

An institutional logics perspective on management accounting changes following acquisitions

- A case study on how different logics within the acquiring and acquired firms shaped the management accounting change following the acquisitions

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Abstract

This thesis investigates the management accounting change (MAC) following a number of acquisitions of professional service firms made by the firm ProCorp. The MAC took place in an environment characterized by institutional complexity where the acquiring firm was guided by a 'business logic' whereas the acquired organisations were guided by a 'professional logic'. The MAC framework by Burns and Scapens (2000) was developed by incorporating the theories within institutional complexity and applied to analyse the institutionalisation process of the gradually implemented management accounting system. We contribute to the MAC literature, in a post-acquisition context in particular, by showing how the different logics contributed to the design and use of the management accounting system, but also how its use influenced the logics. With regards to the design of the new system, we suggest that new management accounting rules that adhere to the logic of the specific group upon which they are imposed are more easily translated into actions and new routines by these individuals. Early compromising on part of the acquirer, with regards to the order of implementation of changes, can thus be a way to achieve balance between stability and change and may pave the way for later changes in line with the logic of the acquirer. Furthermore, we show how structural differentiation was enabled by partly separating the groups of different logics, facilitated by a few key individuals acting as a mediating bridge between the two realms. Moreover, we show how interactive use of measurements may promote mutual learning and trust building, which in turn can support the institutionalisation of the formal system in the acquired organisations.

Keywords: Management accounting change, Acquisitions, Institutional complexity

Tutor: Gustav Johed

Date: 08.12.2017

Acknowledgements

First of all, we would like to thank our case organisation and all its participants in this study. We are truly grateful for all your valuable input and time.

Secondly, we would like to thank our tutor, Assistant Professor Gustav Johed, for your input, encouragement and guidance along this journey.

Stockholm, December 2017

Filip Landare Cassandra Linder

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1. Introduction

'Care and education have become two of the most sought after sectors of risk capital following the financial crisis. But the teachers' union sees risks with poor financial transparency and short-term ownership' [...] "' It must never be that short-term earnings interests exceed the high level of education quality," says Eva-Lis Sirén, chairman of the Teachers' Union.' (Andersson, F 2010, SVT Nyheter)

The quote above highlights the tensions that can arise between different professions in an acquisition setting. This thesis investigates the management accounting change (MAC) in a post-acquisition context where such tensions were particularly salient; where the employees in the acquired firm were guided by a 'professional logic' whereas the employees within the acquirer were guided by a 'business logic'.

MAC has been studied thoroughly since the 1980s (Covaleski et al. 1993, Hopwood 1983, Hopwood 1987, Shields 1995, Burns, Scapens 2000, Burns 2000, Lukka 2007, Modell 2007). One stream within MAC that has gained much attention is the process-oriented stream, which focuses on *how* and *why* management accounting practices develop over time. This stream has been largely guided by institutional theories where concerns regarding institutional factors, such as social and political dynamics as well as power mobilisation, are in focus (Burns 2000, Burns, Vaivio 2001, Modell 2007, Busco et al. 2007, Alsharari et al. 2015). The process-oriented studies have inter alia contributed to the understanding of whose interest are being served and how this might affect the process, unintended consequences that may evolve during MAC and the role of power mobilisation within MAC (Siti-Nabiha, Scapens 2005, Modell 2007).

Even though MACs have been researched thoroughly the last decades, little attention has been paid to acquisitions. The aim of this paper is to contribute to the process-oriented research within MAC within a post-acquisition context. Already in 2000, Burns and Scapens (2000) argued that an external shock in the form of a takeover could lead to significant MAC, and despite the commonality of mergers and acquisitions in today's business world this gap has not yet been filled as noted by Granlund (2003), Yazdifar et al. (2005), and Moilanen (2016). According to the scant research focusing on the post-acquisition context, it is suggested that the acquirer tends to make significant changes to management accounting system (MAS) based on their own needs and rationalities (Bruining et al. 2004, Aureli 2010, Christner, Strömsten 2015). As these rationalities

might not always be in line with those of the acquired organisation, some researchers have highlighted how the institutional environment within the acquired unit, such as social and cultural dimensions, may affect the MAC (Yazdifar, Tsamenyi 2005, Tsamenyi et al. 2006, Moilanen 2016). However, most authors seem contented by noting that such institutional differences exist and influence the MAC, rather than explicitly adopting a framework that outlines such differences between the two parties and linking it to the design and the use of the new system. More specifically, there seems to be a gap in understanding with regards to the link between how an acquirer decides to design the MAS and its subsequent use within the acquired organisation, given the clear tensions. A theoretical concept that can provide a deepened understanding of this relationship is institutional logics. The term stems from sociology and organisational theory and refers to the taken-for-granted assumptions, values and norms within certain groups or institutions (Thornton, Ocasio 1999). Institutional complexity, refers to an environment with multiple institutional logics (Pache, Santos 2010). Several theorists have discussed how the MAS have been designed and used given institutional complexity (Siti-Nabiha, Scapens 2005, Ezzamel et al. 2012, Carlsson-Wall et al. 2016), but few have incorporated the perspective in MAC research.

Based on the gaps highlighted above, this paper aims to make sense of MAC when there are significant differences with regards to underlying assumptions between the acquiring and acquired organisations. Consequently, this paper seeks to answer the following research question:

How do different logics within the acquiring and acquired firm influence the change process with regards to the design and the subsequent use of the management accounting system?

In order to answer the question, an empirical study was conducted on a case company where different logics within the acquiring and acquired company were identified; a ‘business logic’ focusing on profitability and a ‘professional logic’ focusing on the quality of the services provided by the firm. An integrated framework was established in order to investigate MAC through the lens of institutional complexity. The framework is based on Burns and Scapens (2000) MAC framework which states that as management accounting rules are reproduced within the organisation, they gradually become institutionalized. The framework was further complemented using concepts within institutional complexity and management accounting literature. More specifically, theories describing the design of the MAS, such as comprising and structural differentiation (Siti-Nabiha, Scapens 2005, Ezzamel et al. 2012, Carlsson-Wall et al. 2016), as well

as the actual use to the new MAS such as coupling, decoupling and selective coupling (Covaleski et al. 1993, Siti-Nabiha, Scapens 2005, Pache, Santos 2013, Carlsson-Wall et al. 2016) were used. Hence, the dynamics between MAS and institutional logics were applied in order to understand their influence on the change process.

Building on the findings of Besharov and Smith (2014), who argued that the likelihood of conflicts between logics increases if they imply inconsistent actions, we suggest that multiple logics can cause tensions and resistance to change in a post-acquisition context, through ex-ante scepticism driven by the anticipation of conflicting goals, even if inconsistent actions are not prescribed per se. With regards to the design of the new MAS, we suggest that new management accounting rules that adhere to the logics of the specific group upon which they are imposed are more easily translated into actions and new routines by these individuals. By adopting a process-oriented perspective, we suggest that compromising, i.e. incorporating elements from different logics into the MAS, does not necessarily have to be a static concept with regards to the MAS design. Early compromising on part of the acquirer, with regards to the order of implementation of changes, can seemingly be a way to achieve balance between stability and change (Burns and Scapens 2000) by emphasising the homologues between the different logics in line with Ezzamel et al. (2012). ‘Early wins’ in terms of coupling of new rules, that are aligned with the logic of the acquired firm, may also induce new ways of thinking into the acquired organisation and lay the foundation for subsequent expansion of the MAS and the incorporation of elements closer to the logic of the acquirer. Furthermore, while introducing new management accounting practices to a group unfamiliar to such concepts requires dedication and time, we argue that the lack of former routines may also help facilitate institutionalisation as it limits the level of path-dependence (Burns, Scapens 2000) and requires less breakage of previous routines. Moreover, we demonstrate how structural differentiation was enabled by partly separating the groups of different logics, facilitated by a few key individuals acting as a mediating bridge between the two realms. We also show how interactive use of measurements promoted mutual learning and trust, which in turn supported the institutionalisation of the formal system in the acquired organisations. Lastly, in line with Abrahamsson et al. (2011), we suggest that accounting language may contribute to identity transformation by associating accounting terminology with attributes important to the logic of the acquired firm, and thus establishing a link between the two logics.

The remainder of this thesis is structured as follows. In chapter 2 the theoretical background of our study is outlined followed by the presentation of the theoretical perspective as well as the theoretical framework. The research methodology is explained in chapter 3. Chapter 4 accounts for the empirical findings relating to how the different logics influence the change process with regards to the design and the subsequent use of the MAS. The findings are analysed in chapter 5, followed by the contributions in chapter 6 as well as the limitations and possible avenues for future research in chapter 7.

2. Literature review

In order to answer the research question outlined in the introduction, the current literature assisting the study is presented in this section. In 2.1 the development of the broad MAC literature is presented, followed by existing MAC literature within a post-acquisition context. In 2.2, the foundation of the theoretical perspective, institutional complexity, is presented. Lastly, the framework based on the literature in section 2.1 and 2.2 is integrated in section 2.3.

2.1 Management accounting change

2.1.1 Background

Within management and accounting research, MAC has gained much attention within the recent decades starting with Hoopwood (1983, 1987) in the 1980s. Initially, MAC was mostly studied from a static view where the outcome of the MAC was in focus, (Covaleski et al. 1993, Shields 1995, Burns 2000, Modell 2007). For instance, Shields (1995) studied implementations of activity-based costing systems and the success variables for its implementation such as top management support, training and the link to performance evaluation and compensation. In later years, the MAC research accelerated and several perspectives and frameworks have been developed since (Burns 2000, Modell 2007, Alsharari et al. 2015). The broad stream of research can be categorised into two main streams within MAC research, namely factor studies and process oriented studies (Lukka 2007, Modell 2007). The factor-oriented studies focused on identifying factors affecting the MAC (Shields 1995, Modell 2007), when in contrast the process-oriented studies are more concerned with the ongoing process and the political and social dynamics of the change (Burns 2000, Vaivio 2001, Modell 2007, Alsharari et al. 2015).

The factor-oriented studies seek to identify the factors that drive and hamper a successful MAC. These factors could both be contextual or organisational. Especially, accounting technique implementation, such as activity-based costing or balanced scorecards, have been a popular research subject since 1990s (Shields 1995, Foster 1997, Anderson 1999, Modell 2007). Moreover, the importance of connecting accounting implementation with managerial issues (Shields 1995, Foster 1997), the categorization of the different stages of the implementation (Krumwiede, 1998), and the selectivity and flexibility were identified within this research stream (Modell 2007). In other words, the importance and complexity of the implementation process were enhanced compared to the relatively simple “checklist” models in the earlier research, such as how a BSC

should be implemented (Modell 2007). Especially, Innes' and Mitchell's (1990) study has been influential within this stream. They conducted a field study for studying critical factors that drive MAC change. They categorized these into three groups: *motivators* of change, *catalyst* of change and *facilitators* of change. Through these parameters they found several different important factors affecting the change such as production technology (motivators), poor financial performance (catalyst) and authority of accountants (facilitator).

However, some limitations were criticized within the factor-oriented research. The strong focus on technical and structural factors, provided little insight regarding social aspects, such as diverging views, and the political dynamics within MAC. As a reaction, theories incorporating a more social and political perspective were developed within the process-oriented stream, which will be discussed in the section below (Burns, Scapens 2000, Modell 2007).

2.1.2 Process-oriented studies

In contrast to factor-oriented studies, the process-oriented stream, focuses on *how* and *why* management accounting practices develop over time (Burns, Scapens 2000, Scapens 2006). Process-oriented studies have been largely guided by institutional theories (Burns, Scapens 2000, Lukka, Modell 2010) where concerns regarding institutional factors, such as social and political dynamics as well as power mobilisation, within MAC are in focus (Burns 2000, Burns, Vaivio 2001, Modell 2007, Busco et al. 2007, Alsharari et al. 2015). In particular, the possibility of predictable and purposeful change as assumed within factor-oriented research is questioned. Instead, the process-oriented stream suggests that the MAC is not adopted rationally but rather due to the need for organisations to comply with the institutionalized rules (Modell 2007). Burns and Scapens (2000) argued that an external shock in the form of a takeover could lead to significant MACs. However, in such cases, new rules may lead to conflicts with the existing taken-for-granted assumptions and such tensions may hamper the formation of new routines (Burns, Scapens 2000, Siti-Nabiha, Scapens 2005, Lukka 2007, Modell 2007).

Modell (2007) discusses three benefits of process-oriented approaches compared to factor-oriented studies. Firstly, with regards to why and how resistance emerges, Modell (2007) implies that the intentions are directed towards the understanding of whose interest are being served by the MAC and how this might affect the process, i.e. the attitudes towards the MAC are included from a more broader audience and stakeholder view (Modell 2007). Secondly, process-oriented studies also include the unintended consequences that may evolve during MAC. For instance,

informal practices may occur at the local sites as a response to managerial initiatives for change (Siti-Nabiha, Scapens 2005). Lastly, process-oriented studies also examine a deeper understanding of the role of power within MAC. Power has an enabling and constraining role within MAC (Bruining et al. 2004), where power is a dynamic force driven by collective actions. Hence, the mobilisation of power might affect the collective legitimacy of change (Modell 2007). All these benefits, or aspects, ought to be particularly relevant in acquisition-driven MAC, where groups of two previously separate companies to a certain extent contribute to the change.

Several contexts within process-oriented studies have also been researched (Shields 1995, Kaplan 1996, Roberts 1990, Burns, Scapens 2000, Burns, Vaivio 2001, Granlund 2001, Modell 2007). Some of the most common contexts have been implementation of new accounting practices (Siti-Nabiha, Scapens 2005) as well as the development of existing accounting practices (Granlund 2001). Within these studies, the risk of resistance and tensions have been highlighted by several theorists. For example, Burns (2000) criticized the static approaches within factor studies and studied an accounting change in a chemicals manufacturer from a process perspective. He established an influential framework studying the social aspects and concluded that *decision making, power over resources* and *meanings* are important facilitators for the implementation of a MAS. In line with Burns' (2000) focus on social dynamics, Taylor and Scapens (2016), while studying the implementation of a new accounting system in a retail company, concluded that differing existing perceived identities and images were crucial factors to understand in order to explain the varying perspectives of the accounting change within the organisation.

A common theoretical theme within the process-oriented stream of research has been the coexistence of 'stability and change', where stability is described as the opposite to change and that the interactions between change and stability are an ongoing dynamic process (Burns, Scapens 2000, Granlund 2001, Yazdifar, Tsamenyi 2005, Modell 2007). Within this stream, dynamising change forces, e.g. the implementation of a new accounting system (Siti-Nabiha, Scapens 2005), are stabilised by existing institutionalized values and practices by providing continuity in terms ways of working and thinking (Modell 2007). One especially influential study within the area of stability and change is Burns and Scapens (2000) who established a framework for how formal management accounting rules become institutionalized through formation of informal routines. The authors suggest that resistance has three separate but interrelated elements; resistance due to competing interest, resistance due to lack of capability, and resistance due to 'mental allegiance'

to established thought patterns captured by existing routines and institutions. They suggest that a 'new' accounting system cannot solely be based on efficiency criteria as changes will always be path-dependent and existing routines and institutions will shape the selection and implementation process, and that successful implementation of a formal change requires new ways of thinking. However, although human behaviour is shaped by habitual predispositions it is also moulded by curiosity and creativity. Hence, they argue that there is always a potential for change, and stability and change are not independent concept, but rather simultaneously part of the same process.

2.1.3 MAC following an acquisition

MAC following an acquisition has been studied scantily in previous research despite the large number of acquisitions being made. Early research has investigated the changes of management accounting systems following acquisitions and management buyouts (Jones 1985, Jones 1992). However, Granlund (2003) concluded that little is known about the technical and social dimension of management accounting system following an acquisition. Furthermore, while pointing to Granlund (2003), Yazdifar et al. (2008) concluded that there still is a significant gap in the understanding of how changes to management accounting following an acquisition should be implemented. Despite this, little attention has since then been devoted to filling this gap. Moreover, Moilanen (2016) has highlighted this gap in understanding of how MAS are integrated in a post-acquisition context despite the fact that it may constitute important tools in creating a common understanding between the parties.

The previous research that has been conducted within the field of MAC in a post-acquisition context has highlighted that the acquirer tends to implement changes based on its preferences, which often includes more detailed as well as broader measurements of KPIs with a higher frequency (Bruining et al. 2004, Aureli 2010, Bruining et al. 2004, Christner, Strömsten 2015). Moreover, in the context of a venture capitalist acquirer, Bruining et al. (2004) argue that the MAS imposed by new owner is heavily influenced by the exit target in mind. When studying 30 UK firms that had either made a significant acquisition or been acquired, Jones (1985) found that monthly accounts and reports, budgeting in operating companies and formalized capital expenditure appraisal and control became important control tools following the acquisition. Furthermore, it was concluded that the formality of the management accounting system was increased, and that the management accounting techniques with the highest importance were introduced most quickly. It was found that higher degree of changes induced lower willingness to

cooperate, that resistance was associated with the increase of importance and conformity of change.

The section below will further elaborate on social aspects of post-acquisition MAC, which is closely related to the research focus of this thesis.

2.1.4 The intertwined relationship between MAS and individuals following an acquisition

Within management research, several theorists have highlighted the importance of cultural integration in a post-acquisition setting in realizing synergies (Birkinshaw et al. 2000, Haspeslagh 1991, Buono, Bowditch 1989). Within the MAC research in a post-acquisition context the intertwined relationship between MAS and individuals as social beings and carriers of corporate cultures has also been highlighted. When studying an acquisition of a German company by a Finnish high-tech company, Moilanen (2016) found that softer elements, such as emotions, influence how individuals interpret the MACs made. More specifically, the author found that while people in the acquiring firm seemed to take a company perspective and applied more rational frames for making sense of the changes, employees in the acquired firm took a more personal and emotional perspective when framing the changes. This contradiction of rational and emotional frames resulted in difficulties in alignment. The author concluded that by acknowledging the importance of emotions and that the MAS may help guiding these, an acquirer may achieve more successful post-acquisition integration.

Some researchers have also discussed how tensions may impede MAC. Yazdifar et al. (2008) studied how the implementation of a MAS was imposed on subsidiaries by its two parent companies and how social and processual factors shaped the dynamics of the change implementation. In cases where the parent-company exerted high pressure but neglected taking existing taken-for-granted assumptions within the subsidiary into account, employees in the subsidiary often decoupled their actual work activities from their formal structures in order to handle the conflicting demands. Tsamenyi et al. (2006) studied the changes to the accounting and financial information systems of a large Spanish electricity company, which was acquired after the deregulation of the sector. They showed that conflicting institutional demands can result in political turbulence where power relationships affect the implementation of changes. In such cases budgeting systems risk becoming ceremonial, and thus become decoupled from managerial practices. These articles highlight how different intrinsic assumptions in acquirer and acquiree can

cause tensions which can lead to open resistance or only formal adherence to changes, i.e. not changing individuals' ways of working and thinking.

Given the underlying cultural differences that may exist between the acquirer and acquiree, management accounting has according to some research acted as a bridge between these. Christner and Strömsten (2015) studied a biotech innovation company previously owned by the founding scientist that was later partly acquired by a venture capital firm. They showed that IRR calculations that were initially used by the new owners to measure the performance of the firm formed a link between the 'scientific' and the 'economic', by facilitating a mediating platform for different stakeholder to congregate. Moreover, Jones (1985) suggested that consultative practices, rather than strictly coercive, with regards to the MAS by the management were generally welcomed and associated with post-acquisition success. Moreover, Jones (1992) showed how the management, following a management buy-out (MBO), used MAS as a tool for changing the organisational culture, e.g. to promote budget participation. Bruining et al. (2004) emphasized, within a MBO setting, that cultural change not only requires a new set of beliefs system. There must also be a change in people's experiences by providing a sense of benefit of the new assumptions for those to be adopted. In such cases, trainings can constitute ceremonies which can resocialize the staff, but also the exit of people adhering to the former culture can serve such purpose. The importance of the fit between the nature of the buy-out and the nature of the private equity investor was also noted. Moreover, buy-out managers attempted to balance the traditional MAS with the newer aiming to stimulate opportunity-seeking and learning. This provided support to the findings of Jones (1992) who found that the buy-out owner-managers used the MAS in a selective manner to facilitate changes in the attitudes of participants.

What can be noted from above is that despite the importance of understanding the social and political dynamics of post-acquisition MAC, limited attention has been paid to the role of several competing groups with different values and ways of working within organisations (Jones 1985, Yazdifar et al. 2008, Abrahamsson et al. 2011, Alsharari et al. 2015, Taylor, Scapens 2016).

2.1.5 Concluding remarks of existing literature on MAC in a post-acquisition context

By outlining the previous research within MAC, a few gaps can be identified. Already in 2000, Burns and Scapens (2000) argued that an external shock in the form of a takeover could lead to significant MAC. However, despite the commonality of acquisitions in today's business world little attention has been paid to MAC in a post-acquisition context, as noted by Granlund (2003),

Yazdifar and Tsamenyi (2005), and Moilanen (2016). Hence, this thesis aims to contribute to the scant literature on MAC in a post-acquisition setting.

Moreover, following an acquisition the acquirer tends to make significant changes to MAS based on own their needs and rationalities (Bruining et al. 2004, Aureli 2010, Christner, Strömsten 2015). However, several researches have highlighted how the institutional environment within the acquired unit, such as social and cultural dimensions, may affect MAC, through overt resistance or decoupling (Tsamenyi et al. 2006, Yazdifar et al. 2008). However, most authors seem contented by noting that such institutional differences exists and influence the MAC, rather than explicitly adopting a framework that outlines the cultural differences between the two parties and linking it to the design and the use of the new system. More specifically, the acquirer tends to be explained as a more rational and static force dictating the required changes (Jones 1985, Aureli 2010, Moilanen 2016), while the acquired unit is frequently explained as a receiver which can comply or resist changes based on its underlying beliefs and demands. Moreover, Moilanen (2016) described the staff in the acquired unit in more irrational terms, heavily influenced by emotions. Accordingly, focus seem to revolve around how MAC are adopted by the employees in the acquired unit given their underlying assumptions and beliefs. While Bruining et al. (2004) and Jones (1992) found evidence suggesting that an acquirer may seek to develop and selectively use the MAS to balance the need for stability and change in order to facilitate changes in attitudes of participants, little attention has been devoted to understanding how the MAC is also developed by the acquirer to comply with the demands of the acquired staff. In addition, there seems to be gap in understanding of the potential cognitive and cultural changes within the acquiree. This need was noted by Yazdifar et al. (2008) who encouraged future researchers to further adopt “multi-institutional theory” and processual approaches in order to analyse the dynamics of acquirer-subsidary relationships over time. Moreover, Granlund (2003) pointed to the need of investigating the role of MAS in establishing trust between the companies involved.

Based on the gaps highlighted above, the theoretical perspective of this thesis, described in the sections below, aims to make sense of MAC when there are significant differences between the acquiring and acquired organisations, both in terms of professional backgrounds and arguably also underlying assumptions.

2.2 Theoretical perspective: Institutional logics

The process of MAC seems to be heavily impacted by the groups, and their respective taken-for-granted assumptions, involved, i.e. the group seeking to implement the change and the group upon which the change is implemented. However, we argue that previous literature within MAC as well as MAC in a post-acquisition context seems to have overlooked this dimension by not studying such complexity in enough detail. We attempt to improve the understanding MAC by studying it through the lens of institutional logics. This section gives an introduction to the concept of institutional logics and previous literature regarding its implications on design and use of MAS.

2.2.1 Introduction to institutional logics

Institutional logics is a theoretical development within sociology and organisational theory. Thornton and Ocasio (1999) defined an institutional logic as “the socially constructed basis of ‘historical patterns of material practices, assumptions, values and beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality’” (p. 804). Early research on the topic focused on the macro-perspective and suggested that the society is constructed of multiple logics such as family, religion and profession (Friedland, Alford 1991). In subsequent research, various theorists have studied how decision making within organisations has been affected by interrelationships between individuals and organisations, i.e. the micro-perspective (Lounsbury 2002). In recent years empirical studies have identified companies operating in environments with multiple institutional logics, a phenomenon also referred to as *institutional complexity* (Pache, Santos 2010). Multiple logics have been observed in various industries, such as the professionalism logic and the business-like logic within healthcare industry (Reay, Hinings 2009), the market logic and the regulatory logic within finance industry (Lounsbury 2002) as well as the sports logic and business logic within sport industries (Carlsson-Wall et al. 2016).

2.2.2 The relationship between different logics

Research has illustrated how logics can adapt differently to the pressure from other logics within organisations. Multiple logics can result in conflicts (Reay, Hinings 2009, Pache, Santos 2010, Greenwood et al. 2011, Besharov, Smith 2014) but also how it can co-exist within an organisation (Reay, Hinings 2009, McPherson, Sauder 2013, Pettersen, Solstad 2014). Pache and Santos (2010) suggest that the level of tension between logics is affected by the differing nature of the demands,

and to what degree they are represented in the organisation. In the case of an acquisition, employees in the acquired firm, may have a different set of assumptions and needs to those of the people in the acquiring firm. Besharov and Smith (2014) argues that the likelihood of conflicts between multiple logics increases if the logics imply inconsistent actions as well as if they both are central and relevant to organisational actions and functioning. Another theory in the presence of tensions is that one logic is dominating a subordinated logic (Thornton, Ocasio 1999, Battilana 2006). Another way of conceptualizing the relationship between logics is as a protracted battle which continuous until one logic eventually becomes the dominant (Hensmans 2003). In such a situation, the dominant logic can incorporate elements of the other logic and thus become a hybrid between the two, to a varying extent (Lander et al. 2013).

Different logics may also exhibit cooperative relationships, while actors can reflect different logics in different situations throughout their work (Goodrick, Reay 2011). McPherson and Sauder (2013) studied a drug court and the actors with different institutional and professional backgrounds and suggested that actors within organisations tend to have a home logic that they favour, although they can also be forced to deviate from their home logic and employ multiple logics based on the situation. Lastly, Ezzamel et al. (2012) suggest that conflicts between institutional logics can be resolved by the underlying homologies (similarities) among the logics as well as the logics outside the field that influences the internal logics.

2.2.3 Institutional complexity and the design of MAS

Several theorists have discussed how the MAS have been designed given institutional complexity (Siti-Nabiha, Scapens 2005, Ezzamel et al. 2012, Carlsson-Wall et al. 2016). Two commonly discussed strategies to manage tensions between logics are *compromising* and *structural differentiation*.

Compromising is described as a MAS that incorporates elements from different logics resulting in the different actors to accept the pressure caused by the MAS (Oliver 1991). This can be achieved through broad KPIs, compromises within different tools such as scorecards and budget systems (Modell 2009, Ezzamel et al. 2012). When studying the performance measurement systems in a non-governmental organisation, Chenhall et al. (2013) suggested that, by combining element of the two different logics within the performance measurement systems, balance between the different logics can be achieved. More specifically, this enabled debates between the logics, allowing the organisation to combine ideas from both logics in constructive ways. The potential

for such constructive debates increased with the extent of which the design of MAS represents a ‘give and take’ cooperation between different logics and desirable attributes were made visible for the other logic. In line with Chenhall et al. (2013), Sundin et al. (2010) showed that the incorporation of dimensions from different logics in a balance scorecard (BSC) helped to facilitate the balance and enabled trade-offs between logics within a state-owned electricity company. As the different objectives, measures and targets were incorporated and explained within the BSC it provided managers with a clearer understanding of the different interests and processes within the organisation, which in turn fostered mutual understanding resulting in less tensions.

Structural differentiation is another strategy to handle institutional complexity. The strategy seeks to divide an organisation into different subunits based on their intrinsic logics, minimizing the interaction and the interdependencies of the units and thereby allowing these to enact in accordance with the demands of their institutional logic (Greenwood et al. 2011, Pache, Santos 2013, Schäffer et al. 2015, Carlsson-Wall et al. 2016). Carlsson-Wall et al. (2016) showed how the organisational structure in a football club was designed to keep the sport and business logics apart. The two main units (the Headquarter and Sports Unit) also had a clear separation in terms of budgets in order to avoid the risk of continuous fruitless debates throughout the year concerning the constant trade-offs with regards to expenses related to the sport and the business. Schäffer et al. (2015) showed how people responsible for controlling the business from a financial perspective and the people responsible for technology development and production were compartmentalized in a family-owned company. This was done despite the overall shareholder logic, as it was recognized that the motivation and know-how of long-tenured employees, were crucial in achieving long-term success. Despite the benefits of structural differentiation, the strategy may pose challenges as different subunits require some degree of integration in order to facilitate coordination (Greenwood et al. 2011) and may also require compromising at an organisational level, as the organisation will need allocate resources between different units (Carlsson-Wall et al. 2016).

2.2.4 Institutional complexity and the use of MAS

In organisations characterized by institutional complexity, individuals can resolve to different behaviours with regards to their use of the MAS. Within the existing literature, three responses are commonly discussed; *coupling*, *selective coupling* and *decoupling*. Coupling means adherence to MAS with regards to guiding actual behaviours and decision making, when the latter two imply

gaps between the formal use of the MAS and actual organisational behaviour of individuals (Pache, Santos 2013).

Decoupling refers to the use of MAS control in practice and is defined as even though a MAS system is incorporated, other routines and mechanisms are used for guidance on an operational level and for decision making (Oliver 1991, Pache, Santos 2013). Such cases often describe the implementations of routines that are not in line with the actual behaviour that is adapted in the organisation, primarily due to external institutions (Covaleski et al. 1993, Siti-Nabiha, Scapens 2005, Pache, Santos 2013). For instance, when studying the introduction of value-based management (VBM), in the form of KPIs at a state-owned gas company, Siti-Nabiha and Scapens (2005) found that the implementation of VBM had largely been ceremonial and did not impact the decision-making in the company. Although the new system of KPIs was eventually implemented, it was done in accordance with the existing norms, values and practices.

Pache and Santos (2013) described selective coupling as where activities from both logics are used. It enables the different logics to use some elements from the MAS, but not the entire system. Previous literature described selective coupling to be an important strategy for managing demands from different competing logics. Carlsson-Wall et al. (2016) discussed how the business logic consciously was design to match the sports logic within a football club setting. They showed how the relationship between different logics within a football club was situation-specific, as the managers used the MAS according to different logics depending on the situation. Moreover, when studying accounting firms, Lander et al. (2013) found that the firms selectively adopt practices related to the commercial logic, while retaining a principal commitment to the trustee logic depending on the circumstances.

2.3 Theoretical framework

2.3.1 An integrated MAC framework incorporating institutional logics

Burns and Scapens' (2000) *institutionalization process framework* provides a holistic and renowned drawing of MAC within the process-oriented research literature. In brief, the framework suggests that rules (formal systems) through enactment and reproduction may become routines (informal practices) within the organisation, and eventually become institutionalized. However, previous literature within institutional complexity and MAS indicate that in a situation with new MAS implementations, especially when consisting of contradicting institutional demands, there is

a significant risk that tensions will arise within the organisation. In the case of such tensions, actors may decouple rules from actions, which impedes institutionalisation. Hence, the design of the new MAS, and the underlying logics it is based on as well as reflects, is assumed to play a significant role in how the new MAS is perceived, and subsequently used and institutionalized. Consequently, in order to understand the MAC process in a post-acquisition environment characterised by institutional complexity, the institutionalization process framework of Burns and Scapens (2000) is integrated with theories with regards to the design and use of the MAS in a multiple logics environment. The integrated framework is shown below in figure 1. More detailed explanations of the underlying framework and the integrated theories are described below.

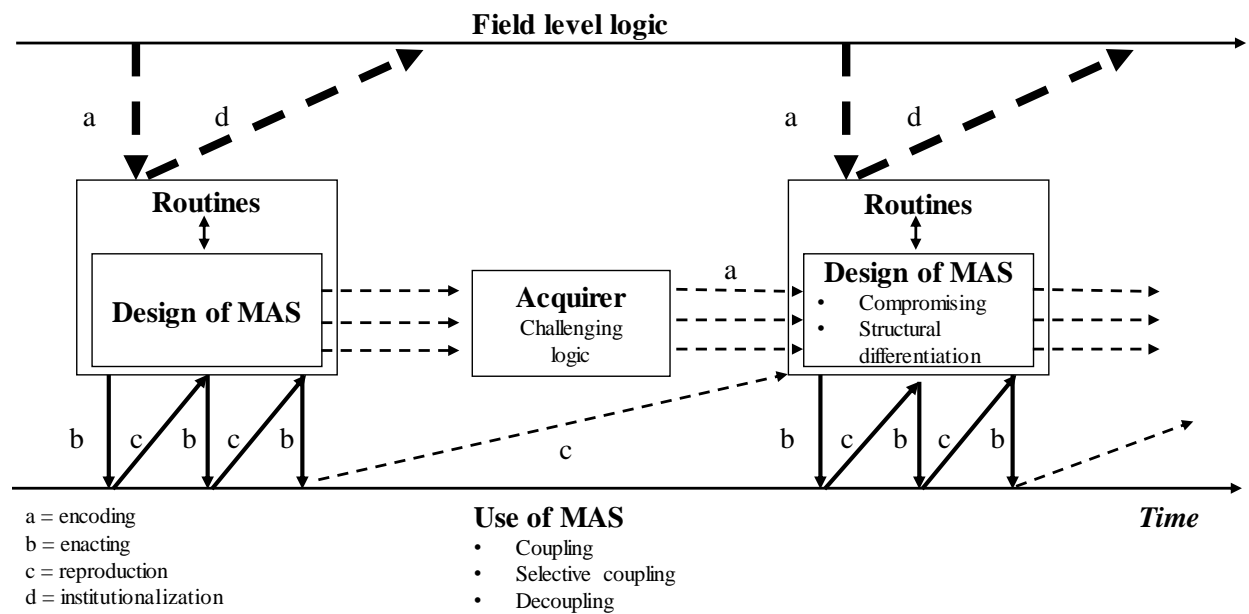


Figure 1. Theoretical framework. Developed from Burns and Scapens' (2000) process of institutionalization framework by incorporating institutional logics.

2.3.2 The MAC process framework

Burns and Scapens (2000) study the interaction between rules and informal routines and how this interaction affects institutionalisation over time. They draw their framework from the institutional theories, and the framework mainly focuses on the intra-organisational perspective (Burns 2000, Alsharari et al. 2015). The framework states that as rules (formal systems) may become routines (informal practices) within the organisation, they can become institutionalized. An institution is defined as “the shared taken for granted assumptions which identify categories of human actors and their appropriate activities and relationships” (Burns, Scapens 2000, p. 8).

The institutional realm (which in our integrated model has been changed to represent the field level logic), within the top of the framework, shows the underlying assumptions which shape how people behave. The realm of action (which represents the use of the MAS within our integrated model) on the bottom again describes the actions that are carried out over time. These two realms are linked by the interaction of rules and routines. Furthermore, the acquirer, or the ‘challenging logic’, is added to the framework to represent the stimulation of change. The framework is structured by several processes. The first process, arrow (a), entails the *encoding* of institutional principles into rules and principles. Hence, the institutional principles will affect the routines, which in turn will shape new rules. These rules again may lead to the formation and/or reformation of the ongoing routines. An additional arrow (a), is added from the acquirer and its ‘challenging logic’ to the ‘Design of MAS’ box, to capture the encoding of new rules based on the logic of the acquirer. The second arrow (b) describes the actors *enacting* rules and routines encoding the institutional principles. In general this is done as a habit but might also involve a conscious choice. Furthermore, if the rules and routines challenge existing values, this enactment may lead to resistance. The third arrow (c), stands for the repeated behaviour resulting in reproduction of the routines. Similarly as in (b), this might also be unconsciously or consciously driven. The last process, arrow (d), shows the institutionalization, the taken for granted way of proper behaviour, of the reproduced rules and routines. The ongoing process between change and stability involves a movement from the historical “taken-for granted assumptions”, which underpin organisational behaviour, towards new ones through the institutionalization. To conclude, new rules do not necessarily become routines directly, but rather need informal arrangements as the routines consists of informal behaviour and may be subject to resistance as well as adjustments (Burns 2000, Alsharari et al. 2015). Lastly, the interaction between rules and routines can also be reversed, i.e. deviations from rules may become new routines and subsequently result in new rules.

2.3.3 Understanding the MAC by incorporating theories within institutional logics and MAS

When it comes to the design of the MAS the previous research has highlighted two strategies for handling competing institutional logics within organisations: *compromising* and *structural differentiation*, which are incorporated into the integrated framework under ‘Design of MAS’. Compromising, refers to a design of incorporates elements from different logics resulting in the different actors to accept the pressure caused by the MAS, while structural differentiation refers to the separation of different MAS for groups with different logics. However, as the use may not

always be in line with the desired design, research have described three potential responses to the new MAS: *coupling*, *decoupling* and *selective coupling*, which are incorporated into the integrated framework under ‘Use of MAS’. Coupling refers to the situation where the desired response is reached, decoupling refers to that even though a MAS system is incorporated, other routines and mechanisms are used for guidance on an operational level and for decision making, and lastly selective coupling refers to when actors respond by adopting only selected MAS components.

3. Methodology

Within section 3.1 the design of the study and the choice of the case company are motivated. This is followed by a description of the approach for collecting the data in 3.2, and lastly the analysis and structuration of the data is outlined in 3.3.

3.1 Research design

3.1.1 Single quality case study

Edmondson and McManus (2007) divides the archetypes of methodological fit in field research into three categories; nascent, intermediate and mature. While there are qualitative single case studies that have explored the field of MAC from a process perspective, little attention has been devoted to a post-acquisition context as well with the multiple logics perspective. Given the nascent research field, an exploratory qualitative single study was found appropriate, aiming to develop propositions and theories, rather than validating or rejecting them (Edmondson, McManus 2007, Yin 2014). This enables the study to both question existing literature and theories within our context, and possibly also contribute with new theoretical relationships between MAC and institutional complexity. No hypotheses were developed in advance and the analysis was developed throughout the research process (Dyer, Wilkins 1991, Edmondson, McManus 2007, Maxwell 2012). While Eisenhardt (1989) discusses the benefits of multiple case studies, such as the enabling of comparisons, Dyer and Wilkins (1991) argues for the single case study approach as it allows for conveying a compelling story with empirical depth. Given the current research state, a single-case study approach was selected to gain an in-depth understanding of the underlying mechanisms required to answer the research question (Edmondson, McManus 2007, Maxwell 2012). Furthermore, qualitative single case studies enable the understanding of the underlying phenomenon and test for the generalisability of theoretical proposition rather than the statistical generability which is in line what this paper aims to study (Scapens 1990, Silverman 2013). Lastly, single case studies have been proven valuable in previous research on MAC in post-acquisition settings (Granlund 2003, Bruining et al. 2004, Yazdifar et al. 2008, Christner, Strömsten 2015).

3.1.2 Abductive approach

The aim of this study is to contribute to the research by successively modifying an existing theoretical framework based unanticipated empirical findings, and consequently, an abductive approach was selected (Dubois, Gadde 2002). While an inductive approach generates new theories from data, a deductive approach on the other hand uses data to test a theory. The abductive approach reconciles both approaches, as it leverages existing theories similarly to the deductive approach, but expands these in line with an inductive approach, by continuously iterating between theory and empirics in order for them to match (Dubois, Gadde 2002). This approach is also referred to as systematic combining. According to Lukka and Modell (2010) there is an intrinsic risk of “affirming the consequent”, which is a fallacy of confusing of necessity and sufficiency. However, they suggest that such risk can be mitigated by remaining open to alternative explanations and rejecting less probable explanations as one iterates between theory and empirical data. Keeping this in mind, while developing the theoretical framework, the research approach has been highly iterative between literature and empirical data, which allowed for continuous narrowing-down and (re-)defining of the framework.

In line with the abductive approach, the existing literature within MAC and institutional logics were first studied, but as the empirics were collected, these were taken into account in order to adjust the framework and research question. During the collection of the data, the literature and theoretical framework were revised several times based on interesting findings supporting and contrasting existing literature. Hence, the systematic combining was proven valuable as it enabled us to move back and forth between the empirics, allowing them to shape each other along the way.

3.1.3 The selection of the case company

The case company, ProCorp, is a professional service firm in Northern Europe. Its name is fictive and the empirics presented in the following chapter has been slightly modified to secure anonymity of the firm. The selection of the case company has been guided by Maxwell (2012). Within qualitative studies, the sampling of data has been described as problematic as it “connotes a purpose of “representing” the population sampled” (Maxwell 2012, p. 96). Maxwell (2012) therefore discussed the term *purposeful selection*, stating that specific settings, persons and activities are selected in order to enable researchers to collect data that provides information relevant to one's research question. Hence, the selection of the case company is highly important in order to gain a deeper understanding of the subject of interest. The previous MAC literature

within in a post-acquisition context highlights the importance of understanding the social dimensions influencing the change (Tsamenyi et al. 2006, Yazdifar et al. 2008, Moilanen 2016). The selected case company was deemed advantageous from a research perspective as there was a stark cultural contrast between acquiring and the acquired organisations, or as defined in this thesis, the acquirer and the acquirees adhered to different institutional logics. Thus, the social perspective of post-acquisition MAC, where particularly salient within the case company, which facilitated the investigation of such aspects. Moreover, as the case company enabled extensive access to collection of data, it was possible to gain a deeper understanding of the subject of interest.

3.2. Data collection

The empirical data was primarily collected through interviews. In total, 20 in-depth and semi-structured interviews were conducted with 18 different interviewees and the data was collected between July 2017 and November 2017. All interviews lasted between 50-90 minutes and the interviews were mainly conducted at the headquarter or at the local sites, with some few exceptions where phone interviews were performed instead due to the long distance. To gain a broad understanding of how the social actors interpreted and responded the MAC, personnel of all levels of the organisation were interviewed. Interpretative accounting research has been associated with some degree of subjectivity (Lukka, Modell 2010). Hence, several individuals at the same organisational level were interviewed in order to reduce the amount of subjectivity. For a more detailed list of the interviewees, see the appendix table 7.

In line with Barlow (2010), the research was conducted through semi-structured interviews in order to gain an in depth-understanding of the MAC process. The initial interviews were open-ended and focused on broad questions regarding the MAC within ProCorp, and as the interviews progressed, the interviews became more focused on specific areas such as the gradual shift in attitudes towards the integration of MAS. As unexpected findings regarding the MAC and the institutional logics emerged, the interview template was revised. This enabled further exploration of the findings using systematic combining (Dubois, Gadde 2002). The relatively long period of the interview process enabled analysing of the findings along the way and further contributed to the revising of the questions and the framework. However, even as the interview guide was revised, similar questions within the research themes were posed to ensure the objectivity for each organisational level (Bryman, Bell 2007). Moreover, in line with Eisenhardt and Bourgeois (1988),

both authors participated in all interviews where one was mainly responsible for steering the interview through the interview guide while the other took notes and added follow up and clarification questions when appropriate. The complementary insight from the different authors increased the likelihood of gaining new insights.

In addition to the interviews, internal documents and reports as well as observations have been incorporated into the analysis as it enables new aspects as well as a greater breadth of understanding the case (Maxwell 2012). As the authors of this paper signed a confidentiality agreement, internal documents were available and provided valuable insights. The data included organisation charts, various reports and analyses compiled by the central team as well as internal communication. Moreover, guided tours and the grant of rather free mobility allowed for further observations at the headquarter as well as local sites.

3.3 Analysing the data

All interviews were recorded, transcribed and saved on a server that both authors had access to in order to ensure that no important findings were lost. Furthermore, the data collection and analysis were conducted simultaneously in line with the abductive approach described above. Shortly after each interview the findings were discussed and analysed and new interesting findings were used for development of the interview guide for the upcoming interviews. As the majority of the interviews were conducted face-to-face body languages were observed, which contributed to the interpretation of the discussions (Bryman, Bell 2007). As stated by Bryman and Bell (2007) “the interviewer may be able to discern such things as discomfort, puzzlement, or confusion” (p. 501). This was deemed important especially as the analysis revolved much around the interpretations of peoples’ subjective experiences.

To make sense of the gathered data, Miles’ and Huberman’s (2014) iterative analytical steps were used as inspiration; *data condensation*, *data display* and *conclusions/verification*. During the data condensation the findings were categorized into very broad themes such as the MAS implementation components as well as the identification of the logics. The categories made by Thornton et al. (2005) were used in order to identify and distinguish the different logics. As the collection proceeded, patterns and highlights were sorted out and new categories established. As the framework by Burns and Scapens (2000) was decided upon, this was also used in order to conceptualise and display the findings. Given the gradual implementation and somewhat varying

use of management accounting over time, the empirics regarding the MAC has been divided into three phases, similarly to some previous research within MAC in acquisition contexts (Yazdifar et al. 2008, Christner, Strömsten 2015, Moilanen 2016). Such structuring allows for a clearer view on the order of MACs, and the implications on actors and groups dynamics within each phase. In addition, it enables the understanding of how certain changes, and the behaviour it fostered, would influence subsequent changes. In order to facilitate the reader to assess the interpretations and analyses of the empirics, the empirics have purposefully been rather comprehensive. Lastly, as highlights and patterns emerged, which were compared to existing literature along the way, a deepened analysis was made in order to understand how the different logics influence, and were influenced, by the MAC process.

4. Empirics

4.1 The professional service industry

The case company that is subject to our research operates within a knowledge-intensive professional service industry. The industry has historically been highly fragmented with no actor having a market share above 1%. The field is subject to certain industry-specific regulation which prescribes certain aspects of the service delivery and the mandate of specific personnel. Firms in this field commonly adopt a functional organisational structure, characterized by a pyramid-shaped hierarchy where employees are grouped based on specialization (see figure 2 below). A functional manager with expertise within the field supervises the staff within his or her area. Moreover, the chain of command and reporting within the functional structure is usually strict and hierarchical, which ensures clear lines of accountability based on expertise. Many of existing structures are deeply rooted in the industry as they are upheld by national regulation.

“Your working title determines very clearly what you can and cannot do. This is taken for granted across the organisation and nobody would ever question it.” - Service professional

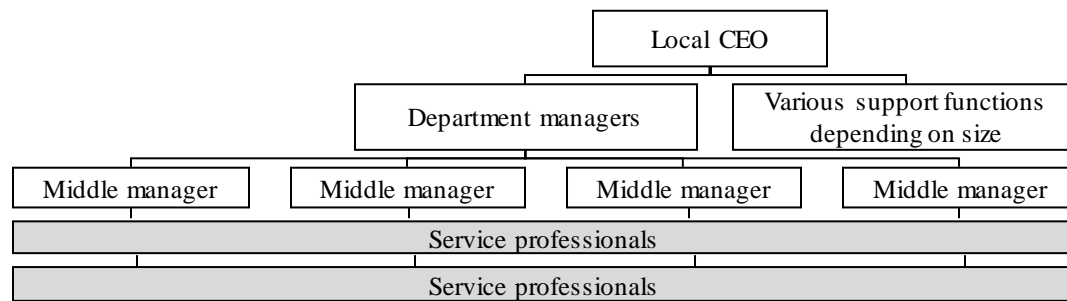


Figure 2. Generic organisational chart for service professional firms.

4.1.1 The service professionals within the field

“I do not work primarily for the money, in that case I could easily have chosen another education and profession given my high school grades. For me it is more important to feel that I contribute with something meaningful. I also have a strong interest within the field.” - Service professional

The industry in question is primarily characterized by a strong professional identity among its practitioners. Originally, this stems from a genuine personal interest within the field, which is further reinforced by their post-secondary education and employment. As a consequence, in their professional role, the employees are outermost guided by the service level provided to the

customer. In general, less attention is devoted to economic rationales. This may manifest itself by a tendency among employees to sometimes overlook costs and in some cases even an unwillingness to fully charge the customers. In addition to the strong professional identity, interviews also indicate a predominating field level attitude that emphasizes the importance of emotions as well as consensus. Due to their high degree of expertise, it is highly important for the service practitioners to feel involved when discussing and implementing changes that affect them. However, despite that the work and the daily deliverance of the services is highly hierarchical in nature with regards to formal authorities, it is also important for lower-level service practitioners, who do not necessarily have to be experts within their field, to feel involved in the overall decision processes. This mindset seems to be widely prevalent across the industry, probably as a result of the strong devotion to the profession, which is tightly linked to the lifestyle of the individuals, and possibly even the general character traits of those attracted to the industry.

4.2 Introduction to the parent company - ProCorp

“Given the previous composition of the industry, there are a lot of things we [the central team] can contribute to. This includes cost efficiencies, such as cheaper sourcing, shared IT systems and more efficient use of other resources, but also in terms of improved service quality by sharing knowledge and best practices.” - Business Unit Manager

Established in Northern Europe, ProCorp is a young professional service chain, partly owned by a private equity company. As mentioned above, the industry has historically been highly fragmented and ProCorp was founded based on the notion that better service and a higher degree of efficiency could be achieved through sharing of resources. Since then, the company has acquired a couple of dozens independent professional service firms and the company currently has more than a thousand employees. ProCorp’s M&A strategy has been to acquire service firms with a stable or growing customer group. The usual sellers include owners who are approaching retirement with no obvious successor in the current organisation. Nevertheless, the seller is usually expected to stay within the organisation for a certain time period, usually a couple of years. At the time when this study was conducted, ProCorp has completed its heavy acquisition phase, and the integration of all currently acquired units had been completed. Consequently, although the organic growth still is significant, the focus of the top management had slightly shifted from growth to internalization, operational efficiency and profitability.

4.2.1 The central team

The main objective of ProCorp's central team is to secure that the local subsidiaries succeed in generating value. The role of the Business Unit Manager is rather similar to a CEO, responsible for several units, in an ordinary firm. They usually provide continuous guidance to the local units depending on their needs and tends to have weekly contacts with the local CEO, through email, phone or physical meetings. The central team also provides support with regards to sourcing, marketing, and IT, in addition to running certain time-limited initiatives.

The top management of ProCorp do not have a background within the professional service industry, neither as a service practitioner nor as an administrative business partner, the firm is operating in. Instead most of them share a background within either management consulting, private equity or both. With regards to education, most of the central team has a degree within business administration or engineering from renowned universities, with a few exceptions such as human resources and IT. Compared to that of the professional service practitioners, the mindset of the central team is more tilted towards a business focus. This business focus is arguably also enhanced by the fact that ProCorp is mainly owned by a private equity company, resulting in pressure from the owners to increase the value of the company within the shorter holding horizon. As the industry was rather new to most central employees, these had to dedicate extensive efforts following their employment to learn about the industry, including its regulation, terminology as well as culturally established norms.

“When I first started working I was exposed to a completely new terminology, which I was expected by the service professionals to understand immediately. I have previously worked in a high-tech company, but this was even more complicated to get into.” - Central HR manager

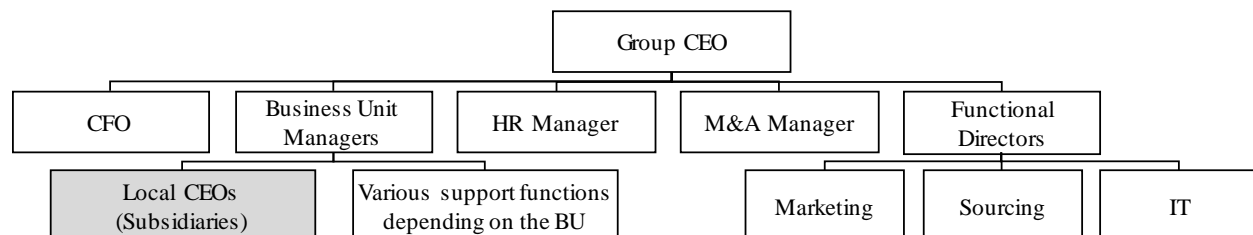


Figure 3. Organisational chart for the ProCorp group.

4.3 The acquisition and integration process

The acquisition process is usually initiated by ProCorp by trying to establish a relationship with the owner, usually the CEO, of the potential target. This relationship is initially often informal

with the objective of understanding whether the owner may be willing to sell the firm, at that point or sometime in the future. If the owner indicates such interest a negotiation process is usually follows and a central M&A team gets involved, which performs a due diligence and participates in the negotiations. The negotiation process mainly involves the current owner and there is very little contact with other employees. Following the acquisition a central team, including the CEO, of ProCorp visits the local service organisation and holds a presentation about themselves, the values of ProCorp and the common tools and resources that are available across the sites of ProCorp. This is followed by Q&A session where the local employees can ask questions. Although the integration process has been described as rather ad-hoc, contingent on the factors specific to the acquired unit, three processes have been mandatory. These include integration of the financial reporting using on central ERP system, rebranding and taking part of the various quality initiatives conducted by the company.

“During the negotiation and due diligence process, there is usually not time to acquaint the local staff as the seller does not usually want to involve them.” - Business Unit Manager

The onboarding on quality program takes place almost immediately after the integration. The same central quality team pays a physical visit and holds a presentation. They also make their own observations regarding the quality based on a set of predetermined dimension and compiles a report, which is shared with the headquarter as well as the local firm itself. The financial reporting is fully integrated within six month from the acquisition, but monthly reporting to the headquarter is mandated already three months from the acquisition. The financial integration process is driven by a shared service centre. The rebranding is mandatory to conduct within three years from the acquisition date and is conducted in conjunction with the central team, which has defined processes in place for renaming, designing and ordering rebranded material.

4.3.1 Attitudes towards ProCorp among the employees of the acquired firms

In almost all cases, the acquisition/divestment decision invokes emotions among the employees of the acquired unit. The local CEO, the previous owner, is often highly positive to ProCorp for various reasons. Firstly, they are alleviated from much of the impending financial uncertainty that were a common part of their previous everyday life. Furthermore, the workload of the CEO is somewhat eased given the relieving support that is provided by ProCorp’s central team, including

sourcing, marketing and HR related tasks. On the other hand, the positive view expressed by the selling local CEO is seldom shared by the local practitioners, who often experience a strong sense of anxiety and melancholy.

“There are of course people who find change exciting as it can enable new opportunities, but as a general rule, we humans do not like change as it implies uncertainty.” - Central HR Manager

In the acquired organisations there was usually a wide perception, or fear, that ProCorp, since it was private equity backed, would exert tight control in order to maximize the shareholder value, which would negatively affect the customers through higher prices and potentially even lower service levels. Most employees also tend to wonder how the new owner will affect their job security, their salary and their level of personal freedom with regards to the execution of their daily work, given the profit objective of ProCorp.

“There was indeed a fear that men in black suits and ties would walk in and dictate a lot of changes to our organisation and ways of working in order to drive up the profits.” - Service professional

Although the initial reaction among the employees tend to be predominantly negative, this varies depending on the mindset of each individual. Moreover, the reactions tend to be a bit more positive for less well-performing firms, where the acquisition instead entails a feeling of hope. However, in almost every acquired subsidiary there has been a small group of one to three people that has been more militantly opposed to the new owners and their central team. These people tend to have a more idealistic mindset and were convinced that the capitalistic mindset of ProCorp would harm the customers. As a result, they frequently seek to mobilize groups within the unit to oppose ProCorp and its initiatives. However, the most detrimental impact was, as suggested by many of the lower level employees, was the demonization of those who had accepted ProCorp, which resulted in a very tensed working environment and even increases in sick leaves. In most cases, the local CEOs had severe difficulties in changing the behaviour of the opposing people. However, in almost all cases these people eventually left voluntarily after a couple of months and instead went to privately owned firms. This was often a big relief the employees in the subsidiaries, as suggested by employees at all levels, and the change could almost be felt overnight.

“The job of the service professionals can be highly demanding and stressful. People work tightly together and the entire chain requires everyone to fulfil their respective responsibilities. In such a setting it is of great importance that the atmosphere is positive and that people are collaborative. Hence, contrarious behaviour of even just a few individuals can cause tremendous negative effect on the overall organisation.” - Local CEO

ProCorp’s pronounced strategy has been to allow for a high degree of autonomy within the local organisations, with regards to matters such as salaries, sourcing decisions and job execution. Rather than to force decision upon the local organisation top-down, the approach of the central team has been to emphasize their supportive role, although some minimum standards are imposed. However, the latter have mainly been centred around the quality of the services offered. In hindsight, most employees across the local organisations seem to conclude that as a general rule not that many things have changed, and that, for most part, the changes made, e.g. as clearly specified routines, tend to simplify their daily work.

“We have knowingly adopted a decentralized strategy with regards to our subsidiaries as it simply seems to work best. Given their high degree of expertise within the field, we cannot dictate their behaviour as it would hurt the motivation and commitment of the local employees. It is important for us to accentuate the benefits of our proposed implementations, otherwise they can easily be disregarded by the local organisation. However, there are certainly times we wonder if we allow for too much local freedom. - Business Unit Manager

4.4 The progression of the MAC

4.4.1 Phase 1 – Establishing a common ground

MAS in the local organisations prior to the acquisition

Prior to the acquisition, there were little time dedicated to monitoring performance within the local organisations. The role of the local CEO primarily revolved around managing the employees, i.e. securing sufficient staffing and maintaining the well-being among the employees. The middle managers usually had an actively practicing professional role and their administrative role were hence limited devoted to scheduling. Although some CEOs would track monthly sales, there were no formal rules or routines with regards to the use of the management accounting. In most cases, there were no established finance function in the local organisations and the annual reports were

usually compiled by a hired accountant. Throughout the local organisations, accounting was mainly viewed as an outcome rather than a tool for decision making, and were generally reviewed on an annual basis. The general consensus within the organisations were that if customers and employees were satisfied, results would follow. However, in most organisations there were not sufficient resources or systems in place to formally track these dimensions. In addition, there seems to have been no measurement culture within the local organisations. Instead, such dimensions were discussed informally in team meetings based on the personal apprehensions of the staff and the involved the CEOs in cases of greater disaffection within the organisation.

“Earlier, if our firm had a bad year, we tended to accept cyclicity and would expect reversal in the coming year. We rarely took any direct actions based on the financial result.” - Local CEO

The implementation of new management accounting rules

The first diagnostic element that the service professionals encountered was the quality program immediately after the acquisition, when a central team arrived at the acquired unit and makes a quality assessment of the services provided. The assessment criteria were originally based on various best-practices from different subsidiaries. The result is summarized in a report by the quality team, which is shared with both headquarter and the unit in question. The report also includes results of other subsidiaries, which allows for benchmarking between the units. After the first assessment has been conducted, the quality initiatives are run continuously on a quarterly basis, which usually include a measurement phase, a feedback phase and an improvement phase with actionable suggested measures based on the feedback. In general, the quality related controls were warmly described by the practitioners as it allowed them to learn and develop in their professional role. Thus, these diagnostics rather quickly attracted participation of actors within the local organisation and became routines, without the need for ProCorp or the local CEO to exert pressure.

While the ERP system was integrated during the first half year the Business Unit Manager and the local CEO discussed the needs of the organisation. This frequently revolved around how the organisation functioned from an employee perspective. As a result, employee and customer satisfaction indices were formalized as well as the tracking of working hours.

“Although the job being highly rewarding, it is also very stressful with a lot of time pressure and high expectations from the customers. The sick leave is high compared to other industries. It is not surprising, given that I previously could work almost up to 100% over time. I just accepted it and never questioned whether it was even legal. This has become much better since ProCorp started the measure and imposed a cap on the working hours.” - Service professional

Based on the reported working hours, ProCorp imposed restrictions on the amount of overtime an employee could work and in organisations where working hours were high additional staff was allowed to be hired. As suggested by the quote above, the tracking of working hours seemed to reduce the level of stress in some pressured organisations, which helped foster a more positive attitude toward ProCorp among the service professionals. Consequently, customer and employee indices as well working hours gained attention not only by the local CEO, but also resulted in actions by the practitioners who engaged in discussing the results in their team meetings, which became weekly routines.

4.4.2 Phase 2 – Mutual learnings

The use of management accounting by the Business Unit Manager and local CEOs

When the ERP system of the local unit and ProCorp had been integrated the measurements system was gradually ramped up by the central team. On a weekly basis four KPIs were monitored carefully by the Business Unit Manager: weekly sales, number of hours worked, unplanned absence and fraction of phone calls answers. According to the Business Unit Managers, these KPIs provided a good overview of the weekly business and could flag deviations so that issues could be addressed in an early stage.

“Weekly sales, number of hours worked, unplanned absence and phone history actually conveys a very clear picture of the short-term operations. If you manage to get those four KPIs right, you are basically guaranteed a good result... At least most of the time.” - Business Unit Manager

On a local level, the increased use of financial and operational KPIs primarily involved the local CEO, and some cases the local executive group, which worked particularly closely with the Business Unit Manager during the first year following the acquisition. While increase in measurements amplified the pressure on local CEOs, it also provided them with insights that were not available to them before. The metrics facilitated mutual learnings between the Business Unit

Manager and the local CEOs. Prior to his/her current role the Business Unit Manager had little or no experience from the industry and the extensive measurement systems allowed for them to draw general insights from the industry even though they were not necessarily required for taking immediate decisions. At the same time, the KPIs collected centrally, allowed the local CEOs to take part of learnings from other subsidiaries through the discussions with the Business Unit Manager, including occupancy rates, marketing expenses, capital expenditures and pricing.

“At first I was confused by all the finance terms used by the Business Unit Manager. He kept talking about the EBITDA impact and asked about my CAPEX/Sales target. However, after a while I started to make sense of these terms and I started to see the business from an entirely different perspective. Then, it was suddenly me who started to reach out to the Business Unit Manager and ask about these KPIs for my unit as well as other units.” - Local CEO

While it is evident that the increased use of KPIs was time-consuming to get into and put pressure on the local CEOs, most of them seem to indicate that it helped reduce uncertainty. The interactions between the central and local organisations were generally based on the idea that the other party had good expertise in their respective field, and the role of operational and financial metrics was not only to monitor, but to learning from one and other. Several local CEOs highlight a difference in mindset since ProCorp’s acquisition. As stated above, earlier, if a firm had a bad year, one tended to accept cyclicity and expect reversal in the coming year. However, there is now a higher pressure exerted by ProCorp to address deviations immediately. This has increased the pressure on most local CEOs to always stay on their toes.

“Since I do not have an economic background myself I appreciate the support from the central team. I don’t have to pretend that I understand everything and when I don’t I can always ask them to explain it for me in simple terms. While they are very supportive, the treadmill never stops and the bar keeps rising. We are always expected to move forward.” - Local CEO

New management accounting routines influencing local service professionals

As stated above, at a local level the use of the MAS primarily involves the local CEO, and possibly his or her directorate. Within the service organisation less attention is paid to the financial KPIs by the practitioners, who mainly take part of operational KPIs that is more closely related to their

work, such as customer and employee satisfaction indices. However, a key role of the local CEO was to translate the insights from the accounting systems and the improvement initiatives suggested by the Business Unit Manager to the line organisation. Thereby the local CEOs played a crucial role in managing the link between the financially-oriented central team and the service oriented practitioners. Through the discussions with the Business Unit Manager revolving around the reports, the local CEOs acquired a stronger economic understanding which also helped them in conveying economic messages to their employees. One significant issue that ProCorp realized early was that practitioners seemed unwilling to fully charge the customers for their services. Arguably, this conflicted with the professional logics as the practitioners seem to view the services provided as a right rather than a voluntary transaction between the parties, particularly when the outcome did not turn out the best for the customer. To address the issue, ProCorp ran a company-wide pricing and cost initiative, where they provided a full list of the costs associated with offering the services, including depreciations, as well as prices, enabled by the ERP system, across the different subsidiaries. This increased the transparency and awareness among the service practitioners of the various costs, associated with running the business. This in turn made it easier for service practitioners to motivate the prices not only to the customers, but also to themselves.

“Before the pricing and cost initiative, it was difficult for me to motivate the prices to the customer and as a result I didn’t always charge the customer for all the services. I couldn’t imagine how expensive some of the equipment and particular services were. However, now knowing about the full cost structure I can more easily motivate the prices to the customers, and I don’t feel as bad about it as I did before. Although I sometimes still do it, I tend to be aware of when I charge the customer below a positive margin.” - Service professional

The mediating role of the local CEOs between the central and local team

The mediating role of the local CEO, between the interests of the employees and the ProCorp, could be demanding. On the one hand, they still had to dedicate much time and energy to securing that the overall atmosphere was positive within the local organisation. This usually requires much time spent at the operational floor, talking and listening to individual employees. At the same time, there was significant pressure from the Business Unit Manager, who expected the local CEOs to be able to explain and address deviations flagged by the MAS in a timely manner. One highly entrepreneurial local CEO did not manage the role as the organisation grew big, and put too much

attention to maintaining informal relationships at the expense of the controlling role of the position, in the end failing to maintain profitability. On the other hand, the strict leadership of an externally hired local CEO with extensive leadership experience from other industries, caused severe clashes with the local employees. As highlighted by the successor “this role requires you to be honest and clear about directions, but at the same time it is as important to listen and being emphatic”. However, in those cases where local CEOs were successful in communicating the insights of the KPIs, an increasing interest grew among the practitioners to improve the business. There are no bonuses in ProCorp, but given the strong interest among the practitioners trainings are seen as a valuable reward. In addition, new equipment tend to be highly sought-after by the employees. By linking such benefits to important KPIs, local CEOs could foster a sense of stronger understanding of ProCorp’s central team, by tying a link between the financial and daily work as well as aligning interests. Thus, the diagnostics controls fostered a sense of mutual acceptance in ProCorp.

The use and institutionalisation of the MAS contingent on the local organisation

Depending on the size and complexity of the local unit, KPIs are used differently. Larger units generally have more local administrative resources and tend to devote more time to the tracking of KPIs. The time dedicated to monitoring and analysing KPIs have in larger subsidiaries become more extensive since ProCorp’s acquisition, due to the granularity of the reports developed by the central team but also due to the frequency of measurement.

CEOs of smaller units, on the other hand, tend to actively practice their service profession in addition to being CEOs and often lack a directorate group. Hence, they usually allocate less time with business administrative related tasks. Consequently, their focus is commonly limited to tracking daily and weekly sales, although most operational data is available to them, and rely more on the Business Unit Manager to extract further insights from the KPIs they are tracking.

“The central team measures everything, and then I mean everything. It’s helpful to get their insights while I focus on the operations.” - Local CEO

Moreover, when implemented, MAS were generally adopted slightly differently depending on how well the service of the local company performed. Interviews indicate that local CEOs of firms that were poor-performing, while first being frightened by the idea of measurements, tended to be the more susceptible to actively working with the KPIs developed by the central team, as well as

referring to them within the organisation. In such cases, KPIs were appreciated as it provided comfort and guidance in times of uncertainty. One such local CEO asked the Business Unit Manager for daily reports, as it reduced the ‘black box of uncertainty’, as expressed by the local CEO, and allowed for the breakdown of the immense turnaround process into micro-targets that could more easily be checked off. Consequently, the MAS rules were often quickly translated into monthly, weekly or even daily actions, which helped foster new routines, which sometimes were more granular than the formal rules set by the central team. In contrast, in the beginning, some well-performing organisations tended to be less excited about the financial diagnostic elements implemented by ProCorp, as they were satisfied with their current organisation. While they adhered to the formal reporting rules and participated in the monthly discussions with the Business Unit Manager, their use of the MAS seemed more loosely coupled as it did not tend to steer their behaviour or decision making. However, some of the most financially well-performing subsidiaries gradually became highlighted as local stars, and gained recognition across the subsidiaries. In these cases, the management and employees seemingly started to identify and describe themselves and their organisation using financial or accounting terms such as ‘highly profitable’. Although the service level at one’s organisation was still the outmost prestigious factor for service professionals, a link between the financials and the service level grew as the most profitable units also often were the best in terms of service delivery, since these could afford more expensive trainings and investments. This perspective in turn seemed to gradually grow across the different subsidiaries as it became more attractive to work for the well-run subsidiaries.

4.4.3 Phase 3 – Extended autonomy, but close relationships

Autonomy through transparency enabled by the MAS

During the two years following the acquisition ProCorp and most of the subsidiaries covered in the case study had gradually reached a fairly high degree of institutionalisation, although some local variations exist. Although, the local organisations still had a rather high degree of local autonomy, a sense of unity had developed across the organisation. This applied to the vertical relationship between the central team and the local subsidiaries, but the sense of unity were further strengthened by the inter-subsidiary relationships that had developed through the various networks and joint training facilitated by ProCorp. At a local CEO and middle manager level, some of the terminology used by ProCorp’s central team seems to have gradually been adopted, such as ‘occupancy rate’ and ‘depreciation’ when evaluating performance and making sense of potential

investments. Moreover, the increased use of measurement as implemented by ProCorp has provided the employees with a platform for discussions on the different layers in the organisation. The intense and interactive use of diagnostics had resulted in a high degree of transparency within the organisation. This in turn, facilitated a higher degree of local autonomy and less frequent interactions with the central team. Instead there was a higher focus on the monthly report meetings, which were continued to be discussed between the local CEOs and their respective Business Unit Manager. The overall focus is to evaluate that the business is progressing according to the targets set. Should a subsidiary fall behind, it is still important for the Business Unit Manager to understand if this is a short-term deviation or a result of an underlying issue which requires addressing. However, the need for Business Unit Manager to step in is less common. Moreover, various initiatives continued to be implemented by ProCorp, mainly aiming to share and roll out best practises between different subsidiaries. While acquirer and acquiree still to a large extent adhere to the norms within their respective fields, the two seems to have borrowed elements from each other, which will be further discussed in the next chapter where the different institutional logics are defined and discussed.

“I do not interact as much with the Business Unit Manager as I did in the beginning. However, the monthly reports ensure that we always know where we have each other” – Local CEO

The annual budget

The yearly budgets of each unit is usually compiled by the local CEO based on the input of their respective middle managers and the long-term targets formulated by the central team. The proposed budget is then shared with the Business Unit Manager who discusses the suggestion with the central CEO as well as the CFO. The Business Unit Manager was more heavily involved in the budgeting process during the two years following the acquisition, which were often associated with larger investments, but has since then gradually handed over the responsibility to the local CEOs. As a general rule, the budget is approved centrally and the local CEO has a high degree of freedom with regards to allocation of resources unless the unit in question is underperforming. This acts as an incentive for the local units to do well as local CEOs have a significant degree of freedom with regards to salary increases and offering trainings provided the central team can see that they perform well. The local service practitioners, who value trainings particularly highly, have started to pay more interest in leading indicators such as customer satisfaction, growth trends,

following the merger with ProCorp as these are now more tightly linked to potential rewards, in particular to trainings.

“It is rather evident that we in the subsidiaries have a different perspective than the management of ProCorp. They obviously have a strong economic rationale, while practically none of us in the subsidiary has any economic background. For instance, we in the subsidiary may see a need for hiring additional administrative employees, which would relieve stress and allow us to provide better services to customer. However, the central team tend to run calculations and evaluate the proposal based on its financial implication and may find such a request unprofitable. However, in those cases we often discuss the matter and if we make good arguments they may accept our request. Sometimes they reluctantly make concessions and agree on trying out our proposal, but then carefully monitor the outcome using various KPIs. If the outcome is financially viable they accept the proposal, otherwise they may reject it going forward.” - Local CEO, small subsidiary

5. Analysis

Within this section the findings regarding how the differing logics within the acquired and acquiring company influenced the MAC are discussed and compared to previous research, in order to answer the research question presented in the introduction:

How do different logics within the acquiring and acquired firm influence the change process with regards to the design and the subsequent use of the management accounting system?

Firstly, the logics identified through the categories established by Thornton et al. (2005) are outlined in order for the reader to understand how the institutional complexity permeated the post-acquisition integration process within ProCorp (5.1). After this the integrated framework, based on that of Burns and Scapens (2000), is used in order to analyse the MAC process within ProCorp. The original framework suggests that when rules are enacted continuously in the organisation they become routines and eventually institutionalized. Theories from the field of institutional complexity is incorporated into the framework to understand how the institutionalisation is influenced by the different logics. More specifically, in section 5.2 the empirics are analysed to understand how the MAS was designed and used, given the multiple institutional logics. Lastly, in 5.3 the evolution of the two logics are analysed.

5.1 Institutional complexity within ProCorp: The professional logic and business logic

Thornton and Ocasio (1999) defines institutional logics as “the socially constructed basis of ‘historical patterns of material practices, assumptions, values and beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality’”. As stated in the empirics section, the management team of ProCorp and the employees in the acquired units diverge in terms of educational and professional background. More importantly, the two groups seem to clearly diverge in terms of their basic assumptions, their values and the rules to which they submit themselves. The intrinsic assumption and goal among the service professionals seem to ultimately be to provide the best possible service to customer currently being served, which we can label a ‘professional logic’. While the organisations of the subsidiaries is very hierarchical in terms of daily execution, the professional logic is tightly linked to the conception that decisions concerning all employees should be taken through democratic processes. The central team, on the other hand, tends to explain their

professional purpose from a business perspective. In their previous career they have not been devoted to provide neither the same services nor to the same customers as in ProCorp. Instead it has in most cases been highly linked to improve operations and processes from a profitability perspective, which has defined the norms for their respective actions in their professional role. Thus, the management of ProCorp is arguably representing a ‘business logic’. Below the logics within ProCorp are outlined based on the categories of Thornton et al. (2005).

Ideal types of institutional logics in ProCorp		
Characteristics	Professional logic	Business logic
Sources of identity	The service as a profession	The service as a business
Sources of legitimacy	Expertise and compassion	Value creation
Sources of authority	More experienced/educated personnel	Executive leadership team, owners
Basis of mission	High quality services provided to the customer	Increased value of the company
Basis of attention	The customer currently being served	Financial and operational KPIs, organisational development
Basis of strategy	Educations and development to increase quality of the services	Restructuring and improved efficiency, growth
Learning mechanisms	Cooperation, relational network, trainings	Internal and external benchmarking, routines, trainings

Figure 4. Ideal types of institutional logics in ProCorp. Categories taken from Thornton et al. (2005).

The empirics highlights the potential for tensions between the two logics in accordance with previous research (Thornton et al. 2005, Reay, Hinings 2009, Pache, Santos 2010). Such tensions were evident already immediately after the acquisitions as it was possible to distinguish an ex-ante scepticism between the carriers of the different logics even before the integration itself had commenced. Building on the findings of Besharov and Smith (2014), who argued that the likelihood of conflicts increases if they imply inconsistent actions, we suggest that tensions or conflicts between logics can arise and impact organisational behaviours if there is an anticipation of such conflicts, even if inconsistent actions are not prescribed per se. Among the service professionals, there was a prevalent notion, or at least fear, that the interest of ProCorp would conflict with that of the service professionals, i.e. that ProCorp’s profit focus would negatively

affect the customers and the autonomy of the service professionals. This frequently resulted in more or less militantly group opposing the new owners, which tried to mobilize people against these. However, as time progressed, the hostility towards ProCorp among service professionals seems to have gradually declined. This was partly a consequence of the most outspoken opponents leaving the organisation. However, the empirics suggest that while the central team and the subsidiaries had a strong home logic which they favoured, in line with McPherson and Sauder (2013), these were not strictly competitive. Rather, the two logics seemed to develop a cooperative relationships, were actors at both a central and local level reflect different logics in different situations throughout their work in accordance with Goodrick and Reay (2011). This relationship did not form overnight, but rather developed gradually over time. In the following sections, the role of MAC in achieving this collaborative relationship is analysed. Below, figure 5 outlines the design and use of the MAS throughout the three phases discussed in the empirics, as well as the transitions of the two initially disparate business and professional logics.

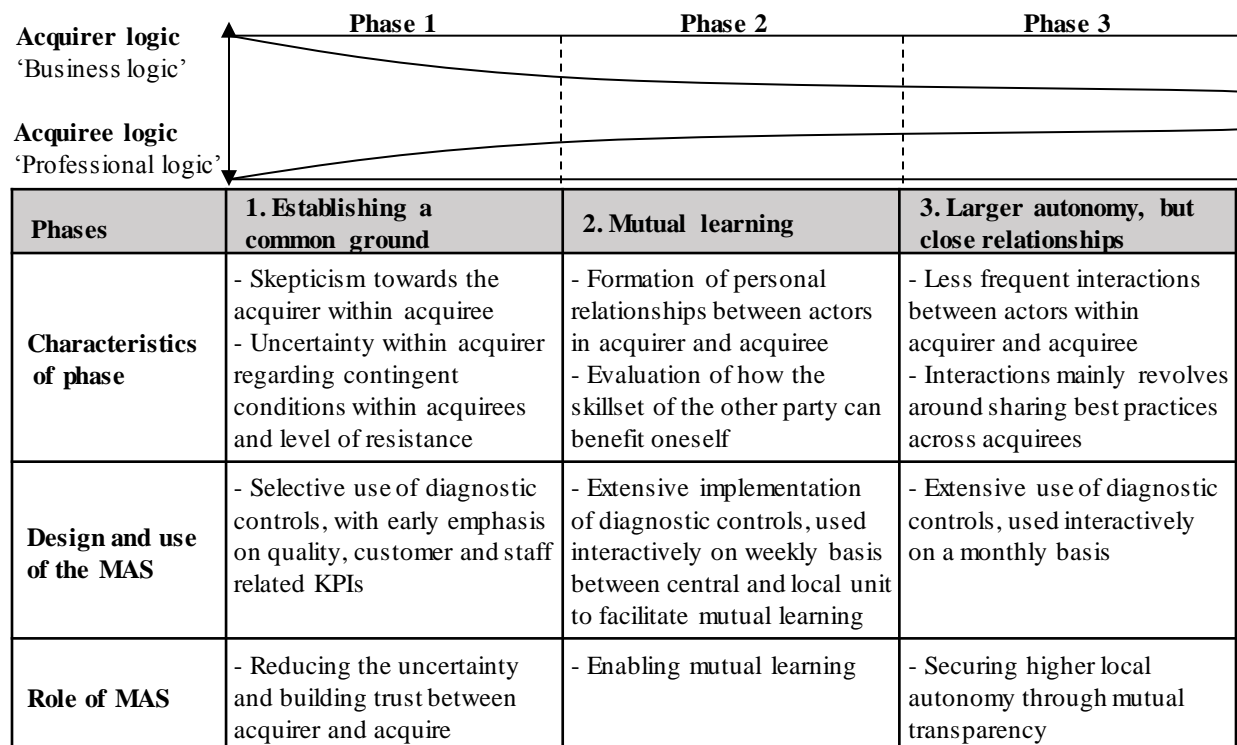


Figure 5. Summary of the design and use of the management accounting system throughout the three phases as well as the transitions of the two initially disparate business and professional logics.

5.2 The design and use of the MAS throughout the MAC process

5.2.1 Establishing a common ground through early compromising

Takeovers and the MAC they imply can invoke strong feelings among the employees in the acquired units (Moilanen 2016, Yin 2014) independently of whether there are diverging institutional logics or not. The empirics seem to support Moilanen and Yazdifar in the sense that the acquisition itself invoked strong negative emotions among the employees. The uncertainty experienced by the employees in the acquired units arguably seemed to be aggravated by the high perceived cultural differences between the acquirer and acquiree. As stated, there were ex-ante expectations among employees that the objectives of ProCorp could lead to conflicting goals and actions even before any integration had taken place. In line with other case studies within MAC in a post-acquisition context (Aureli 2010, Bruining et al. 2004, Christner, Strömsten 2015), ProCorp implemented several changes based on their preferences, including more detailed measurements with a higher frequency. The control exerted by ProCorp relies heavily on diagnostic controls to evaluate the performance of its subsidiary, which seems rather typical for private equity backed acquisitions (Aureli 2010, Christner, Strömsten 2015). Burns and Scapens (2000) suggest that resistance to change has three separate but interrelated elements; resistance due to competing interest, lack of capability, and ‘mental allegiance’ to established thought patterns captured by existing routines and institutions. Although these elements at first seemed apparent between the organisations, the extent of the resistance appears to have been lower than what has been suggested by previous literature (Burn, Scapens 2000, Tsamenyi et al. 2006). However, the extensive measurement systems were not implemented overnight. The progression of the MAC may help explain the avoidance of open conflicts between the logics.

Compromising, i.e. incorporating elements from different logics when designing the MAS, has received much attention within previous literature (Ezzamel et al. 2012, Oliver 1991, Modell 2009). However, the concept has received less attention within the scant process-oriented literature on MAC in a post-acquisition context. In the case of ProCorp it seems as the central team in an early face, adopted a compromising strategy, implemented management accounting dimensions that strongly adhered to the logic of the local service professionals, such as employee and customer satisfaction indices, and the tracking of working hours to limit the amount of overtime. In addition, the well-perceived quality program was one of the first impression that local service professionals had of ProCorp. Whether this was done strategically, as a studious coup to gain acceptance, or not

is unsure. Nonetheless, it seemingly helped reduce the immense degree of uncertainty and concerns experienced by the local professionals. Moreover, similarly to the acquired unit in the case study conducted by Yazdifar and Tsamenyi (2005), the local staff in ProCorp's subsidiaries lacked a culture of measurements and performance accountability. The quality program of ProCorp allowed the local staff, not only the managers, to participate in an early stage and take part of learnings using measurements within an area that appealed to their interest. Bruining et al. (2004) argued that for cultural change to occur, there must be a change in people's experiences by providing a sense of benefits of the new assumptions for those to be adopted, which seemingly also was the case in the local organisations of ProCorp. Moreover, the early diagnostics also seemed to acclimatise the local units to the concept of benchmarking, which eventually would become a material dimension of the MAS used within the company. Yazdifar and Tsamenyi (2005) suggested that by focusing on introducing cultural change, rather than to forcing "mechanical routines" of the MAS upon the staff in the acquired unit with little link to the taken-for-granted assumption, eventually helped facilitate changes in routines and the institutional realm. Similarly, the quality related measures in ProCorp seemed to open the service professionals to new ways of thinking through measurements and benchmarking, which was an unfamiliar concept to the local organisations. Although ProCorp introduced completely new processes, but within an area that were closer to the heart of the employees, the tension between stability and change was seemingly balanced. It can be concluded that new management accounting rules that adhere to the logics of the specific group upon which they are imposed, or at least provide a clear benefit to that group, are more easily enacted and translated into actions and routines by these individuals. Perhaps even more interestingly, such coupling of actions, may also induce new ways of thinking, such as the concept of benchmarking, into the acquired organisation, and lay a foundation for subsequent expansion of the MAS.

Jones (1985) suggests that management accounting elements of the highest importance tend to be introduced first. Yet, a relevant question is to whom it is important. Based on the previous literature such changes seem to primarily cater to the needs of the acquirer (Jones 1985, Aureli 2010, Bruining et al. 2004). However, in the case of explicit institutional complexity, the needs of the acquired organisations may be of significant importance, especially as these seem to experience the highest degree of uncertainty in the initial phase. Both Chenhall et al. (2013) and Sundin et al. (2010) showed how the balance between the different logics were achieved by

compromising and incorporating elements of the different logics into the MAS. By adopting a process-oriented perspective, we suggest that compromising does not necessarily have to be a static concept with regards to the design of MAS. Compromising also seems to have a time dimension to it, with regards to what diagnostics are implemented first during MAC. Ezzamel et al. (2012) argued that conflicts between institutional logics can be resolved or lessened by the underlying homologies among the logics. Arguably, in a situation where there are high tensions due to high perceived discrepancies in terms of objectives between the acquirer and the acquiree, early compromising on the part of the acquirer with regards to the MAS implementation could help reduce tensions and scepticism towards the acquirer by emphasising the homologies between the two units, enabling them to later on implement changes that were more in line with the business logic. Although there was no secret that ProCorp was in it for the money, the adherence of the early measurements to the professional logic seemingly signalled that the way of getting there was to a large extent compliant with the values of the practitioners.

5.2.2 Interactive use of MAS resulting in coupling by facilitating mutual learnings and trust

During the first one to two years after the acquisition the MAS grew extensively by incorporating a large number of operational and financial KPIs. During this period the Business Unit Manager and the local CEOs often worked closely together, which enabled the local CEOs, who often had very little knowledge about accounting, to learn from the Business Unit Manager. As suggested by Jones (1985), the consultative approach of the Business Unit Managers, was welcomed by most the local CEOs as it allowed for them to ask questions and learn in order to truly understand the economic dimensions of the MAS. Interestingly, on one hand, the central team had to change the mindset of the local employees and CEOs, who were rather unfamiliar to the concepts of measurements. On the other hand, the implementation of the MAS may also have been facilitated by the limited use of accounting systems in the previous organisation. Burns and Scapens (2000) suggest that a 'new' accounting system cannot solely be based on efficiency criteria as changes will always be path-dependent and existing routines and institutions will shape the selection and implementation process. Moreover, the authors also suggest that successful implementation of a formal change requires new ways of thinking. In a sense, the local CEOs and their subordinates can be compared to a 'blank sheet' with regards to the use of MAS and measurements in general. While it required much devotion of the Business Unit Manager in order to facilitate learning with regards to such matters, less energy and time was required to break old routines, enabling them to

more freely shape the attitudes and thought patterns of these individuals. In other words, the vacuum in the local organisations in terms of measurement routines, enabled the Business Unit Managers to more easily encode new rules based on the business logic, which were then enacted and reproduced by the local CEOs.

Although the local CEOs experienced increased pressure, as result of now being accountable to the central organisation with the high expectations it entailed, the interactive use of the measurements also helped reduce such pressure as it enabled transparency across the organisational layers, or as one local CEO expressed it “we always knew where we had each other”. While diagnostic controls have a monitoring role in cases where trust is low, by reducing opportunism and divergence of interests by rendering warning signals and aligning incentives (Simons 1995), we suggest that diagnostic controls may also help build trust. Division based on tasks and knowledge, as in ProCorp, can in many cases create uncertainty and interdependence between different units. In this case, the extensive measurements, and the information sharing based on these, arguably helped reduce uncertainty and promote mutual learning. The transparent use of the output from accounting system also facilitated trust deeper down the organisation and also helped mitigate one of the most evident clash of the business logic and the professional logic: the unwillingness of the service professionals to fully charge the customers. The company-wide pricing and cost initiative increased the transparency and awareness among the service practitioners of the various costs, associated with running the business. This in turn made it easier for service practitioners to motivate the prices to the customers, but also to themselves.

5.2.3 Institutionalization underpinned by framing the organisation through the lens of accounting

While the idea of increased measurements initially was deterrent to most local CEOs, the patience and pedagogical approach of the Business Unit Manager helped alleviate some of the pressure. As the understanding of accounting grew among local CEOs, so did it the perceived benefits of the accounting system. This sense of benefit was particularly salient among CEOs who was experiencing financial setbacks. In those cases the accounting system provided comfort and guidance and allowed for the breakdown of the immense turnaround process into micro-targets that could more easily be checked off. Not only did the formal rules result in tight coupling with regards to the weekly or monthly meetings with the Business Unit Manager, the local CEOs also developed more extensive routines, in terms of the number of KPIs tracked as well as the

frequency, than those prescribed by the central team. This could manifest itself by the local CEOs demanding more frequent and detailed reports, as well as benchmark data from its peers. In these cases, the local CEOs seemed to attribute higher meaning to the accounting, which helped them in framing the challenges of the organisation. Through the lens of accrual accounting, significant investments necessary to sustain the business became less overwhelming. In cases of negative profitability, leading indicators as improving customer satisfaction and customer retention indices provided comfort by indicating that efforts would pay off by linking it to higher potential revenues in the future. In the turnaround cases, the benefits of the accounting system as experienced by the local CEOs, allowed them to rather quickly adopt new routines. These were seemingly institutionalized rapidly and translated into new assumptions which were rather similar to those of the central teams, in line with suggestions made by Bruining et al. (2004). As the mindset of the local CEOs shifted towards that of the business logic, they also seemed more inclined to adopt the business-oriented terminology of the central team when communicating to its employees, emphasizing the importance of and possibilities associated with profitability.

However, some well-performing subsidiaries saw less benefits in the implemented accounting system, and while adhering the formal procedure in terms of discussing monthly reports, tended to resolve to selective coupling by focusing less on financial and operating KPIs that they deemed less important for their daily work. There was a notion regarding such KPIs that “it is what it is” and as long as they focused on the people dimension which they deemed most important for the success of the unit, results would follow. In line with Covalleski et al. (1993) the more selectively coupling of some of the more profitable units was likely a reflection of the power dynamic between the acquirer and the acquiree, where profitability implied more power and flexibility. On the other hand, as some of the financially well-performing subsidiaries gained recognition across the subsidiaries, a link between the financials and the service level grew as the most profitable units also often were the best in terms of service delivery. Although the service level at one’s organisation was still the outmost prestigious factor within industry, being financially successful became somewhat of a proxy for this factor, as such firms could afford more expensive trainings and investments. Similarly to the suggestion by Abrahamsson et al. (2011), accounting language started to contribute to the identity formation, or rather transformation. Terms as ‘highly profitable’ or ‘successful’ were increasingly used interchangeably in some local circuits, where terms such as ‘growth’ also became a credential when referring to a local organisation. This

perspective seemed in turn to gradually grow across the different subsidiaries as it became more attractive to work for the well-run subsidiaries.

5.2.4 Structural differentiation enabled by the mediating role of local CEOs

As has been shown, through the MAC that took place within ProCorp's subsidiaries, the different logics of the central and local organisations seem to have influenced the design and use of the MAS that gradually grew. However, despite the fact that the local employees to a certain extent contributed to and learned from the management accounting processes, it was used most extensively by the central team, in conjunction with the local CEO. With regards to organisational and MAS design, previous literature suggest that structural differentiation can be a way of avoiding conflicts between logics by separating groups with different logics (Greenwood et al. 2011). It usually refers to horizontal separation, into different horizontal subunits, but in ProCorp's case the separation seems to be vertical, where the central team and the practitioners still to a significant extent could live out their respective home logics. Previous literature has pointed to the drawbacks of structural differentiation as it requires integration between the different units (Greenwood et al. 2001). In order to facilitate such separation in ProCorp, the local CEO seemingly acted as a mediating link. The role of the local CEO can arguably be described as a change agent who needed to translate the insights from the diagnostic controls and the improvement initiatives suggested by the Business Unit Manager to the line organisation. Through the interactive discussions with the Business Unit Manager revolving around the reports, the local CEOs acquired a stronger economic understanding which also helped them in conveying economic messages to their employees. However, the mediating role of the local CEO was clearly demanding as one was expected to keep one foot in each institutional realm, and selectively adhere to different logics depending on the situation in order to maintain legitimacy in the eye of the central and local team. As a result, some local CEOs had to step down for varying reasons.

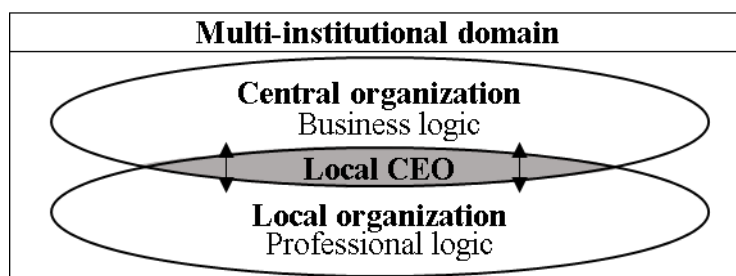


Figure 6 - The multi-institutional domain and the mediating role of the local CEOs.

5.3 Institutionalisation: The gradual transition of logics

As discussed above, the acquirer and acquirees seem to primarily adhere to their own respective 'home logic' (McPherson, Sauder 2013), where the local CEOs act as a mediating link between the two. However, throughout the three phases outlined, the institutional logics of both the central and local teams seems to have borrowed elements from each other.

On the part of the central team, they tend to have a highly action-oriented mindset with focus on rapid decision and execution processes. However, in an early stage they realized that strict top-down commands were incompatible when trying to achieve changes that involve practitioners in the line organisation. For the service practitioners it is highly important to feel involved when discussing and implementing changes that affect them, due to their high degree of expertise. As a result the central team seem to have adopted a more democratic mindset when engaging with practitioners in order to avoid conflicts. By doing so Business Unit Managers tend to request input, not only from the local CEO, but also from the local practitioners in decisions that affect their work. However, input in itself is not sufficient according to the Business Unit Managers. It is also important to give feedback and provide explanations to why the decision was made, particularly when a decision goes against the wishes of the service professionals. Such approach is obviously more time-consuming and prolongs decision and implementation processes. However, despite speed being essential to the central team, they seem to have accepted that this is how it works within the industry, and adopted their expectations and leadership thereafter. As stated, there have been cases of managers in the central team that were discharged due to their inability to cope with the softer demands of the local organisations. Moreover, the central team has increasingly adopted the language of the service professionals, and thereby arguably also adopted some of the cognitive patterns of those, in line with Abrahamsson et al. (2011). As certain terms, or metrics, carry more weight than others, the use of the technical language of service professionals among the central team has seemingly adapted its prioritizations based on these, e.g. by allowing the subsidiaries to refer customers to a competitor if they could provide better services, something that was usually prohibited in the local organisations before the acquisition.

On part of the local practitioners, an understanding of the business logic gradually grew, despite the strong ex-ante scepticism towards ProCorp among service professionals. The early diagnostics seemingly accentuated the underlying homologies among the logics, as suggested by Ezzamel et al. (2012). Moreover, the quality-related diagnostic measurements provided the local

practitioners with insights that could help them improve within their occupational role. However, by enabling them to benchmark against other units within an area they found interesting and with a clear personal benefit it arguably also made them somewhat accustomed to being measured and provided ProCorp with a gateway to gradually extend its diagnostic controls. While extending its measurement, the central team gradually gained legitimacy by providing learnings and improvements suggestions. Through the discussions with the Business Unit Manager revolving around the reports, the local CEOs acquired a stronger economic understanding which also helped them in conveying economic messages to their employees, e.g. through the cost and pricing initiative. This increased the transparency and awareness among the service practitioners of the various costs, associated with running the business. This in turn made it easier for service practitioners to motivate the prices to the customers, but also to themselves. Thus, an understanding of the economic rationales of ProCorp gradually grew among the practitioners, as the link between the economics and the services provided became evident. The transparency of costs and prices as enabled by the diagnostic controls arguably facilitated the gradual mindset shift, but also the improvements enabled by ProCorp's engagement.

6. Concluding remarks

6.1 Revising MAC by incorporating institutional complexity theory

This thesis contributes to the MAC literature by examining the change in a post-acquisition context by applying a framework that incorporates a multiple logics perspective. That tensions can arise between different groups with different taken-for-granted assumptions and influence the change process has been noted and discussed by previous literature within MAC (Burns, Scapens 2000, Lukka 2007, Modell 2007) as well as MAC within a post-acquisition context (Bruining et al. 2004, Christner, Strömsten 2015, Moilanen 2016). However, while many authors conclude that institutional differences exist and influence the MAC, few have explicitly adopted a framework that outlines the cultural differences between the two parties and linking it to the design and the use of the new system. By incorporating the concept of multiple logics, and outlining their respective characteristics, as well as existing MAS theories with regards to design and use in an institutional complexity environment, the framework by Burns and Scapens (2000) was further developed. The original framework suggests that when rules are enacted continuously in the organisation they become routines and eventually institutionalized. However, for rules to become routines, these need to be coupled with the actions of individuals. While a management can use their formal authority to exert pressure to influence the behaviour of subordinates, it is questionable to what extent such strategy is successful, particularly when there is a strong field level logic within the acquired organisation. In such cases, such strategy may run the risk of achieving only formal adherence to the MAS, through decoupling, and not influencing the actual behaviour of individuals, or possibly even worse; open conflicts and loss of valuable staff. The combined framework enabled the understanding of how formal management accounting rules were designed by the acquirer, and also subsequently adopted within the acquired organisations, taking the taken-for-granted assumptions within the acquiring and acquired units into account.

6.2 Conclusions

Firstly, building on the findings of Besharov and Smith (2014), who argued that the likelihood of conflicts between logics increases if they imply inconsistent actions, we suggest that multiple logics can cause tensions and resistance to change in a post-acquisition context, through ex-ante scepticism driven by the anticipation of conflicting goals, even if inconsistent actions have not yet been prescribed. Consequently, although previous literature indicates that an acquirer tends to

design the new MAS based on their own interest (Aureli 2010, Bruining et al. 2004), our findings indicate that an acquirer may benefit from also taking the institutional logics of the acquired firm into account in an early phase.

With regards to the design of the new MAS, we suggest that new management accounting rules that adhere to the logics of the specific group upon which they are imposed, or at least provide a clear benefit to that group, are more easily translated into actions and new routines by these individuals. Early compromising with regards to the order of implementation of changes can thus be a way to achieve balance between stability and change by reducing the uncertainty and scepticism experienced by the employees in the acquired firm in an early phase by emphasising the homologies between logics, in line with Ezzamel et al. (2012). Moreover, ‘early wins’ in terms of coupling of new rules, that are aligned with the logic of the acquired firm, may also induce new ways of thinking into the acquired organisation, such as measurements and benchmarking, and lay the foundation for subsequent expansion of the MAS and the incorporation of elements closer to the logic of the acquirer. Furthermore, although the two logics seemed to borrow certain elements from each other, the two professional groups with their respective logics in ProCorp were separated allowing them to foremost lean on their respective home logic (McPherson, Sauder 2013). Arguably, this vertical form of structural differentiation required integration between the two units, as suggested by Greenwood et al. (2011), which was facilitated by the mediating bridge between the two realms, a role carried by the local CEOs. These were required to selectively adhere to the two logics, by iterating between the role as a change agent to promoting ‘change’, while also providing stability by adhering to the professional logic throughout the daily work.

Throughout the MAC process, a few mechanisms seem to have facilitated the use and institutionalisation of the new MAS. As the division of the acquiring and acquired organisations based on expertise and tasks may produce uncertainty and interdependence between the two, collaborative and interactive use of diagnostic controls across the organisations can help reduce uncertainty, facilitate mutual learning, and promote trust between the parties. Mutual learning and the building of trust may in turn encourage coupling of the new management accounting rules in the local organisations. Furthermore, while introducing new management accounting practices to a group unfamiliar to such concepts requires dedication and time, we argue that the lack of former routines may also help facilitate changes as it limits the level of path-dependence (Burns, Scapens 2000) and requires less breakage of previous routines. Using a ‘blank sheet’ metaphor, the acquirer

needed to redraw the content in each sheet (subsidiary), but was relieved from the burdensome task of erasing much of previous content that could have been there in terms of existing routines, which facilitated the encoding of new rules in line with the logic of the acquirer.

Lastly, we contribute to the institutional complexity literature by demonstrating how both the acquirer and the acquirees adopted some of the elements of the other's logic. Although, it seemingly started as a conscious approach on by the acquirer to effectively manage relationships with local employees, it seemed to gradually turn into subconscious taken-for-granted behaviours. For both groups, the adoption of technical language of the other party seemingly contributed to the cognitive rewiring, in line with Abrahamsson et al. (2011). Within the acquired firms, the adoption accounting language seemingly contributed to identity transformation by associating accounting terminology with attributes important to logics of those, and thus establishing a link between the two logics. Moreover, as certain terms carry more weight than others, the use of the technical language of service professionals among the central team seemingly also tilted the cognitive patterns of those towards certain aspects of the professional logics.

7. Limitations and future research

7.1 Limitations

The primary limitation of this thesis is associated with the adopted research methodology. As this thesis investigates the MAC during a period amounting to a couple of years a longitudinal case study would have been preferable. However, this was not feasible given the time constraint of a master thesis. This has a few implications on the empirics. Firstly, the empirics rely on the personal accounts of people still in the organisation and omit accounts of people who has left the organisation for various reasons. We know that a few people left the organisation due to discontent and capturing the change process from their perspective could have further enriched the empirics as well as the analysis. To address issues we engaged in several tactics such as playing devil's advocate in order to form a view on how their perception may have been, while interviewing current employees. Moreover, as the case study is based on historical events, there is an inherent risk that the interviewees' recollections of the events do not correspond with what actually took place. In order to address this issue, we strived to form a chronological order of the events, by constantly trying to triangulate and validate claims made by different interviewees.

A second limitation with the study concerns to what degree the interviewees disclosed honest accounts of the firm. There was of course an obvious risk that the interviewees, who were currently employed by the firm, would fear that their accounts would reach their superiors and thereby filtering out some information. To mitigate such risk, it was clearly communicated to all interviewees that we did not work for the firm, and acted solely as representatives for our university, and that all their accounts would be anonymised in the thesis. Another often successful method was to confront interviewees with claims made by other anonymous sources and discuss sensitive matters in more hypothetical terms. Despite the seemingly tactical interview approach described in this section, the interviews were in general highly informal and people seemed share their views openly.

7.2 Future research

By incorporating the perspective of institutional complexity this thesis arguably contributes to the understanding of the institutionalisation process of formal MAS rules as described in the original framework of Burns and Scapens (2000). Adoption of institutional logics theories may open several avenues for future research within MAC. First of all, this thesis investigates MAC

following an acquisition where the institutional logics of the acquirer and acquirees are particularly salient. However, it is possible that certain organisations may host multiple institutional logics, either in vertically or horizontally separated units. In such cases, the perspective of institutional complexity may enrich the analysis of the MAC. In particular, the empirics suggest that the legitimacy of certain actors was assessed by individuals based their compliance with their home logic. Thus, the institutional logics can be a fruitful perspective in understanding the power-dynamics of actors involved in the MAC. Another area with limited research is the role of change agents, which also have been noted by other theorists (Modell 2007, Scapens 2006). In our case, the local CEO had an important role throughout the MAC process by mediating between the two groups with different logics, facilitating balance between change and stability. This topic was touched upon rather briefly in this thesis and future research of the role of change agents, both in internally driven MAC as well as in post-acquisition MAC, is thus encouraged.

Moreover, as stated, despite the commonality of mergers and acquisitions in today's business environment the research on MAC in a post-acquisition context is rather limited and constitutes several opportunities for further research. From an institutional complexity perspective, it would be interesting to understand to what extent the phenomena and mechanisms described in our conclusions can be identified in post-acquisition MAC in other industries. The likelihood of identifying such mechanisms would presumably be higher for research on private equity backed acquisitions, where two clearly different institutional fields meet. Moreover, in the case company, we could see how the institutional logics of the acquiring firm and acquired firms were balanced by to some extent being persistent over time, although borrowing certain elements from each other. It would be interesting to understand whether such structure is stable over longer time horizons. For instance, if the firm would be sold to another party, there may be risk that the individuals in the subsidiaries would relapse to their original home logic in order to deal with the uncertainty that such an acquisition would re-actualize.

8. References

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9. Appendix

#	Function	Organisational leve	Date	Duration
1	Business Unit Manager	Headquarter	2017-06-14	76 min
2	Business Unit Manager	Headquarter	2017-08-11	60 min
3	Operating personnel	Local unit	2017-09-20	70 min
4	Local CEO	Local unit	2017-09-28	83 min
5	Human Resources	Headquarter	2017-10-02	66 min
6	Business Unit Manager	Headquarter	2017-10-03	55 min
7	Operating personnel	Local unit	2017-10-04	66 min
8	Head of Department	Local unit	2017-10-16	76 min
9	Local CEO	Local unit	2017-10-16	72 min
10	Operating personnel	Local unit	2017-10-17	61 min
11	Market coordinator	Headquarter	2017-10-17	50 min
12	Operating personnel	Local unit	2017-10-18	58 min
13	Operating personnel	Local unit	2017-10-18	91 min
14	Local CEO	Local unit	2017-11-10	86 min
15	Operating personnel	Local unit	2017-11-10	76 min
16	Head of Department	Local unit	2017-11-10	52 min
17	Local CEO	Local unit	2017-11-10	60 min
18	Operating personnel	Local unit	2017-11-13	53 min
19	Middle manager	Local unit	2017-11-13	62 min
20	Operating personnel	Local unit	2017-11-13	55 min

Figure 7. A presentation of the interviewees including their function, in which organisational level they work within, the date of when the interview was conducted and the duration of the interview