whittington, 2006; Jarzabkowski et al., 2007). This view is different from the old view on strategy as being deliberate and set by top management (see e.g. Anthony, 1965; Wilson, 1997; Abernethy and Brownell, 1999).

This development within the research field of strategy has further put the role of accounting in the strategy creation process in a new light, where strategy is not viewed to exist before accounting but is developed in relation to it (Chua, 2007; Ahrens and Chapman, 2007; Skærbæk and Tryggestad, 2010). Moreover, accounting is not only a means to monitor and audit strategy, but could also play an important role in realizing strategy (Mouritzen and Kreiner, 2003; Chenhall, 2003; Hansen and Mouritsen 2005; Chua 2007; Skærbæk and Tryggestad 2010; Jorgensen and Messner, 2010). This relationship between 'accounting and strategizing' (A&S) will be the focus of this paper.

Before getting deeper into the notion of A&S, an elaboration of the development of strategy in previous literature will be made, since this has, as mentioned above, impacted the A&S literature. Previous definitions of strategy viewed it as deliberate and set by top management and subsequently implemented by the organization (see e.g. Teece et al., 1997; Adner and Helfat, 2003). Regnér (2008) refers to this definition of strategy as 'dynamic capabilities of strategy', and refers to the views on strategy as described in the studies by e.g. Teece et al. (1997), Helfat (1997), Eisenhardt and Martin (2000) and Winter (2003), which is primarily focusing on strategy content and does not investigate the detailed processes and activities that are underpinning the organizational capabilities.

Regnér (2008) contrasts this view of strategy to a more recent view on strategy, which is referred to within the strategy literature as 'strategy-as-practice' (See e.g. Johnson et al., 2003; Balogun et al., 2003; Jarzabkowski, 2005; Whittington, 2006). Strategy-as-practice focuses the strategic actions on a day-to-day basis that, collectively, make up the strategy creation process (see e.g. Johnson et al., 2003; Balogun et al., 2003; Jarzabkowski, 2005; Whittington, 2006) and is similar to the notion of 'strategizing' as referred to in accounting literature by Chua (2007), Skærbæk and Tryggestad (2010) and Jorgensen and Messner (2010).

"[Strategy-as-practice] is primarily concerned with the social practice of strategy and day-to-day strategizing activities, while [dynamic capabilites] above all focuses on aggregate organizational-level routines and capabilities." – Regnér, 2008

"While dynamic capabilities work emphasizes organizational-level capabilities, the strategy-as-practice approach has important characteristics that might be of help in advancing the analysis of processes and activities that underpin those capabilities." – Regnér, 2008

Regnér (2008) also states that strategy-as-practice focuses on social interactions of people at different organizational levels and strategy is viewed as an on-going activity that people and organizations do, and not something they have (Jarzabkowski, 2005). This perspective complements the dynamic capabilities view on strategy, since it builds a platform for analysis of how strategy creation and further strategy development is made, as well as inter-temporal associations between multiple actors, activities and structures and their relation to strategy outcome (Regnér, 2008). This is possible due to its focus on the inter-relationship between organizational *practices* as well as individual *activities* (Whittington, 2006). Furthermore, the strategy-as-practice approach also takes the context into account, since it includes the influence of social, cultural and cognitive contexts, whereas the dynamic capabilities perspective has a more static perspective and focuses on classes of organizational assets and types of capabilities of the organization (Regnér, 2008). The concept of strategy-as-practice has been further elaborated upon, to include activities through which strategic ideas or objectives are interpreted and enacted by organizational members who also shape and develop these strategic ideas or objectives (Whittington, 2006; Jarzabkowski et al., 2007; Regnér, 2008). Strategy formulation and implementation are viewed as mostly inseparable (Johnson et al., 2003).

The shift of focus within the strategy literature towards a strategy-as-practice perspective, has also affected the view on accounting and its relationship to strategy within the accounting literature. As mentioned above, the strategy-as-practice view that has evolved within the strategy literature is similar to what is referred to as 'strategizing' in accounting literature studies by e.g. Chua (2007), Skærbæk and Tryggestad (2010) and Jorgensen and Messner (2010). 'Strategizing' is the notation of strategy that will be used throughout this paper and it will be further elaborated upon below in relation to the notion of A&S.

Earlier studies on the relationship between accounting and strategy viewed accounting information mainly as tools to implement the deliberate strategy (see e.g. Bhimani and Langfield-Smith, 2007; Nixon and Burns 2012). When changing focus from viewing strategy as deliberate to the notion of strategizing, accounting will also affect the strategy formulation process and not only the strategy implementation process. Strategy is not something that exists before accounting (Chua, 2007) but it is developed simultaneously with accounting by individuals on different levels within a company (Ahrens and Chapman, 2007). Only a few papers address this new view of strategy denoted as strategizing in relation to accounting (see e.g. Hansen and Mouritsen, 2005; Ahrens and Chapman, 2007; Chua, 2007; Jorgensen and Messner, 2010, Skærbæk and Tryggestad, 2010), referred to as 'accounting and strategizing' (A&S). Due to the rather limited number of studies, there is a need to further investigate how accounting intervenes in the strategizing process (Chapman, 2005; Chua, 2007; Jorgensen and Messner, 2010; Skærbæk and Tryggestad, 2010).

A clarification that needs to be made in this paper is regarding the definition of accounting. In previous literature concerning how accounting interplays in the strategizing process, the definition of accounting has been broad. Jorgensen and Messner (2010) talk about accounting and accounting information in general, while Skærbæk and Tryggestad (2010) refer to accounting devices. Hansen and Mouritsen (2005) views accounting as control systems. This paper adopts the wider definition of accounting, to capture any type of accounting that is present in the strategizing process studied, it could thus be anything ranging from an accounting device, accounting information or a control system, but which particular accounting information or tool that can be observed in our study will be of less focus for the study itself.

As mentioned above, the notion of accounting and strategizing has previously been researched regarding the interplay of accounting in the strategizing process. These studies deserve a more thorough description since this paper aims at contributing to this discussion by investigating what roles accounting can take in the strategizing process.

Vaivio (1999) performs a case study of a UK subsidiary of Unilever where accounting played a crucial as well as changing role in the strategizing process. The study describes the emergence of a 'quantified customer', a strategy where the action of serving the customer should be quantified into a set of accounting numbers in order to understand what would be the strategic implications of how to best serve the customers. A new form of knowledge that was based on 'more objective' numerical data was accepted in the organization, which was a driving force behind organizational change. Later on in the study, Vaivio (1999) describes how dimensions change when the 'quantified customer' was challenged by sales managers' local knowledge of what customers demanded.

Jorgensen and Messner (2010) analyze the relationship between accounting and strategizing in the context of new product development projects (NPD), by looking at how decisions and practices are accounted for.

"*Actors account for the appropriateness of NPD practices not only or primarily on the basis of accounting information*" – Jorgensen and Messner, 2010

They further conclude:

"*[Accounting]can enter the picture [of a NPD project] as a general understanding that guides actors' strategizing efforts by reminding them of the ultimate importance of financial numbers.*" – Jorgensen and Messner, 2010

The case company was performing routine control of quality and processing of food and other products and had decided to pursue a modularisation strategy: to design instruments with reusable modules instead of isolated instruments. In the study, accounting had a flexible role in the strategizing process, and the authors stated:

"*Strategic objectives were not translated into numbers; they were rather mobilised in tandem with financial arguments. Accounting inscriptions were not regarded as the single best way of representing what happens in the organisation.*" – Jorgensen and Messner (2010)

However, the financials were important and even when the technical engineers were occupied with finding good technical solutions to a problem; they related technical solutions to the question of profitability. Through this case study, Jorgensen and Messner (2010) show how, on the one hand, accounting (both seen as 'rules' and as a 'general understanding' in the organization) was used to follow up and alter strategy through using accounting information to frame the strategizing process, while, on the other hand, how strategizing can complement the usage of and reliance on accounting information.

Ahrens and Chapman (2007) studied how different actors in a restaurant chain used management control systems in the process of designing the restaurant menu. They conclude that there seems to be an alignment within the organization regarding the use, limitations and appropriateness of accounting in the strategizing process. The limitations of accounting were for example acknowledged by the head office managers in the organization:

"The functionality of performance information was paramount to senior management but they were keenly aware that their notions of functionality were highly context specific". – Ahrens and Chapman, 2007

Due to the limitations of accounting, the managers adapted the use of accounting:

"[Senior managers] were happy to work with approximate representations of physical and financial flows. We saw that in actively working with other organizational members in order to establish a shared understanding of what it meant to do well, they drew on, but were not captured by, performance metrics. The meaning of diverse objectives (and performance metrics) for the activities of organizational members only became clear to them through on-going contextualization." – Ahrens and Chapman, 2007

"*Head office managers were under no illusion that their strategic visions would easily 'translate' into managerial actions through the organization. They never suggested straightforward relationships between management control information and organizational activity.*" – Ahrens and Chapman (2007)

They further find that managers of one of the restaurant divisions studied used their accounting systems through evaluating past performance in order to form strategic actions for the future:

"*The managers mostly seemed to regard their accounting systems as imperfect but adequate for the task of rendering visible organizational members' daily activity through accounting inscriptions. For them, the main use of past performance evaluation lay in its potential to help construct future lines of action.*" – Ahrens and Chapman (2007)

Hansen and Mouritsen (2005) also analyze what control systems impacted the strategizing process. By studying the relationship between strategy formulation and the implementation and use of balanced scorecards in several companies, they showed the importance of accounting in the strategizing process. More specifically, they stated:

"*[The Balanced Score Card] allowed a local interpretation of what strategy was about.*" – Hansen and Mouritsen, 2005

They also showed that this allowance of local interpretation gave power to the balanced scorecard since it could be bent towards purposes in order for local identity to be upheld. In the study, they concluded that overall, accounting coloured the strategizing process:

"[Balanced Score Cards] coloured the mode in which value and coherence were debated, and they thus framed the concerns labelled strategy." – Hansen and Mouritsen, 2005

Skærbæk and Tryggestad (2010) analyze how accounting devices rejected, defended and changed strategy in a different way. In their study, accounting was proven to alter strategy through mobilizing lay people and other concerned groups. They suggest:

"*The strategy adapted (in our case referred to as 'development – not liquidation'), is successively adapted to and mutually constituted by the accounting device.*" – Skærbæk and Tryggestad, 2010

They further elaborate on the role of accounting in the strategizing process:

"*The IPO device in our case can be regarded as a learning machine […] that not only can facilitate the efficient implementation and exploitation of strategy, but also its further experimentation and exploration. Although an IPO was not launched, the IPO device is productive in exploring the possibilities of an active strategy and what is 'outside'/'inside' strategic discretion and intervention.*" – Skærbæk and Tryggestad, 2010

Strategy and accounting in the context of acquisitions and subsequent integration of the acquired company has been studied extensively (see e.g. Child et al, 2001; Nilsson, 2002; Jordao et al, 2014), but in these studies, the relationship between accounting and strategy has mainly been studied from a *deliberate* point of view, i.e. where strategy formulation is made *before* accounting figures and targets are set, as tools to reach those strategies. For example, Nilsson (2002) examines how the management control systems of acquiring firms are designed and used for the purpose of *implementing* corporate strategy. However, the study does not elaborate on the interplay between accounting and strategy, and strategy is viewed as determined before accounting comes into play. Thus, accounting's role in the strategizing process in the context of acquisitions and subsequent company integration has not been further investigated.

In conclusion, research has been made regarding accounting's role in the strategizing process and how accounting and strategizing interplay. However, there is not a vast number of studies made to date, why a deeper understanding of the relationship is called for (Chapman, 2005; Chua, 2007; Jorgensen and Messner, 2010; Skærbæk and Tryggestad, 2010).

This study aims at understanding how accounting can – both intentionally and unintentionally – affect the strategizing process. One way to better understand the role of accounting in the strategizing process is to define the strategic setting and the organizational aims and actions in that particular setting. The concept of ambidexterity offers such a framework, through characterizing the strategic actions as being of either explorative or exploitative nature. Ambidexterity has been proven to have explanatory value in understanding the outcome of strategy formulation and implementation, such as firms' ability to survive, innovate and grow (see e.g. O'Reilly and Tushman, 2013). This field of research will be further elaborated upon in the next section.

2.2 Previous research on ambidexterity

Organizational ambidexterity is a concept that has been widely studied in strategy and management literature during the last 40 years, since it is argued to affect the firm's ability to survive, grow and be profitable (see e.g. Katila and Ahuja, 2002; He and Wong 2004; Uotila et al, 2008; Geerts et al., 2010; Piao, 2010; Laplume and Dass, 2012; Yu and Khessina, 2012; Caspin-Wagner et al., 2012). The term 'ambidexterity' has been referred to as the ability of a firm to do two things simultaneously (O'Reilly and Tushman, 2013). Duncan (1976) was the first author to use the term "ambidextrous", arguing that firms need to shift their structures over time, to be able to execute innovation in a sequential manner, later referred to by O'Reilly and Tushman (2013) as 'sequential ambidexterity'.

March (1991) further developed the concept of ambidexterity, arguing that it is not enough to change firm structures over time, but also to simultaneously be able to utilize current assets in an efficient manner as well as execute innovation, which O'Reilly and Tushman (2013) later referred to as 'simultaneous/structural ambidexterity'. According to March (1991), ambidexterity thus refers to firms' abilities to both exploit existing assets in an efficient and profit-producing way, and simultaneously explore new technologies and markets to utilize resources to capture both existing and new opportunities. This will be the definition of ambidexterity used throughout this paper. March (1991) describes exploitation as including "*refinement, choice, production, efficiency, selection, implementation, execution*". O'Reilly and Tushman (2013) add to this list "*variance reduction*" and "*control*". In an exploit setting, current information available is to be used to improve present returns (March 1991). March(1991) further describes exploration to include terms such as "*search, variation, risk taking, experimentation, play, flexibility, discovery, innovation.*" In an explore setting, new information about alternatives is to be gained to improve future returns. To stimulate search, targets and aspirations should be of an adaptive character (March 1991). These definitions of explore and exploit will be used throughout this paper. March (1991) concludes:

"*The basic problem confronting an organization is to engage in sufficient exploitation to ensure its current viability and, at the same time, devote enough energy to exploration to ensure its future viability.*" – March, 1991

Ambidexterity is thus used to characterize the tensions associated with the trade-off between – and ability to – explore and exploit at the same time. This trade-off between adopting the explore versus exploit focuses can be described in several dimensions according to March (1991). One dimension includes how to allocate activities, as exploit settings suggests allocating investments on what should be an apparent best alternative. The concept of an explore setting suggests to allocate investments to search among uncertain alternatives. Explore and exploit activities can also be described as a trade-off between selection and variation generation. In an exploit setting, the focus is on effective selection among forms, routines and practices whereas in an explore setting; the focus is on generating new alternative practices. It is clear that an improvement in competence at existing procedures (which is the case with exploitation) makes experimentation with other practices less attractive (Levitt and March 1988). It is also clear that exploration of new alternatives reduces the speed with which skills at existing ones are improved (March 1991).

In many ways, there is a natural tendency to tilt the trade-off towards exploitation (O'Reilly and Tushman, 2013; March, 1991).

"The certainty, speed and clarity of feedback ties exploitation to its consequences more quickly and more precisely than is the case of exploration" – March, 1991

"The difficulty in achieving this balance is a bias in favor of exploitation with its greater certainty of short-term success." – O'Reilly and Tushman, 2013

As described above, previous research has had different views on ambidexterity. O'Reilly and Tushman (2013) identify three particular views: sequential ambidexterity, simultaneous/structural ambidexterity and a more recently developed form referred to as contextual ambidexterity. The latter form is not previously described above, and it differs from the former two in that the dual focus on both explore and exploit must also be made at an individual level (Gibson and Birkinshaw, 2004) and not only at an organizational level, as simultaneous/structural ambidexterity suggests (O'Reilly and Tushman, 2013). Organizations' processes and systems should therefore be designed to let employees decide for themselves on how to best divide their time between explore and exploit activities (Gibson and Birkinshaw, 2004). The form of ambidexterity referred to throughout this paper is the simultaneous/structural form of ambidexterity, which is in line with March's (1991) definition of ambidexterity, as described above.

Something that complicates the usage of the ambidexterity literature in research is that the increased interest in the matter has led to a vast number of slightly differing definitions of what the concepts of ambidexterity, exploring and exploiting actually refer to. Nosella et al. (2012) argue that there is a need for redefining a common definition. For this study, the task of defining what view on ambidexterity, exploration and exploitation best suits the authors' purpose has not been completely trivial, but hereafter the definitions of ambidexterity, explore and exploit as described by March (1991) above, will be used throughout the paper.

Subsequent to O'Reilly and Tushman's (1996) development of the concept of structural ambidexterity, there was an explosion in the research of structural ambidexterity. Some early studies concluded that structural ambidexterity was associated with firm performance (e.g. He & Wong, 2004; Katila and Ahuja, 2002; Lubatkin et al., 2006). Later studies broadened the scope of the analyses and concluded that ambidexterity is associated with sales growth (e.g. Caspin-Wagner et al., 2012; Geerts et al., 2010); subjective ratings of performance (Bierly and Daly, 2007; Lubatkin et al, 2006); innovation (e.g. Katila and Ahuja, 2002); market valuation (e.g. Uotila et al, 2008) and firm survival (Laplume and Dass, 2012; Piao, 2010; Yu and Khessina, 2012).

Research has shown that ambidexterity can be created and managed in different ways. One example of such a study is O'Reilly and Tushman's study from 2011 that showed how senior leaders' choices of actions, behaviours and organizational design affected the success of creating an ambidextrous organization. Andriopoulos and Lewis (2009) exemplified different tools that can be used to affect the organization's ability to act ambidextrous by showing that companies use a mix of integration and differentiation tactics to manage ambidexterity. For example, having a paradoxical vision helps actors at all levels to value the paradox between exploration and exploitation goals. Communication becomes an important tool as well, to ensure that the paradoxical visions are not interpreted as oversimplified or unrealistic. Furthermore, choice of mode can affect the creation of an ambidextrous firm. Vermeulen's (2001) study showed that surviving firms use acquisition as a way to revitalize the organization and that it is a good way to prevent and resolve long term rigidity.

2.3 Theoretical framework

Previous literature on accounting and strategizing has focused on how accounting affects the strategizing process (e.g. Vaivio, 1999; Hansen and Mouritsen, 2005; Ahrens and Chapman, 2007; Jorgensen and Messner, 2010; Skærbæk and Tryggestad, 2010). Further linking how accounting affects the strategizing process to the concept of ambidexterity has been touched upon by Skærbæk and Tryggestad (2010), who show that accounting facilitated both an exploitative as well as an explorative strategy. However, the concept of ambidexterity can be further leveraged to better understand accounting and strategizing, by addressing the question of how accounting and strategizing interplay and what role accounting takes in the strategizing process.

One way to better understand the role of accounting in the strategizing process is to define the strategic setting and the organizational aims and actions in that particular setting. Ambidexterity offers such a framework through characterizing the strategic actions as being of either explorative or exploitative nature (March 1991). In an explorative setting, the aim of the strategizing activities is different than in an exploitative setting. Therefore, the strategic actions of an organization are and can be managed in different ways (Vermeulen, 2001; Andriopoulos and Lewis, 2009; O'Reilly and Tushman, 2011), e.g. 'search for new information' in an explorative setting versus 'using existing information' in an exploitative setting (March, 1991). If the different strategic aims and actions of the organization can be explained by ambidexterity, there is reason to believe that ambidexterity can also explain what roles accounting can play in different strategizing processes.

There are several potential methods and concepts to use in order to investigate and understand strategic aims and actions, however, ambidexterity has been selected as the framework to be used in this study since it has been proven to have an explanatory strength in understanding strategic outcome. For example, it has helped to explain firms' ability to survive, innovate and grow (see e.g. O'Reilly and Tushman, 2013).

In conclusion, the ability to explain (1) the strategic aims and actions of an organization, in addition to (2) the strategic outcome of an organization are the two reasons why ambidexterity has been selected as a method to investigate the research question of this paper, regarding what roles accounting can take in the strategizing process.

3. Methodology

In this paper, a single-company case study will be conducted. Firstly, this section describes the research design applied by justifying the research approach, the empirical method chosen as well as the case selection. Secondly, a description of the data collection and data analysis are presented respectively. Thirdly, a critical discussion around the quality of the research methodology applied will be provided.

3.1 Research design

3.1.1 Research approach

An abductive reasoning has been applied, implying that the theoretical framework used is evolving through the researchers moving back and forth between observations and theory, using empirics to both test and develop theory simultaneously. This has been referred to as "systematic combining" (Dubois and Gadde, 2002). Two alternatives would have been an inductive or deductive approach; however both of these approaches take a linear research process for granted (Dubois and Gadde, 2002). In writing this research paper, research has been an iterative process that is not clear-cut linear. Thus, the theoretical framework has constantly been improved and updated when the authors have made new empirical findings, at the same time as theory has been tested through the empirical findings along the process of conducting the case study of this paper. Through this process, we have stayed open to the opportunity to make new, perhaps surprising, empirical findings as well as to conclude new theoretical implications.

3.1.2. Empirical method

In this paper, the chosen research method is a qualitative embedded single-case study. A qualitative approach can be argued to be favourable for conducting studies where there is no extensive research made previously in the particular research area. To be able to conduct quantitative studies, a prior qualitative study could often serve as a good foundation (Hakim, 2000).

The reasons for choosing to conduct the research through a case study are several. Firstly, which is similar to the motivation for using a qualitative approach, if the research covers a particular area where no extensive research has been made previously, it can serve as a good basis for understanding the new area, as well as studying the interaction between the object or phenomenon you wish to study and its real-life context (Dubois and Gadde, 2002; Yin, 2009). Secondly, since we are aiming at deep rather than broad insights regarding a complex process, a case study is suitable (Merriam, 1994). Thirdly, to understand the roles that accounting can take in the strategizing process, it is appropriate to follow the dynamic interactions between accounting and strategy over time, which is possible when performing a case study (Langfield-Smith, 1997).

Several individuals on different levels within the organization have been interviewed, as well as one consultant outside the organization, in order to be able to describe the use and role of accounting information in the strategizing process. To ensure adequate depth of the study, the setup therefore needs to be narrowed down, where a single-case study is to prefer (Dubois and Gadde, 2002). According to Yin (2009), a single-case study is preferred if the case is "revelatory" and "extreme or unique". In our case, the setting is both revelatory and unique since we have direct access to granular strategic information of the company acquisition and integration. Furthermore, using one single case study has been the approach of several other researchers studying the relationship between accounting and strategy (see e.g. Vaivio, 1999; Ahrens and Chapman, 2007; Jorgensen and Messner, 2010).

3.1.3. Case selection

There are several reasons for selecting the context of an acquisition and subsequent integration of one company into the other. The main reason is that the strategizing processes tend to be complex, since company integration implies an environmental context of conflicting demands and procedures of the two organizations that need to be managed and overcome to ensure successful and sustainable integration. Since the strategizing process tends to be complex and since A&S has not been studied in this particular setting, we believe that we can gain new insights regarding the role of accounting in the strategizing process by studying the interplay in an M&A setting.

The rationale behind the selection of case company in this paper was three-pronged. Firstly, acquisitions were not common in the case company, which had mainly grown organically. This was considered favourable, since there is therefore no 'best way' identified in the case company regarding how to handle the acquisition and the procedure of the strategizing process. Secondly, the provision of relevant information to do the study was granted to the authors, through gaining access to employees at all levels of the organization that had been involved in the transaction. In addition, partial access to external people involved in the transaction was also secured, implying a possibility to study the role of accounting and strategizing from several different angles. Thirdly, the case company is a multinational company (MNC), which has been argued to affect the ability to generalize the findings of the study positively (Roth and Kostova, 2003).

3.2 Data collection

The case study is based on two types of data sources; interviews as well as documentations (Yin, 2009) conducted between January and April 2015. In total, 18 interviews have been conducted with people from different levels, mainly within the organization (both from the acquiring and the acquired company), but also with one external consultant. The length of the interviews varied between 45 to 90 minutes, with an average of 60 minutes.

The structure of interviews can be viewed as a continuum between highly structured with detailed interview guides being followed, to almost non-structured interviews that appear similar to an open conversation (Alveson, 2011). In line with one of the options presented by Alveson (2011), our first set of interviews was semi-structured, leaning towards the non-structured end of the spectrum. This allowed us to learn more about the company studied and what would be interesting to gain further knowledge about (see e.g. Ahrens and Dent, 1998; Alveson, 2011). After the first round of interviews, a number of key informants were selected (Alveson, 2011) and the interviews followed a more structured process than the first round, but still within the boundaries for what can be classified as semi-structured. The interview questions evolved over time, depending on our findings from previous interviews. This approach helped us to focus the interviews on the selected strategic processes and accounting's role within these processes. Patton (1980) divides the type of questions that can be asked to gain information into six groups, where our questions mainly focused on two of these groups: questions regarding experience and behaviour (where the aim of these questions was to understand how accounting was involved in the strategizing process) and questions regarding opinions (where the aim of the questions was to understand whether the strategizing process that occurred captured the knowledge of several parts of the organization). The majority of the interviews were conducted face-to-face in the company premises, while some of the interviews were conducted via telephone.

Notes were taken during the interviews, and the interviews were recorded and transcribed in order for the authors to be able to focus on moving the discussion forward, while minimizing the risk of missing any important details through the recordings. Although the majority of the interviews were recorded, some interviews were not due to the interviewee feeling uncomfortable recording a discussion around perceived sensitive information, in line with the recommendations of Yin (2009).

Although the majority of the data collection comes from interviews, documents were used as well. These documents concerned the rationale behind the acquisition and the follow-up of the integration of the two companies, e.g. a business case of the acquisition, strategic implementation plans and a balanced scorecard.

3.3 Data analysis

To be able to conduct the analysis, an important part became to select the key strategic events on which the analysis should be based. In order to be able to study accounting's role in the strategizing process, each strategic event must be complex enough in order for the interplay between accounting and strategizing to be observable. Moreover, a "right" strategy should not be obvious from the beginning of the acquisition process, in order for strategizing to take place. It must also be an event that can be considered strategic, in the sense that it affects the company's performance (Baraldi et al., 2007). The two strategic events chosen for this study are thus considered to be complex enough and affect the firm's performance to such an extent that they live up to the criteria set.

After each interview, we went through and compared our perceptions of the main findings of the interview and how it tied into what earlier respondents had said as well as the theory studied through previous literature. The analysis process was being conducted on a continuous basis, in line with the abductive approach (Dubois and Gadde, 2002) simultaneously with the data collection and theory development processes. Through this approach, follow-up questions or clarifications became evident and could be asked in subsequent interviews. The data from the interviews was coded and sorted into a structure that followed the theoretical base of the study. This facilitated comparisons to be made as well as subsequent conclusions to be drawn. This way of conducting the qualitative analysis is in line with the practices proposed by Miles and Huberman (1994) as well as what Laughlin (2004) proposes in terms of using a theoretical framework to guide the case study towards important areas.

However, according to Alvesson (2011), interview material needs to be carefully and critically assessed and not automatically seen as the truth. The statements of the interviewees were therefore interpreted at a higher level, not taking respondents' answers for granted but viewing them as part of a bigger picture. Furthermore, Alvesson (2011) states that too high focus on systematic codifying and categorization of interview accounts often results in researchers being stuck at this daunting task instead of devoting important time to critical and creative thinking. Therefore, we have been very careful not to get too bogged down into the details regarding the interview transcripts and have focused on summarizing the key findings after each interview conducted.

Once the major part of the analysis was done, the next step became to choose which observations were most interesting and would best help us answer the research question, which formed the basis for the final analysis of the paper.

3.4 Research quality

To assess the research quality of this study, we have, as proposed by Symon and Cassell (2012), used the methodological list of criteria for assessing qualitative research created by Guba and Lincoln in 1989. This list includes internal validity, generalizability, reliability and objectivity.

We have tried to secure internal validity, also referred to as credibility, through four aspects as suggested by Symon and Cassell (2012): peer debriefing, negative case analysis, progressive subjectivity and member checking. By performing 'peer debriefing' we have continuously discussed the results of the data collection and made the tacit understandings – that we have both made individually – explicit by writing them down. This documentation has also made it easier to perform 'progressive subjectivity', i.e. challenge original constructions of research along the way. 'Negative case analysis' means that we have challenged our research construction by considering the findings that do not fit the original interpretation. This is to arrive at the most inclusive explanation possible, all other explanations having been fully considered. (Symon and Cassell, 2012). The 'progressive subjectivity' together with performing 'negative case analysis', has reduced the risk of working hypothesis driven, where data is only interpreted in line with a hypothesis. Lastly, we have performed 'member checking' (Symon and Cassell, 2012) through discussing and verifying the emerging observations and conclusions with various interviewees to ensure that their views have been accurately captured.

In chapter 4, we have attempted at providing enough detail in the empirics that the reader can judge what other contexts could be informed by the findings of this study, to allow for generalizability, or transferability of findings (Symon and Cassell, 2012). The generalizability of a single case study however is limited by nature, and it is difficult to assess what part of the company-specific situation that is the source of the findings as well as interpreting the cause-and-effect relationships (Duboius and Gadde, 2002). In addition, selecting two strategic events to study further narrows down the scope, thus generalizability can be considered to be the largest limiting factor of the findings of this study.

Reliability, or dependability refers to demonstrating how methodological changes have been documented in the paper, to allow the reader to evaluate the reliability of the research paper (Symon and Cassell, 2012). The aim of achieving reliability in the study is to minimize errors and biases (Yin, 2009). To ensure the reliability of this study, we have aimed at documenting the research procedure in a structured way so that other researchers would later be able to follow the same procedure and, hopefully, if the reliability of this study is solid, arrive at the same results (Yin, 2009). Even though the interviews have been semi-structured, which challenges the reliability criterion, we have systematically recorded and transcribed the interviews to increase the reliability.

The systematic documentation of data has furthermore served as an 'objectivity' audit, or 'confirmability' audit, as it has allowed us to document were the data came from and how such data was transformed into the findings presented in this paper (Symon and Cassell, 2012).

4. Case empirics and analysis

4.1 Company case: GlobTech acquiring Target

In order for interview respondents to be able to share their information as well as strategic documents, the case company studied has been made anonymous and called GlobTech. The case analysis is made on a division of GlobTech that will be referred to as OldDivision. In particular, this case study will be made on accounting and strategizing in the integration following the acquisition of a company called Target, which was integrated with OldDivision into what will be referred to as NewDivision.

GlobTech is a publicly traded Swedish company that operates in several markets and industries, with its core operations focusing on handling the outsourced part of their customers' service delivery system. The competitive advantage that GlobTech has from its size, implying vast economies of scale and deep expertise in its core industry, is something GlobTech has aimed at building on, through further diversifying into new industries where the knowledge in this type of outsourced services could be leveraged. One opportunity to do so was identified in the industry where OldDivision operates. Since growth was low in OldDivision, GlobTech evaluated different strategies for increased growth going forward. The reasons for focusing on growth were twofold; (1) there was a need in the industry to legitimize your position as an important player in the market place to potential customers, thus OldDivision needed to have significant size and market share to build credibility; (2) increased size would also imply a potential for higher economies of scale through leveraging GlobTech's knowledge and setup of its core business, where large scale effects had been observed from the delivery model used. In order to achieve this, the best option was concluded to be inorganic growth since OldDivision needed to grow faster than would be possible organically.

In the screening for potential acquisition targets, the company Target caught the attention of GlobTech's management. To evaluate the acquisition of Target, a Discounted Cash Flow Model (DCF) was built. GlobTech made an internal benchmarking of business models and financials between Target and GlobTech's core business and involved several different functions such as sales and finance to get opinions on feasibility of strategic options. GlobTech concluded that Target's performance should be possible to be improved, and a number of target KPI's were set up to be reached in order to achieve the improved performance once the acquisition was made. To achieve these KPIs, a number of initiatives were set up. If these initiatives were to be achieved, GlobTech believed that the financials of Target would be possible to be improved to such extent that the acquisition seemed attractive. The KPIs – both financial and non-financial – were presented and subsequently constituted the parameters being followed up by management and the board.

"So at any time the board could come back to us and ask 'How are you doing with your acquisition?' and then you always go back to the KPIs." – GlobTech core business employee

Once the acquisition was made and the integration started, the KPIs were translated into a business case with a statement of profit and loss (P&L) that NewDivision was supposed to reach. An integration team that was, together with line managers, responsible for reaching the KPIs started to work with understanding the underlying assumptions behind the business case and which initiatives that should be performed to reach the KPI targets.

"What we started off doing was to understand: what are the assumptions behind these numbers, what was the P&L of the business that we bought, and those were the assumptions that we had added based on our due diligence or other growth ambitions in order to develop this [business] case" – NewDivision employee

To be able to analyze how accounting and strategizing interplayed as well as accounting's role in the strategizing processes, two key strategic events in the integration following the acquisition have been chosen to form the basis for the analysis in section 4.2 Case analysis. In the two sections below: 4.1.1 and 4.1.2, the two chosen strategic events will be further described. These key strategic events are: (1) to focus on winning large service contracts and (2) to apply a new service delivery model.

4.1.1 Strategic event1 – Focusing on winning large service contracts

One of the key strategic decisions in the integration following the acquisition was to focus on large customer contracts as a means to increase revenue growth. This decision had been taken already before the closing of the acquisition and a KPI of winning large contracts was set up to measure the implementation of the strategy for the first two years of the integration following the acquisition. Before the acquisition was made, this strategy could not be executed by OldDivision, since focusing on large contracts demanded a certain company size and stake in the business in order to establish credibility and trust among customers, which OldDivision did not have in itself.

Even though NewDivision knew that company size was important to win large contracts, they acknowledged that exactly in what way they were to reach the KPI of winning large contracts was not clear:

"We involved senior line managers and senior sales managers and their sales teams in finding the best ways to win large contracts."– GlobTech core business employee

Although the KPI stated that NewDivision was to focus on winning large contracts, NewDivision employees stated:

"…but we only interpreted [the KPIs] as indications. I mean in the end, no one cared if we went for large or small contracts, the only thing that mattered was whether we delivered the net sales or not." – NewDivision employee

Meetings were then held regularly to follow up the development of net sales, where sales mangers presented as well as discussed together with the integration team regarding potential strategies to reach the growth targets. The sales managers were responsible for developing business cases for new customer contracts. They discussed the business cases of the contracts with the integration team and if their suggested contract would translate into a revenue and margin that was in line with the KPI, the customer contract was approved.

However, it turned out that, after an incident where the key service handled by Target had failed to be provided properly to its customers, the Target brand had become damaged. This implied that NewDivision had large difficulties in winning the large contracts that management was aiming for, even though it had the adequate size in order to be able to win large deals. To gain understanding on how to win large customer contracts, NewDivision increased the transparency of their business model towards potential customers. A large part of the discussion with the customers was focusing on what type of capital expenditures (CapEx) NewDivison had made and was planning on making going forward. Through these discussions, the customers learned what NewDivision planned to invest in. When customers gave feedback on these investments, NewDivision in turn learned what types of CapEx investments were important to the customers:

"We have to show for each customer that we were happy to invest for [them]. We have to show for each customer 'yes we take care of you'." – NewDivision employee

"During the discussion they know that building the new facility is a multimillion investment […] and we explained to them that we will invest many millions to build a brand new facility that will match all their needs." – NewDivision employee

"…then [the customers] required some [Investment X]… And then they wanted to have a third site for [Service type X]...they also described how they want the [outsourced service] to be managed between them and us. And they described the fact that they would like some of the latest [equipment Y]

and the state of the art [equipment Z] and so we discussed together before [the RFQ[1] *was set] to see what was possible to ask or not... So [it was] a good relationship [to have] with them [and] to talk before the RFQ about [these investments]."* – NewDivision employee

"Even if you dress a pig in fancy lipstick, it is still just a pig. We needed to show that things had changed. We needed to show financial transparency, investments and that the governance structure was changed." – NewDivision employee

When a contract was eventually won, NewDivision continued to be transparent towards customers, for example regarding the financials behind NewDivision's business model. By doing this, NewDivision gained trust from customers, which facilitated the discussion regarding challenges and costs that NewDivision struggled with, and how to best handle them.

"We were transparent with our business model and the costs and challenges that we had." – NewDivision employee

4.1.2 Strategic event 2 – Applying a new service delivery model

Another key strategic decision in the integration following the acquisition was to apply a new service delivery model similar to the one prevalent in GlobTech's core business. The service delivery model consisted of two parts: (1) centralization of operations in order to reduce personnel costs, as well as (2) offshoring of operations to be able to benefit from locating operations in a low-cost country. The plan was to first change the current customer contracts into a new form that was used in GlobTech's core business. This was necessary to be able to implement the new service delivery model. In a second step, the plan was to offshore operations (both equipment and staff) to a low-cost country to reduce employee expenses.

As previously mentioned, GlobTech's strategy to diversify into new industries where they could leverage their competitive advantage – through applying the service delivery model of GlobTech's core operations on NewDivision – was the key rationale behind the decision to acquire Target. They thought this would be possible due to several similarities between GlobTech's core business and Target's business.

"...we were looking at the [GlobTech's core business service delivery model] [...] so the idea here was to do the same thing." – GlobTech core business employee

"The industries of [NewDivision and GlobTech's core business] are similar to us since we have knowledge regarding e.g. how to run complex processes, understanding technological platforms as well as

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[1] Request for quotation: process where suppliers are invited into a process of bidding on specific products or services.

how to use methodologies and tools for the [new service delivery model similar to the one of GlobTech's core business]." – GlobTech core business employee

"Since the industries were so similar, the idea was to apply the same delivery model as was used in GlobTech, to lower CoS." – GlobTech core business employee

"We were more confident in how to implement the new service delivery model [than how to increase sales] because we knew how the service delivery model would work out." – NewDivision employee

Management of GlobTech had an idea of the cost savings to be reached by applying the new service delivery model after the acquisition, and these cost savings were part of the analysis of whether the potential acquisition of Target would be economically attractive. To evaluate the attractiveness of acquiring Target, a DCF of the investment in Target was built. In order to find potential synergies and areas for improvement, the current numbers of Target were challenged by benchmarking internally towards GlobTech core operations.

"The way it usually goes is that management has very strong ambitions to get to a certain level of synergies or cost savings and then the organisation responds by proposing measures to get there and then we concluded [the GlobTech core service delivery model]." – GlobTech core business employee

"There has to be performance in the business case that is meeting those expectations [of upper management] so the requirement on profitability and payback comes from high upper management and then you look into the feasibility of developing a business case with synergies that is able to meet those requirements." – GlobTech core business employee

The largest cost saving that was planned to be reached when applying the delivery system of GlobTech's core business was a reduction in Cost of Sales (CoS). To find a reasonable level for the CoS reduction from implementing the new service delivery model, internal benchmarking towards GlobTech's core operations was made.

"*You start on the cost of sales side [...] our benchmark was [GlobTech core business] operations.*" – GlobTech core business employee

Interviewer: *"How did you go about in setting those targets [of reduced CoS]?*"Interviewee: "*…[through] an ambition to get up to the normal profitability levels of [GlobTech core business] [...] It was kind of natural to look at the normal profitability level in [GlobTech core business] and do an alignment with it in the KPIs. And it was very much based on efficiencies, the [GlobTech core service delivery model]. So the normal profitability of [GlobTech core business] should be the starting point."* – GlobTech core business employee

The result of implementing GlobTech's core service delivery model was thought to reduce the CoS of NewDivision to similar levels as seen in GlobTech's core business, it was therefore deemed to be feasible to implement the new service delivery model. A budget and a KPI to reduce CoS with X% were set up, and the KPI was subsequently what management and the board followed up toward the organization. The overall strategy was set in terms of what to achieve from implementing the new service delivery model, but it was up to NewDivision to further detail the strategy of how the service delivery model should be set up. To achieve this, a more detailed business plan for the actual integration of Target and OldDivision into NewDivision was created.

"I mean, these KPIs were set before by the head of the unit was on-board, before anyone else that was actually part of [NewDivision] was on board." – NewDivision employee

"*Basically we built a business plan based on the investment case and the KPIs in it, so for example, the [CoS KPI] target that you see in the board paper was driving some of the sales targets that we had to have in order to deliver against that.*" – NewDivision employee

Furthermore, GlobTech core business employees were brought in to help implement the set strategy, since they were considered to have important knowledge of how the implementation should be done.

The planned service delivery model was new to the market and the customers in Target's industry, and it turned out to be difficult to implement for two main reasons: (1) the customer contracts of Target's existing customers were designed in a way that did not allow for the service delivery model to be applied; (2) the cost reduction for customers assumed from applying the new service delivery model was described by customers to not be important to them, since the cost of the outsourced part was not a significant part of their P&L. This was different from the situation of GlobTech's core business, where the outsourced service handled by GlobTech corresponded to a fairly important part of customers' total costs, hence the incentives for customers to lower this part of the costs were larger in GlobTech's core business compared to in NewDivision's industry. Instead, other aspects were important to NewDivision's customers, such as reliability and quality of service. Everything taken into account, customers deemed the concept of the new delivery system to be too risky to implement.

"From the very beginning I said be careful […] The [outsourced service] in the [NewDivision industry] is not the same thing as in [GlobTech core operations]." – NewDivision employee

It became evident that Target's market was different from GlobTech's core market and CoS would therefore be difficult to lower by applying the service delivery model used in GlobTech's core business.

"It is a completely different business compared to GlobTech's core business." – NewDivision employee

"They competed in completely different markets. We had to give NewDivision market time to adjust to our idea, and turn into a GlobTech market." – NewDivision employee

"There hadn't been enough diligence behind [the assumptions in the investment case] so they were, I would say, inaccurate and didn't have enough support." – NewDivision employee

The Head of NewDivision further wanted to understand how the competitors managed to have lower CoS. An investigation with the aim of understanding how competitors managed to reach target levels of CoS was initiated. The main reasons turned out to be: (1) competitors had older assets that were already depreciated, which had a positive effect on the P&L and (2) competitors did not calculate costs in same manner as OldDivision, since different line items were included by different companies.

"GlobTech was very strict with its accounting principles. And we did everything properly and we then interviewed a few people from the industry and asked them what their business model was and we found that that they didn't actually include all their costs. There was one guy that didn't include electricity, there was another person that didn't include facilities. So they were not, I guess, with their reporting of their profitability, they weren't taking the full cost into account as GlobTech does. So that was another reason why they looked to be profitable even though we couldn't get their profitability."– GlobTech core business employee

"The other thing that was happening was that a lot of these competitors had equipment that was quite old. It has already been either half or completely depreciated, and therefore they didn't have the depreciation on their books which made the profitability look better as well." – GlobTech core business employee

Despite the fact that the strategy of applying the new service delivery model could not be implemented, the KPI of X% reduction in CoS was not changed during the years that followed the acquisition. As one of the employees stated:

"*We just needed to find a strategy to reach [the KPI of reduced CoS]*" – NewDivision employee

Another employee stated:

"These KPIs wouldn't have been the KPIs that we would have set once we started the business. It was based on the understanding that the [GlobTech core employees] had pre-acquisition. But post-

acquisition obviously when you know what you bought and you can see the financials more clearly and you know the people then you might would have wanted to choose a different set [of KPIs] but in any case this is what we set to the board so […] that was our focus area then. To deliver against these [KPIs]." – NewDivision employee

The overarching strategy and KPI were not changed, however, new sub-strategies to reach the overarching KPI and overarching strategy were formulated. NewDivision still hoped to be able to apply the new service delivery model. Therefore, "Project Z" was initiated, aiming at creating a new business case to reach the target CoS. The feasibility of the business case was to be evaluated on the CoS impact it was perceived to have on the business and if it was deemed good enough, the board would approve the new strategy. The outcome of the project was a business case where parts of the operations could still be offshored to a low-cost country. However, implementing Project Z would not lead to an adequate CoS reduction, which resulted in the management decision to abandon "Project Z".

A third effort, "Project Q", to reduce CoS involved building larger, partly centralized hubs relatively close to the customers. This could be seen as middle ground between what was at the time the current delivery model (i.e. customer-specific operations) and the originally planned strategy at the acquisition point in time, to apply a new service delivery model (i.e. complete centralization of the delivery system). Since this strategy would reduce CoS, the strategy was decided to be pursued. However, the CoS reduction implied by the Project Q strategy was not close to the reduction expected from the original plan of applying the new service delivery model.

"*The profitability was low, so the business cases never ever worked and we must have done – I don't know – dozens of business cases and they never worked [...] [The Head of NewDivision] used to come to our meetings and he would say 'Why don't they work?'*" – GlobTech core business employee

To date, a couple of years after the acquisition took place, the new service delivery model has not been implemented.

4.2 Analysis: The role of accounting in the strategizing processes of GlobTech

The effect of accounting on strategizing as well as accounting's different roles in each of the two strategic events can be discussed as well as compared to findings of previous research within the field of accounting and strategizing. The following section will cover this analysis.

4.2.1 The role of accounting in strategic event 1

Accounting played a crucial role in shaping the strategy to focus on winning large contracts, since it helped NewDivision understand how to reach this target by learning what was important to the customers. Accounting is thus argued to have been used as a learning tool. This expression implies that accounting information was used to acquire and evaluate information that was important to consider in the strategizing process, and that affected or altered the strategy formulation and/or implementation. Investments and capital expenditures (CapEx) were discussed with the customers, both as a way for the customers to understand what NewDivision perceived as important when delivering their services to the customer, and also as a way for the customers to communicate what they considered important when signing a contract. Investments and CapEx became a language through which customers and NewDivision could commonly discuss what NewDivision needed to do in order to win a large contract with a particular customer. Furthermore, once a large contract was won, NewDivision continued to be transparent with the financials of the business model. By being transparent towards customers regarding the underlying costs in the business model, the customers were able to continuously express what they considered important by discussing the cost items in NewDivision's business model. In this way, accounting continued to be a learning tool throughout the integration process, in order for NewDivision to understand what was important to their customers and how they could win large contracts.

When viewing the situation through the lens of ambidexterity, accounting and its role as a learning tool can be understood. There are several indications that GlobTech viewed the strategic setting to be of explorative nature. Firstly, as stated by one of the employees at GlobTech's core business, GlobTech did not have a clear view on how to reach the KPI to win large contracts:

"We involved senior line managers and senior sales managers and their sales teams in finding the best ways to win large contracts." – GlobTech core business employee

The uncertainty in how to invest observed in GlobTech, and later on in NewDivision, is in line with explorative characteristics described by March (1991). Secondly, a search for the best strategic alternative was initiated by involving the line managers and making them build feasible business cases, also in line with March's (1991) explanation of explorative actions. Thirdly, through the discussions with the customers once the acquisition was made, NewDivision discovered new ways of how to win large contracts. This discovery of options is also in line with March's (1991) definition of what characterizes explorative settings. March (1991) further describes that, in settings with explorative characteristics, new information about strategic alternatives is to be searched for. Thus, observing accounting becoming a learning tool can be argued to be expected in light of the ambidexterity concept. The organization did stay open to the new strategic options in the new situation, and management promoted the organization to engage in search for new information by experimenting with different business cases and discussing investments together with the customers. All of these phenomena are in line with an explorative setting, as described by March (1991), in which the organization needs to stay open to changing conditions. In this case, accounting guided the learning of the organization and encouraged strategy to be shaped and reshaped by this new knowledge.

The findings of analyzing the strategic event 1 are similar to previous findings within accounting and strategizing research, for example the studies made by Skærbæk and Tryggestad (2010), Ahrens and Chapman (2007) and Vaivio (1999).

In Skærbæk and Tryggestad's (2010) study, accounting was proven to alter strategy and the IPO device, which was considered to be a useful accounting device, created a learning situation to the organization, even though it was not pursued:

"*The strategy adapted (in our case referred to as 'development – not liquidation'), is successively adapted to, and mutually constituted by, the accounting device.*" – Skærbæk and Tryggestad (2010)

They further state:

"*The IPO device in our case can be regarded as a learning machine (Abernethy & Brownell, 1999; Burchell, Clubb, Hopwood, & Huges, 1980) that not only can facilitate the efficient implementation and exploitation of strategy, but also its further experimentation and exploration. Although an IPO was not launched, the IPO device is productive in exploring the possibilities of an active strategy and what is 'outside'/'inside' strategic discretion and intervention.*" – Skærbæk and Tryggestad (2010)

Ahrens and Chapman's (2007) findings, where restaurant managers used accounting systems through evaluating past performance to understand the strategic implications is also to be seen as a way to learn what would be the best strategic actions for the future:

"*The managers mostly seemed to regard their accounting systems as imperfect but adequate for the task of rendering visible organizational members' daily activity through accounting inscriptions. For them, the main use of past performance evaluation lay in its potential to help construct future lines of action.*" – Ahrens and Chapman (2007)

In Vaivio's (1999) study, numerical data was used to shape the organization's operational strategy and practices. Through creating a 'quantified customer' where customer preferences were quantified through the use of objective financial data, the organization learned what was actually important to the customers, which affected the company's strategic focus and drove organizational change.

4.2.2 The role of accounting in strategic event 2

Accounting had two roles in creating the strategizing process observed in strategic event 2: applying a new service delivery model. Firstly, accounting acted as a key *confirming* factor, making management become more certain that the setting was of exploitative nature and therefore focus on exploitative strategizing, and secondly, accounting subsequently amplified the strategizing process by setting frames for the organization to strategize within, to reach the overall set strategy. These two roles of accounting will be further elaborated upon below.

4.2.2.1 Role 1: Accounting confirmed the strategic setting

Management seemed to believe that they were in an exploitative setting, since they found the industries of GlobTech's core business and NewDivision to be similar, and therefore they believed current knowledge from their core business should be possible to be applied in NewDivision.

One indication that management was viewing the setting as exploitative is the fact that NewDivison brought in people from GlobTech's core business that were experts on the delivery model applied in GlobTech's core business to help in executing the strategy.

Another indication on the perception of an exploit setting was that when it became evident to the organization that applying the new service delivery model was not feasible, it seemed as though the organization tried to change the market to fit the strategy of applying the new service delivery model, rather than adapting to the market conditions and customer preferences. NewDivision tried to adjust the market to create an exploitative setting where they could use the internal capabilities developed in GlobTech's core business, rather than adapting to the market and customer needs, as expressed by one of the employees.

"They competed in completely different markets. We had to give NewDivision market time to adjust to our idea, and turn into a GlobTech market." – GlobTech core business employee

"We were more confident in how to implement the new service delivery model [than how to increase sales] because we knew how the service delivery model would work out." – NewDivision employee

The fact that management viewed the setting as exploitative becomes visible when analyzing the choices made from the perspective of the trade-offs highlighted by March (1991) where he compares exploration and exploitation activities (see chapter 2.2 "Previous research on ambidexterity" for further details on March's (1991) trade-offs). The first trade-off brought forward by March (1991), is regarding investments. At NewDivision, investments were allocated to the apparent best alternative (which was here considered to be the application of a new service delivery model) instead of being used to search for new alternatives, in line with what March (1991) suggests is typical for an exploitative setting. The second trade-off is about selection of practices (seen in an exploitative setting) versus generation of new practices (seen in an explorative setting). NewDivision focused on effectively selecting routines and practices used in GlobTech, and the interviewees clearly stated that the plan was to apply the practices of GlobTech onto NewDivision, instead of generating new practices.

The above reasoning shows evidence of management viewing the setting of the strategic event 2 to have exploitative characteristics, driven by the perceived similarities between the two industries of GlobTech's core business and NewDivision. Accounting had an important *confirmatory* role in convincing management to believe that they were in fact in an exploitative setting. Through internal benchmarking and calculation of the likely CoS reduction possible to attain (from implementing the same service delivery model in NewDivision as was prevalent in GlobTech core business), GlobTech management concluded that the result of the implementation would lead to a similar CoS level as seen in GlobTech's core business. This was proof to management that, since the CoS outcome of applying the same delivery model was similar in the two industries, the two industries themselves were in fact similar. Thus, the strategic setting at hand was, from management perspective, proven to be exploitative, since management perceived that they already possessed the knowledge and information of the situation at hand and did not need to search for new information to improve future returns.

In this way, management can thus be argued to have used accounting numbers as a confirming tool to understand whether a similar outcome (i.e. a similar level of the CoS) would be the outcome for the two industries when applying the same service delivery model. In this case, accounting took the role of confirming and strengthening management's perception of the strategic setting to be of exploitative nature.

It is argued in this paper that accounting confirmed the strategic setting for NewDivision. This can be compared to findings in previous literature of accounting and strategizing. In these studies (see e.g. Jorgensen and Messner, 2010; Ahrens and Chapman, 2007) the strategic setting was already given when accounting entered the picture, which implies a later stage than was the case for NewDivision. For example in Jorgensen and Messner's (2010) study, profitability measures reminded the organization of the ultimate financial goal to be attained by strategizing. However, the strategic setting was already known when the profitability measures came into the picture: the strategic setting was seen as new territory by the organization and the employees then needed to explore how to build these modules to reach profitability. When accounting, in the form of a margin to be reached, entered the picture in the case study of a restaurant chain made by Ahrens and Chapman (2010), the strategic setting was already understood and the organization knew they needed to explore new ways to reach the margin when designing their menu. In NewDivision, on the other hand, accounting was used to find out what strategic setting the oragnization was currently in. Before accounting was brought into play, the organization was not certain whether the strategic setting was such that current knowledge could be exploited or if there was a need to search for new information. As described above, accounting was thus used by management to confirm that the setting was of exploitative nature.

Another difference between the accounting and strategizing interplay described in previous literature (see Ahrens and Charpman, 2007 and Hansen and Mouritsen, 2005) and the interplay observed in NewDivision is the reliance on accounting in the strategizing process. In NewDivision, the confirmatory tool that management used to understand the strategic setting was accounting (more specifically, the internal benchmarking of CoS). In Ahrens and Chapman's (2007) study on the other hand, accounting was vital, but the organization was not captured by accounting numbers.

"*In actively establishing shared understanding of what it meant to do well, they drew on but were not captured by performance metrics.*" – Ahrens and Chapman (2007)

Similar descriptions can be seen in Hansen and Mouritsen (2005), where accounting was thought of as mainly colouring the strategizing process, the organization did not rely on accounting.

"[Balanced Score Cards] coloured the mode in which value and coherence were debated, and they thus framed the concerns labelled strategy" – Hansen and Mouritsen (2005)

4.2.2.2 Role 2: Accounting amplified the strategizing process

The overall strategy to implement the new service delivery model and the overarching CoS KPI was not changed. Instead, during the years following the acquisition, the organization continued to try to find sub strategies to reach the overall KPI. Also in this case, accounting played a role since it amplified the strategic direction that was set, and steered the strategizing within pre-set frames (i.e. the pre-set CoS KPI was to be reached). It affected the strategizing in the way that it was only performed within pre-set frames, since only new sub strategies were formulated and overall strategy was not changed.

It can be argued that one reason why accounting amplified or steered the already set strategic direction was that accounting numbers (here represented by an overarching KPI on CoS) were viewed by the organization to be set in stone, and strategy was of secondary importance, thus accounting steered the strategizing. This argument is supported by several facts: (1) although the KPI of reducing CoS by X% was derived from the strategy to build a service delivery model that turned out to be difficult to implement, the overall KPI was not changed; (2) the board and management only followed up on the development of the KPI, as one of the employee's stated: *"So at any time the board could come back to us and ask 'How are you doing with your acquisition?' and then you always go back to the KPIs."* (3) the new strategy to offshore parts of the operations ("Project Z") was possible to implement (and would be in line with the initial strategy to build a new service delivery model), but was still not implemented since it did not reduce CoS significantly.

When accounting numbers were set in stone, accounting focused the strategizing process through pre-setting strict frames of areas within which the organization was to strategize. Accounting steered the focus of the organization towards how to reach the set KPI targets.

The observation that the overarching KPI was set in stone can be compared to the findings of Jorgensen and Messner (2010). In the organization they studied, accounting had a more guiding role:

"*[Accounting] guided the actors strategizing efforts by reminding them of the ultimate goal of financial result.*" – Jorgensen and Messner (2010)

The fact that the accounting numbers in the case of NewDivision were set in stone to steer the strategizing efforts – i.e. not only guide them – can be understood by, again, relating back to the conclusion that management of GlobTech had viewed the strategic setting as being of exploitative nature. Since management is argued to have viewed the situation in an exploitative way, it was to them mainly a matter of implementing the same strategy for NewDivision as was applied in GlobTech's core business. Accounting (here represented by a KPI on CoS) was thus used as an implementation tool for the set strategy. Since the accounting numbers were considered to be a fair representation of the truth, applying the same model and processes in NewDivision as was used in GlobTech's core business, was thus considered to result in similar levels of accounting numbers as GlobTech's. Accounting thus became a measurement of the *efficiency* (March, 1991) that needed to be reached. The fact that NewDivision had higher CoS relative to GlobTech therefore revealed that GlobTech was more *efficient* than NewDivision. Management therefore felt confident to set up a KPI to be reached by NewDivision without changing it, since they believed that NewDivision would be able to reach the KPI threshold and that it was only a matter of *efficiency* that could be gained by *using current knowledge*.

Other studies have also shown, in line with what was observed in strategic event 2, that accounting was set in stone. One example is Ahrens and Chapman's (2007) study, where each restaurant was to reach a certain profitability level. However, in their paper, this target still allowed for local interpretation of what activities to perform and management was aware of the limitations and contextual importance of accounting:

"Head office managers were under no illusion that their strategic visions would easily 'translate' into managerial actions through the organisation. They never suggested straightforward relationships between management control information and organisational activity."

"The functionality of performance information was paramount to senior management but they were keenly aware that their notions of functionality were highly context specific." – Ahrens and Chapman (2007)

Thus, accounting did not seem to amplify the strategic direction in the same way as observed in this study, because the accounting did not directly translate into a strategic direction.

As explained above, the fact that management perceived the setting to be exploitative can be considered as one explanation to why the CoS KPI was set in stone, which in turn led to the observed amplification and steering of the strategic direction, in that accounting pre-set the frames for the strategizing efforts observed in NewDivision.

Another explanation to why accounting amplified the strategic direction can be found in the trust that was attributed to accounting numbers in NewDivision. The fact that every strategic option (e.g. Project Z and Project Q) considered was translated into an effect on the CoS KPI reveals an extensive trust in that accounting represented a fair picture of reality to management. This also made accounting amplify the strategic direction, because in NewDivision, accounting was the only tool that was used to pick up potential signs of a need for changing the strategic direction. In contrast, in other studies, accounting was not the only tool used to pick up signs that the strategic direction needed to be changed, because every strategic option was not translated into accounting numbers. As Jorgensen and Messner (2010) state in their paper:

"Strategic objectives were not translated into numbers; they were rather mobilised in tandem with financial arguments. Accounting inscriptions were not regarded as the single best way of representing what happens in the organisation".

Ahrens and Chapman (2007) explain similar findings as Jorgensen and Messner (2010), since all strategizing options in their study were not captured by performance metrics, and accounting was not the only tool used to alter strategic direction:

"[Senior managers] were happy to work with approximate representations of physical and financial flows. We saw that in actively working with other organizational members in order to establish a shared understanding of what it meant to do well, they drew on, but were not captured by, performance metrics. The meaning of diverse objectives (and performance metrics) for the activities of organizational members only became clear to them through on-going contextualization."

5. Discussion

5.1 Contributions to the accounting and strategizing literature

The field of research on how accounting interplays with the strategizing process is a fairly young research area and further studies have been called for (e.g. Jorgensen and Messner 2010; Skærbæk and Tryggestad, 2010). By studying A&S in the context of an acquisition and the subsequent integration of one organization into another, this paper's aim is to deepen the understanding of how accounting affects the strategizing process, by examining what roles accounting can take in the strategizing process.

The majority of the A&S literature has painted a picture that can be argued to have an overall positive view of the role that accounting has in the strategizing process. Accounting has for example been described by Jorgensen and Messner, 2010 as guiding actors' strategizing efforts by reminding them of the ultimate importance of financial numbers, as well as by Vaivio (1999) to be allowing a new form of knowledge based on the 'more objective' numerical data to be accepted by the organization, and to drive organizational change. Furthermore, Hansen and Mouritsen (2005) concluded that accounting allowed a local interpretation of what strategy was about and that accounting got power because it could be bent towards purposes so that local identity could be upheld. We have empirically shown that, in the case of GlobTech and the first strategic event studied in this paper (focusing on winning large contracts), accounting took on the role of a learning tool that helped the organization to shape the strategy of NewDivision. The observations made in the first strategic event endorse the positive description of accounting's role in the strategizing process. However, the most striking finding in this paper is the limitations of accounting in the strategizing process. In the second strategic event, this limitation can be seen through the two roles that accounting took: a) confirming the strategic setting and b) amplifying the strategic direction.

In taking the role of a) confirming the strategic setting, accounting figures were interpreted by management as indications of the organization being in an exploitative setting and that NewDivision could use the current knowledge from GlobTech's core business when shaping its strategy. However, when analysing the strategic event 2 further, it can be argued to have *explorative* characteristics. As explained in chapter 4.1.2 "Strategic decision 2 – Applying a new service delivery model", the market of NewDivision was in fact different in several ways compared to the market of GlobTech, for example seen through the fact that the delivery system in the NewDivision market was more critical to NewDivision's customers than the delivery system of GlobTech's core business was to GlobTech's customers, both in terms of delivery quality and reliability. Thus, NewDivision was not able to *use their current knowledge* of the core business of GlobTech or apply the same strategy on NewDivision, since the customers of NewDivision deemed the model too risky. According to March (1991), an explorative setting implies that the organization needs to stay open to *gaining new information* as well as *innovation,* to change the current business model of NewDivision to fit the current market conditions. NewDivision can be argued to not have stayed open due to the fact that the organization viewed the setting as exploitative. Accounting as a confirmatory tool of the strategic setting of the organization, can therefore be argued to have its limitations, since the exploratory factors of the setting were not brought to the surface.

In the role of accounting in b) amplifying the strategic direction, accounting (represented by a CoS KPI) was observed o be set in stone, which limited the strategizing efforts of NewDivision to take place within pre-set frames of the KPI. Furthermore, accounting did not pick up potential signs of a need for changing the strategic direction and since these signs were not captured, accounting can be argued to have limited the strategizing efforts of NewDivision.

With the above described observations and arguments taken into consideration, we therefore seek to balance the view of accounting's role within the strategizing process, through highlighting the limitations of accounting observed in strategic event 2.

In this study, ambidexterity theory turned out to be a useful lens to apply when studying accounting and strategizing, since it allowed us to understand the strategic setting (e.g. that event 2 was perceived by management as being an exploitative setting), which was an important explanatory factor when understanding what role accounting took in the strategizing process.

5.2 Contributions to the ambidexterity literature

By examining the accounting roles observed in this study, we wish to highlight not only how accounting affects strategizing, but also how accounting tools (such as KPIs) can affect the ambidextrous activities. Two of the roles that accounting was observed to take in the strategizing process in the case study of this paper – accounting as a learning tool as well as amplifying the strategic direction – shed light on how accounting tools can be used in a firm's exploiting and exploring activities. As seen in event 1, accounting was a learning tool that was used to explore alternative actions of the organization, whereas accounting in event 2 amplified the set strategic direction of exploiting current knowledge and concepts in the organisation.

Within the organizational ambidexterity literature, exploring and exploiting has been viewed as a deliberate choice that the organization acts upon. Whether ambidexterity is to be created in a sequential manner by shifting structures (See e.g. Duncan, 1976), whether it is created by structurally separated subunits (See e.g. O'Reilly and Tushman, 1996) or whether it is up to the individuals to decide whether to perform explore or exploit activities (See e.g. Gibson and Birkinshaw, 2004), it is still discussed as deliberate choices. The third role observed in this study, where accounting confirmed the strategic setting, sheds light on the fact that ambidextrous activities should not only be seen as conscious and deliberate actions, usage of accounting tools (such as internal benchmark of CoS in this case study) can, in themselves, affect in what way the setting is interpreted – i.e. as explorative or exploitative, and therefore which ambidextrous activities that are being performed. In the case company studied, accounting affected management's view on the strategic setting through confirming that the setting was of exploitative nature, which subsequently leads the organisation to perform exploitative activities. This in turn illustrates the importance to the members of the organization of understanding the strategic setting in which they perceive themselves to be and is acting upon, since, as observed in this study, the strategic setting (explore or exploit) affects how tools (such as accounting) were used by the organisation. These tools have both abilities and limitations that, in turn, can alter the ambidextrous activities of the organization, as elaborated upon in chapter 6.2 "Managerial implications".

5.3 Limitations of the study

The research question of this study: '*What roles can accounting take in the strategizing process?*' is a broad question. We do not aim to give the full answer to this question but to investigate it further and gain more insights in potential roles that accounting can take in the strategizing process, through analysing the strategic context at hand. Furthermore, the research area has been studied before. However, there is a limited amount of studies made to date, why we believe that it is still fruitful to continue investigating the A&S relationship in a broader sense. Moreover, the M&A context of the study differs from previous studies of A&S, a context that tends to be complex, as an integration implies an environment of conflicting demands and procedures of the two organizations that need to be managed and overcome to ensure successful and sustainable integration. The paper has also been proven to give new insights to the roles that accounting can take in the strategizing process: a) confirming the strategic setting and b) amplifying the strategic direction.

Another limitation of the study is that there has not been any distinction between different employees in the organization, e.g. between people on different organizational levels or within different functions, but instead, interview respondents are labelled "employee". The reason for this is the sensitive nature of the information shared by interviewees, who have wished to stay anonymous. Furthermore, we have chosen not to add a particular number to a particular employee, since adding a number to each interviewee would make it easy for other interviewees or employees of the firm to connect the different quotes made by each interviewee to find out what number corresponds to which person. This implies that the interplay and interactions concerning accounting and strategizing in different organizational levels and functions cannot be studied. Even though doing so was not the aim of this paper, it would in retrospect have been an interesting perspective to investigate.

The ambidexterity framework applied for the analysis of the interplay between accounting and strategy of this thesis also has its limitations. It does help us through providing a depth to the analysis of understanding what roles accounting can take in the strategizing process, but it can be criticized to lack breadth. This can be seen since the analysis of the paper includes a part that is not directly related to the ambidexterity framework to answer the research question, namely the level of trust in the organization discussed in section 4.2.2.2 Role 2: "Accounting amplified the strategizing process". It can be argued that another framework could have been used instead of the ambidexterity framework, such as practice theory. However, practice theory has been the analytical framework used in other studies (see e.g. Ahrens and Chapman, 2007; Jorgensen and Messner, 2010), why applying a new framework is perceived to potentially give rise to new interesting findings.

The ability to generalize the findings in this study is limited for several reasons: (1) the qualitative nature of the study: the ability to generalize in the majority of qualitative studies is limited; (2) the fact that only one single case company is studied implies that company-specific factors come into play that are difficult to point out; (3) the non-disclosure agreement setting of the study, implying an inability to be transparent regarding the industry of the case company; (4) the differing definitions of both ‘accounting’ and ‘strategizing’ makes comparisons to previous studies more difficult; (5) the context of M&A, which also makes comparisons to other contexts more difficult.

6. Conclusions

6.1 Conclusions

The main purpose of this paper has been to investigate what roles accounting can take in the strategizing process. For this question to be answered, the context of M&A has been acting as the basis for the case analysis. This context adds a new perspective in painting the picture of how accounting affects strategizing, since the strategizing processes in an integration of an acquired company is commonly complex due to conflicting demands and procedures of the two organizations that need to be overcome.

In order to investigate what roles accounting can take in the strategizing process, we conducted an in-depth study in one case company where one of the divisions acquired another company. The following findings were made:

1. Accounting had three roles, where it acted as: a learning tool, a tool for confirming strategic setting as well as a tool for amplifying strategic direction.
2. New types of interplay between accounting and strategizing were observed through the latter two roles, which have not been covered in previous literature.
3. The overall picture of accounting's role in the strategizing process has been more positive in previous literature than was observed in the case study of this paper.

The concept of explore and exploit in the strategy literature domain was used to investigate what role the accounting took in the strategizing process. In the two strategic events analyzed, accounting had different roles. In strategic event 1, accounting, in line with previous research (see Vaivio, 1999; Ahrens and Chapman, 2007; Skærbæk and Tryggestad, 2010) was shown to be a learning tool for strategy creation, modification and implementation, in line with the situation being interpreted by management as an explorative setting. Strategic event 2 on the other hand, showed that accounting took on two different roles. Firstly, accounting was observed to confirm the strategic setting, which was interpreted by management as being of exploitative nature. Secondly, accounting was observed to take the role of amplifying and steering the direction of the strategizing process towards making the organization strategize within pre-set frames, in line with the strategic situation being interpreted as an exploit setting in the first place.

However, the generalizability of the conclusions of this study is limited for several reasons, as discussed above in section 5.3 "Limitations of the study", such as the qualitative nature of the study, the fact that only one single case company is studied, the inability to be transparent regarding the industry due to the non-disclosure setting of the case study, the differing definitions of 'accounting' and 'strategizing' of different studies as well as the specific M&A context all imply limiting factors that affect the ability to generalize based on the conclusions.

6.2 Managerial implications

In this study, the interplay between accounting and the strategizing process has been expressed through three particular roles that accounting has taken in the strategizing process. The learning to be made by studying each of these roles offers practical implications, which will be elaborated upon in this section.

The first and main learning made through studying two of the roles described (accounting confirming the strategic setting as well as accounting amplifying the strategic direction) is the importance of being aware of the limitations of accounting and adjusting the usage of accounting as a tool in the strategizing process accordingly. By translating initiatives made in GlobTech's core business to a CoS reduction – and ensuring that the total result from the initiatives planned would be to reach a similar CoS as in GlobTech's core business – it was confirmed to management that Target's business was similar to GlobTech's core business and that the same delivery system model could therefore be used in the operations of NewDivision. However, the industry of Target turned out to be different than that of GlobTech's core business and the concept could not be implemented. Given these findings, we argue that instead of devoting resources to further understand the industry of Target, accounting became a shortcut for understanding the industry dynamics: it acted as a confirmatory tool and had its limitations since not all relevant factors of the industry were brought to the surface. Therefore, it is vital not to use accounting figures as a substitute for tasks it cannot perform – one needs to, for example, understand the underlying dynamics and drivers of an industry by examining how the business model works, what the underlying needs of the customers are and so on. This reflection is in line with what one of the NewDivision employees stated:

"*There hadn't been enough diligence behind [the assumptions in the investment case] so they were, I would say, inaccurate and didn't have enough support.*" – NewDivision employee

We further argue that it is important to understand what strategic setting (i.e. explore versus exploit) the organization is in, since it will affect the risks of using a particular tool (in this case an accounting tool) that the organization needs to address. For example in strategic event 2, our analysis shows that management believed the organization to be in a setting of exploitative nature, why they should be able to use their current knowledge from GlobTech and apply onto NewDivision. What was observed in this study is that accounting amplified the strategic direction. We thus argue that if managers would have been aware of what strategic setting they implicitly had identified the organization to be in, and if they would have been aware of that accounting can amplify the strategic direction implied by the assumed strategic setting (i.e. aware of the limitations of a certain tool in a certain strategic setting), they would have been able to complement the accounting KPI on CoS with other tools that would perhaps have picked up indications of the strategic setting being different than was initially expected.

Despite the above-discussed limitations, accounting can be used as a tool in the strategizing process. As seen in event 1, accounting was used as a learning tool that helped NewDivision understand what strategic direction they should take. It created clarity and a common ground to discuss together with the customers. Thus, organizations could take advantage of the 'power of numbers' through the clarity that accounting numbers could give, by encouraging employees to concretize and share how their knowledge of e.g. the market or industry affects the accounting numbers to increase organizational learning.

6.3 Suggestions for further research

There is a number of areas where we see potential for further interesting research. Since accountings' role in the more recent view of the strategy process called strategizing has not been extensively studied, there is a need to understand the interplay between the two to a larger extent (see e.g. Jorgensen and Messner 2010; Skærbæk and Tryggestad, 2010). More specifically, exploring the different roles that accounting can take in the strategizing process, which is how the interplay has been expressed in this paper, can surely reveal new interesting roles of accounting.

One of the limitations discussed in section 5.3 "Limitations of the study" is that in this paper, interview respondents of the case study are only labelled "employee", and no further distinguishing is made regarding the organizational level or function of different employees, due to confidentiality reasons. Thus, another interesting area for further research would be to focus on the actions and practices regarding accounting and strategizing at an individual level, by distinguishing between employees on different organizational levels and functions. As an example of how this could be approached, the ambidexterity framework used in this paper could be extended to include also the more recently developed form of ambidexterity as described by O'Reilly and Tushman (2013): *contextual ambidexterity* (Gibson and Birkinshaw, 2004), which implies that not only organizations, but also individuals need to strike a balance between exploring and exploiting. If the strategy process is built into the everyday practice of the employees of the organization, studying how accounting affects strategizing on an individual level seems promising.

Through the lens of ambidexterity, this paper aims at examining what roles accounting can take in the strategizing process. However, ambidexterity theory also allows us to touch upon the question of *why* the interplay between accounting and strategizing is different in different strategic settings. Thus, in parallel with the continued research of how accounting affects strategy, *why* accounting affect strategy differently in different strategic contexts (explore versus exploit) would thus be interesting to dig deeper in.

Other frameworks could also be used in future research in order to be able to view the relationship between accounting and strategizing in new angles. One framework that could potentially have been used to gain further understanding regarding why accounting was set in stone in event 2 is the theory of path dependency, which implies that the set of decisions an individual faces in each situation is limited by the past decisions made (Mahooney, 2000).

The majority of previous research made on how accounting affects the strategizing process has applied a qualitative research methodology. It would be interesting to make a larger qualitative case study, including several different cases for comparison between different companies, potentially within different industries, to be able to build an understanding of what type of, and to what extent, accounting information or devices are used in practice in the strategizing process, and to increase the generalizability. In addition, conducting a quantitative study would add the opportunity of spotting patterns in how accounting is used in the strategizing process, which would lay the foundation on which to make generalizations from the results of a larger sample population.

7. References

7.1 Interviews

Interviewee	Date first interview	Date second interview
Employee #1	2015-01-20	2015-03-24
Employee #2	2015-01-22	2015-03-25
Employee #3	2015-01-26	
Employee #4	2015-02-10	2015-03-30
Employee #5	2015-02-04	
Employee #6	2015-02-03	
Employee #7	2015-02-17	
Employee #8	2015-02-02	2015-04-10
Employee #9	2015-02-26	
Employee #10	2015-03-24	
Employee #11	2015-02-23	
Employee #12	2015-02-25	
Employee #13	2015-04-13	
External consultant	2015-02-10	

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