THE SILICON VALLEY DARLING SUITS UP

THE ROLE OF ANCHORING CONTROL PRACTICES IN AN ENTREPRENEURIAL FINTECH COMPANY EXPANDING IN A REGULATED MARKET

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The Silicon Valley darling suits up

Abstract:

This thesis aims to understand why challenges related to Management Accounting Systems arise for the accounting department when an entrepreneurial Fintech company expands in a regulated market. To address the issue, a single case study was conducted which builds on previous research within the field of management accounting (cf. Simons, 1995; Davila & Foster, 2005) and applies the Anchoring control practices theory (Ahrens, 2018) as a theoretical lens. The empirical findings reveal a tension between the case company's constitutive rule and the external requirements, which impact the use of Management Accounting Systems. The case company FinTechny has not succeeded in merging the dispersed priorities of the accounting department and the management team which explains why challenges arise for the accounting department. Through the analytical discussion, the utility of anchoring control practices is questioned and the researchers conclude that Anchoring control practices narrows and diminishes the efficiency of Management Control Systems. Furthermore, the study stresses that Anchoring control practices fail to facilitate prioritisation of conflicting interests when the constitutive rule dominates the external regulations.

Keywords:

MCS, MAS, Anchoring control practices, Accounting, Expansion, Financial institute, Fintech, Regulated market, bank

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1. Introduction

"I do not think that there is a single person at FinTechny who sees the expansion as something negative, you just have to cope with it" (David, Deputy CRO, and CFO advisor)

"We have really struggled to manage the workload. We have not been able to deliver in time a single month during 2020" (Kevin, Accounting manager)

The quotes above express the opinions of two employees regarding the rapid expansion that the financial institute *FinTechny* has been pursuing. The widely dispersed expressions reveal that the experiences differ significantly, depending on what department the employee works for. Simultaneously, the emergence of the Fintech industry within the regulated market is widely discussed in the international business press. Financial Times recently published an article stating that Fintech companies that attain regulations in line with traditional banks, will benefit in the long run ("Fintechs take on banks at their own game", 2020). In addition, McKinsey ("Detour: An altered path to profit for European Fintechs", 2020) states that Fintech companies have several advantages compared to the traditional banks, including them being native in the digital arena, have more efficient cost structures, organisational agility, and higher customer loyalty. Furthermore, a regulatory approval in the U.S has recently opened up an avenue for start-ups to compete with banks ("Fintechs take on banks at their own game", 2020). Thus, an upcoming trend of Fintech companies moving into the regulated market prevails.

When operating in a regulated market, both regulatory knowledge and bank experience are needed. At the same time, a bank could be favoured by inspiration from the emerging Fintech industry. This shows that employees with different backgrounds and knowledge of the banking industry need to cooperate within organisations operating in the regulated market. Building on the quotes, we observe a tension between employees that come from a Fintech background and those with a banking background, which raises the question of how compatible the banking regulations are with employees without a banking background. In a regulated market, the development of *Management Control Systems* (MCS) emphasises the advancement of *Management Accounting Systems* (MAS) and the ability to produce reliable financial reports (Rasid et al., 2014). As a financial institute, the increased regulations require accurate and high-quality financial reporting (Rasid et al., 2014), thus the accounting department is subject to increased external regulatory pressure, simultaneously as they are faced with challenges related to the expansion of the company (Gupta & Govindarajan, 2001). Previous research within the field of management accounting has addressed challenges attributable to the implementation of MAS when employees have different cultural backgrounds (Birnberg & Snodgrass, 1988; Chow et al., 1991; Awasthi et al., 1998; Tsui, 2001; Granlund, 2002; Moilanen, 2008), however, there is a lack of research attributable to the upcoming trend of Fintech companies moving into the regulated market. To understand the tension between the employees, derived from differences in previous knowledge of the banking industry, there is a need for additional research within the field of management accounting. Given the recent trend of Fintech companies moving into the regulated market, the understanding of how Fintech companies are affected by the regulations is also valuable for practitioners within the baking industry.

Companies need to adapt to country specific regulations when expanding into new markets. This puts pressure on the management team and the control systems in use (Gupta & Govindarajan, 2001). To successfully manage a growing organisation the MCS needs to handle large amounts of data meanwhile sustaining a flexible and agile company structure (Sandelin, 2008; Rasid et al., 2014; Pasch, 2019). Despite an increased focus by researchers on the development of MAS in a growth context (Davila & Foster, 2005; Granlund & Taipaleenmäki, 2005; Sandelin, 2008), gaps in the management accounting literature still persist. Previous research has primarily addressed factors that impact the development of MAS and challenges related to the implementation (Langfield-Smith, 1997; Luft & Shields, 2003; Davila, 2005; Davila & Foster, 2005). However, little attention has been paid to the interaction between prevailing control systems and the hierarchies between the control systems needed to manage a growing organisation (Ahrens, 2018; Carlsson-Wall et al., 2020). Novel research by Ahrens (2018) has addressed this issue by studying a bank through the lens of the *Anchoring control practices* and by identifying the long-lasting characteristics of the case company (Swidler, 2001; Ahrens, 2018). Nevertheless, neither the case study by Ahrens (2018) or Carlsson-Wall et al. (2020) has addressed the tension that arises when the external environment changes significantly.

Previous research shows that Anchoring control practices can facilitate the managerial decision making of a company in multiple industries by enacting the constitutive rule of the organisation. However, there is a lack of research discussing how changes in the external environment impact the organisation. As expressed in the stated quotes, the expansion within a regulated market seems to impact the daily work for the accounting department, hence we identify a research gap in the management accounting literature. Furthermore, it creates challenges related to MAS and this thesis aims to investigate whether the ignorance of conflicting interests will affect a company in the long run. Considering the observed empirical tension and the identified research gap, the following research question has been formulated and will be answered through the case study in this paper: *Why do MAS challenges arise for the accounting department when an Entrepreneurial Fintech company expands within a regulated market?*

The research question will be addressed through a case study that mainly focuses on two departments, the *Financial reporting department* e.g., the accounting department, and the *Financial steering department*, at the entrepreneurial bank FinTechny. FinTechny is not the real name of the case company and has been chosen to ensure anonymity of the company. Both the implemented control systems and the individuals' experiences have been investigated to understand how the rapid expansion within a regulated market has affected the organisation. According to the Anchoring control practices theory (Swidler, 2001; Ahrens, 2018), the control practices enact the constitutive rule at FinTechny and tame different interests on a senior management level in the organisation. However, the constitutive rule seems to be insufficient in its ability to create an arena for discussion and tame different interests between the department and throughout the organisation.

Anchoring control practices is a novel field of research (Ahrens, 2018; Carlsson-Wall et al., 2020) and this study contributes with a new setting to the field by focusing on growth, in contrast to the study by Ahrens (2018) that concentrates on cost control. The case study adds a new perspective by focusing on internal differences between departments in a company that is currently pursuing a rapid growth strategy. In addition, previous research within the field of management accounting (c.f. Otley, 1980; Simons, 1995; Davila & Foster, 2005; Sandelin, 2008) does not consider hierarchies of MCS and does not answer the question of what makes MCS last over time. The Anchoring control practices theory, applied as our theoretical lens, explains why MCS lasts over time. However, it does not explain how companies should handle MCS when the external requirement is not compatible with the long-lasting characteristics of the company. Hence, the study aims to contribute to the research field of management accounting.

The thesis is structured into six sections including the introduction. In section two, we present and discuss the development of the theoretical framework that will be used to analyse the empirical findings. Thereafter, we motivate the chosen research method and elaborate on the implications related to the applied method. In section four, we present the background of the case company and the empirical themes we have identified during the data collection. According to the applied research methodology, the discussion of the empirical findings takes place in the fifth section. The analytical discussion leads to the conclusion in section six, where we answer the research question and suggest two propositions that will contribute to the research field of management accounting.

2. Theory

This section introduces the field of management accounting and focuses on the development of MCS in a growth and expansion context. The case company is currently expanding at a rapid pace and needs to adapt to a new organisational environment, which motivates the research field. To develop our theoretical framework and to combine research within MCS and MAS, we will use the term control practices as an expression for MCS and MAS (Ahrens & Chapman, 2004; Ahrens, 2018).

2.1. Management accounting theory – A review of the research field

In this section, we present previous research that address the development and the implementation of management control systems in growth companies and the regulatory setting for financial institutes.

2.1.1. Rapid growth companies require an increased focus on control systems

When companies expand into new markets, they expect to improve business performance and increase profitability. The increased global presence will reveal value-creating business opportunities, however, global presence by itself does not confer global competitive advantages (Chandler, 1990). Business opportunities related to increased global presence are often associated with obstacles and challenges, since companies need to adapt to local preferences, e.g., country specific systems and regulations (Gupta & Govindarajan, 2001). The external factors increase the pressure on managers and the implications are usually associated with a renewed control focus on those matters, which implies that rapid growth companies require an increased focus on control systems (Gupta & Govindarajan, 2001; Sandelin, 2008).

The need for increased focus on MCS, as a consequence of organisational growth, requires a high degree of understanding and knowledge of the specific systems used in the organisation, since the setup and scope of control practices vary depending on the strategies pursued by companies (Otley 1980; Merchant 1985; Abernethy & Chua 1996; Abernethy & Brownell 1997; Chenhall, 2003; Malmi & Brown, 2008). MCS incorporates both financial, structural, and human control systems in the light of the organisational strategies (Simons, 1995). Small firms are characterised by soft and informal control and the MCS is becoming more formalised along with growth (e.g., Bruns & Waterhouse, 1975; Merchant, 1981; Flamholtz, 1983; Chenhall, 2003; Merchant & Van der Stede, 2007). The informal control systems are simple and easy to grasp which increases the useability and fosters flexibility (Sandelin, 2008). This implicated that the informal systems are suitable for small organisations with a need for high flexibility. However, when companies grow and organisational complexity increases, the informal systems are limited in their ability to manage data and control the organisation. Informal control systems are often dependent on the presence of human actors. Such control packages have been proved to be insufficient as operations become more international, which further motives a shift towards formal control practices (Sandelin, 2008). A formal control system can better reduce the uncertainty associated with growth, which motivates the implementation of formalised MCS as the organisation expands, thus, an increasing body of literature suggests that formal control systems replace informal control, as a result of growth (Granlund & Taipaleenmäki, 2005; Moores & Yuen, 2001).

Prior researchers (Davila, 2005; Davila & Foster, 2005) provide evidence emphasising that early adoption of MCS among firms that grow are correlated with success in early-stage firms. Several factors have been identified as drivers of the adoption of MCS. Among those factors, the size of the organisation, age, replacement of CEO, and the existence of external investors have shown a positive correlation with the adoption of MCS. Hence, growing companies will face the challenge of successfully mastering the transition from informal control systems to formal control systems (Langfield-Smith, 1997; Luft & Shields, 2003; Davila, 2005).

2.1.2. Management accounting systems as a common language

When moving towards more formal control practices, the emphasis on accounting tools and MAS increases. MAS refers to the systematic use of management accounting practices to achieve organisational goals and is observable as established routines, protocols, and budgets (Davila & Foster, 2005). The MAS becomes a vital tool for managers as the systems facilitate managers' decision making and are related to financial and operational information which is foundational for planning and control within the organisation. To improve efficiency and remain competitive in an ever-changing environment, a well-designed and appropriate MAS assists managers' to be more efficient in their decision making (Rasid et al., 2014).

Management accounting research has developed a focus on early-stage companies and their adoption of MAS in the last decade. In contrast to the traditional research within management accounting (cf. Otley, 1980; Simons, 1995) primarily focusing on steering and strategy, a new stream within the research field addresses a unique setting where firms grow fast and are subject to external influences such as venture capitalists (Granlund & Taipaleenmaki, 2005). The unique setting impacts the implementation of MAS and distinguishing start-ups with a strong belief in their future success from those lacking a strong belief. Budgeting tools are used in most firms while advanced accounting systems are implemented mostly in the high performing firms (Davila & Foster, 2005; Sandino, 2005). Lee & Cobia (2013) build on the arguments and stress that sustainable growth in an entrepreneurial firm is associated with the implementation of a MAS in an early stage, which enables data and accounting tools to be used to evaluate company performance and determine profit plans. Further, Davila & Foster (2005) states that the adoption of MAS speeds up when a venture capital firm accesses a company, as a result of the external investors' experience of growth in start-up firms and the association between formal MAS systems and firm success.

Although the implementation of MAS at an early stage is crucial for successful growth, employees without the experience of such development tend to see accounting systems as a passive tool developed to assist managers' decision making, while it is limited in its ability to foster and support flexibility (Ahrens & Chapman, 2004). Organisational flexibility is crucial in a growth context (Sandelin, 2008), to manage challenges derived from a constantly changing external environment (Gupta & Govindarajan, 2001). The tension between flexibility and increased focus on MAS arises when employees lack a background in accounting since employees without previous knowledge of accounting see the system as a burden rather than a helpful tool. The absence of previous accounting knowledge limits the understanding of the accounting measures and diminishes the usefulness of the systems. By using terms such as standard costs and overhead allocation rules, the underlying logic might be clear for an accountant but irrelevant for employees with a non-financial background (Ahrens & Chapman, 2004). However, MAS can be accessible to employees in ways that enhance the internal transparency and understanding of operational activities, regardless of previous knowledge of accounting. To take advantage of MAS as a common language that can unify the organisation, the accounting systems need to enhance organisational members' understanding of their particular operational task (Ahrens & Chapman, 2004).

Further, increased innovation, which is common for a growing firm, requires a higher degree of involvement by management accountants in managerial decision making (Chapman, 1997; Pasch 2019). Järvenpää (2007) shares Pasch's (2019) view and stresses the importance of achieving a business-minded accounting function. According to Järvenpää (2007), this is achieved by both formal and informal interventions, i.e., structural interventions, efficient accounting information systems, personal attention, role modelling by management, and assimilation with official values. If this is combined with cooperation with other departments and technological inventions, the accounting department is enabled to become business partners. If this is achieved, basic accounting systems are only considered to be a hygiene factor that facilitates further development within the department (Järvenpää, 2007). Hence, organisations will benefit from an interactive use of MAS (Pasch, 2019).

The implementation of MAS becomes even more challenging for the employees when subsidiaries or divisions are located in countries with different cultural backgrounds since the understanding of accounting concepts might differ due to the employees' background (Moilanen, 2008). A company group with managers from different cultural backgrounds may not agree on what MAS would produce the most reliable accounting measurements, which makes decision processes complicated. Hence, the absence of a group-wide MAS could be a contributing element for organisational challenges (Bromwich & Bhimani 1989; Buono & Bowditch 1989; Haspeslagh & Jemison 1991; Mayo & Hadaway 1994). In addition, the implementation process of MAS tends to be slow and inefficient (Granlund, 2002) and managers need to proactively manage differences in culture and recognise the cultural differences when developing MCS (Tsui, 2001). However, Granlund (2002) and Burns & Scapens (2000) states that MAS offers a common language and can unify an organisation, given that the system is thoroughly implemented in all organisational units or subsidiaries. Furthermore, several articles (Birnberg & Snodgrass, 1988; Chow et al. 1991; Awasthi et al., 1998) emphasises the importance of understanding the cultural variables that will affect the relationship between MCS and performance. Moreover, attempts to establish common accounting systems are affected by the prevailing communication channels within the organisation. If there is a lack of common ground communication, which is likely in a large firm with units geographically dispersed, the implementation of a MAS as a common language will be obstructed (Granlund, 2002).

2.1.3. Applying control practices in a regulated market

In addition to the internal factors that impact the implementation of MAS, external factors, and market conditions add to the complexity of the development of control practices. In an ever changing and complex environment, risk management becomes crucial for financial institutes (Rasid et al., 2014). Hence, they need to be on the edge of innovation to handle the competitive environment and deliver shareholder value. To be able to make informed decisions in an uncertain and complex environment, i.e., concerning growth target and budgeting, managers need to have access to high quality information about the organisation, which arises from reliable control systems (Cole, 1988). Hence, financial institutes need to have sophisticated MAS and produce reports including detailed information about assets and their performance, to support risk management activities. Further, the information available needs to be linked to compliance issues and current regulations and MAS need to be broad in scope and include financial and non-financial information and span over both past, current and future performance (e.g., Chong & Chong, 1997; Ismail & Isa, 2011; Patiar & Mia, 2008). In addition, the information needs to be communicated both externally and internally (Rasid et al, 2014). The scope of MAS varies in organisations, but sophisticated MAS are the most useful when the level of uncertainty is high (Chenhall & Morris, 1986; Mia & Chenhall, 1994; Bouwens & Abernethy, 2000; Agbejule, 2005). A narrow scope of MAS, characterised as simple accounting systems limited to provide internal, historical financial information, are not sufficient in uncertain situations. Preferably, the information needs to be provided at the time and place of task execution and a decentralised organisational structure can enhance that type of information flow (Agbejule, 2005).

2.1.4. Identified gap within the field of Management Accounting

The research field shows that there is a need for common MAS in a growing organisation and that control practices need to be implemented at an early stage. Moreover, there are challenges associated with the implementation which can be derived from the employees' background and lacking knowledge in accounting systems. The empirical context witnesses that even employees with a background in accounting experience challenges related to the implementation of control practices. Previous research does not address this issue, neither explain why certain control practices tend to be subordinated to others. Thus, we want to contribute to the research field of management accounting by answering the set research question: *Why do MAS challenges arise for the accounting department when an Entrepreneurial Fintech company expands within a regulated market?* To understand why MAS challenges arise for the accounting department in such a context, we will use the Anchoring control practices framework (Ahrens, 2018) which is presented in the following section.

2.2. Anchoring control practices as a theoretical lens

In section 2.1, we presented previous research that explains and elaborates on MAS, the implementations of control systems in growth companies, and the regulatory setting for financial institutes. However, the field of management accounting cannot explain why certain control practices last and strengthen while some become subordinated to others (Carlsson-Wall et al., 2020). Based on the empirical findings, there is a need to understand how departments of an organisation are affected by subordinated control systems. Thus, building on Ahrens (2018) theory of Anchoring control practices, we want to further explain why challenges related to MAS arise during an expansion. Hence, we will analyse the FinTechny case through the lens of the theoretical concept of Anchoring control practices.

2.2.1. Background of the Anchoring control practices theory

Swidler (2001) presented the Anchoring control practice theory and suggests that anchor practices enact the core characteristics of organisations. Members of organisations create an organisational identity and anchor practices can connect the key purposes of the organisation with the desired identity (Grey, 1998; Oakes et al., 1998). The ability to make such connections enable control practices to control other practices (Covaleski et al., 1998; Kraus et al., 2016). For instance, financial control makes sense to its members in a financial conglomerate as the practitioners have characteristics related to finance and accounting (Jensen & Ruback 1983). Thus, control practices with a strong emphasis on financial targets will anchor other practices, without being questioned by the employees (cf. Roberts 1990). Swidler (2001) has a strong focus on the cultural aspect and means that culture permeates all actions that makeup control practices. Ahrens' (2018) extended the theoretical concept and developed the idea of anchor practices to explain how Anchoring control practices relate to MCS. He suggests that management control practices can be classified as Anchoring control practices and subordinated control practices whereof the anchoring practices control the subordinated ones. Carlsson-Wall et al. (2020) further extend the theory of Anchoring control practices and explain how certain control tools become more guiding than others. Thus, we notice an upcoming theoretical stream derived from Swidler (2001) and we will combine Ahrens (2018) framework with the recently published article by Carlsson-Wall et al. (2020) to frame our theoretical lens.

2.2.2. Anchoring control practices theory

Based on Swidler's (2001) research, Ahrens (2018) explains how control practices in an organisation forms hierarchy in which some control practices are subordinated. Control systems that reflect an organisation's long-term organisational concerns are superior to other control tools and provide structure by enacting an organisation's constitutive rule. Anchoring control practices provide structure to the constitutive rule by connecting the MCS to the main objective of the organisation. Thus, the constitutive rule becomes tangible for the members of the organisations which ensures that the long-lasting characteristics remain constant. As the constitutive rule is based on long-lasting characteristics, it will remain relatively constant over time. However, anchoring practices allows strategies and short-term objectives to change over time, thus, control systems can be expressed in different ways and support different strategies. Although control systems can vary over time, control anchor practices will play a crucial role in avoiding strategies to be based on short-term objectives or one-time opportunities, since the control systems in use are linked to the long-lasting characteristics. Organisations seek a balance between stability and change and Anchoring control practices can manage the tension and thereby enable companies to grow. An important aspect of management control practices is its ability to mediate between organisations' main objectives related to the constitutive rule and wider organisational concerns. By establishing Anchoring control practices, companies can shape their future and align the organisation's strategy and the employees with the long-term constitutive rule (Ahrens, 2018; Carlsson-Wall et al., 2020).

In the case study by Ahrens (2018), he investigates control systems in a German retail bank. Cost focus is determined as the constitutive rule. Hence, cost accounting is defined as the control systems that anchor the subordinated control systems. Ahrens (2018) elaborates on the relationship between the anchoring and the subordinated control systems he observes in the case bank and explains how Anchoring control practices facilitate the use of subordinated control systems, such as KPIs based on quality.

Although the primary focus of the organisation is cost accounting, the bank also has a focus on quality processes and quality management. However, Ahrens (2018) argues that cost accounting depends on quality management in terms of inputs, processes, and outputs. Hence, the quality processes were firmly embedded in the context of costs. Quality could be improved within existing budgets or even generate cost savings, which in turn shows that that cost accounting anchors the quality processes. Although a certain department at the bank focuses on quality management, the anchor practice is present and ensures that control systems in use are anchored to the constitutive rule of cost accounting. Hence, the department focusing on quality management can pursue their daily work with regard to their set KPIs, meanwhile contributing to the overall objectives of the company (Ahrens, 2018).

Anchoring control practices can enable prioritisations with respect to the constitutive rule. Thus, it is important to form arenas where representatives from different parts of the organisation can meet and discuss how their individual projects and decisions impact others. This is to ensure that all decisions are linked to the long-term characteristics of the organisation. The different interests that may arise from different departments need to be aligned in a way that enables selecting directions that are linked to the constitutive rule of the organisation. The anchoring practices are used to tame the different interests, which shows that control practices have an important role in organisational growth and development (Carlsson-Wall et al., 2020).

2.3. Theoretical framework

In this section, we develop a theoretical framework by integrating the Anchoring control practices theory (Ahrens, 2018; Carlsson-Wall, et al., 2020) and previous research within the field of management accounting.

The theoretical framework has its heritage in MCS theory (Otley, 1980; Simons, 1995). Management accounting research, as a subset of management control research, has developed a focus on start-ups during recent years (Davila & Foster, 2005). The unique setting start-up companies face is characterised by fast paced growth and external influences e.g., investors and external stakeholders (Granlund & Taipaleenmaki, 2005). Thus, the previous research within management accounting helps us understand the empirical setting but cannot exhaustively explain the challenges that arise, since FinTechny operates in a regulated market. Rasid et al. (2014) add a perspective to the management accounting research by addressing the development of MAS in financial institutes, which facilitates the understanding of challenges related to the expansion in a regulated market.

2.3.1. A three-pillar approach: Expansion, MCS and Regulations

Previous research discusses the development of MAS by combining three different perspectives: expansion, management control, and external regulation. Previous research states that MAS changes as companies grow and an increase in the complexity of an organisation requires a more sophisticated control system setup (Agbejule, 2005). In a regulated market, the scope of the MAS is considered to be important and the established control practices should include financial and operational KPIs as well as formal and informal communication systems. Further, employees lacking a background in accounting, or rather having different backgrounds, will find it difficult to agree on what type of KPIs should be in focus when measuring companies' success (Granlund, 2002). When different interests collide, there is a lack of common ground for communication. To establish solid communication channels and unite employees with different experiences and interests, the research field stresses the importance of formal communication (Granlund, 2002; Rasid et al., 2014).

Expansion, management control, and external regulation are the three pillars that characterise our theoretical framework. The regulatory setting has a two-folded impact on the case study. It explains how external regulations influence financial institutes, but also works as a minimum requirement of what is needed in terms of MAS to be able to control a company in this specific regulated context. The contributions to the theoretical framework can be summarised in Figure 1 which shows that MCS is expected to increase in scope when a firm expands and operates in a regulated market. As long as the prevailing control systems are within the light grey area, the firm can continue to expand successfully, according to the model derived from the combined research field.

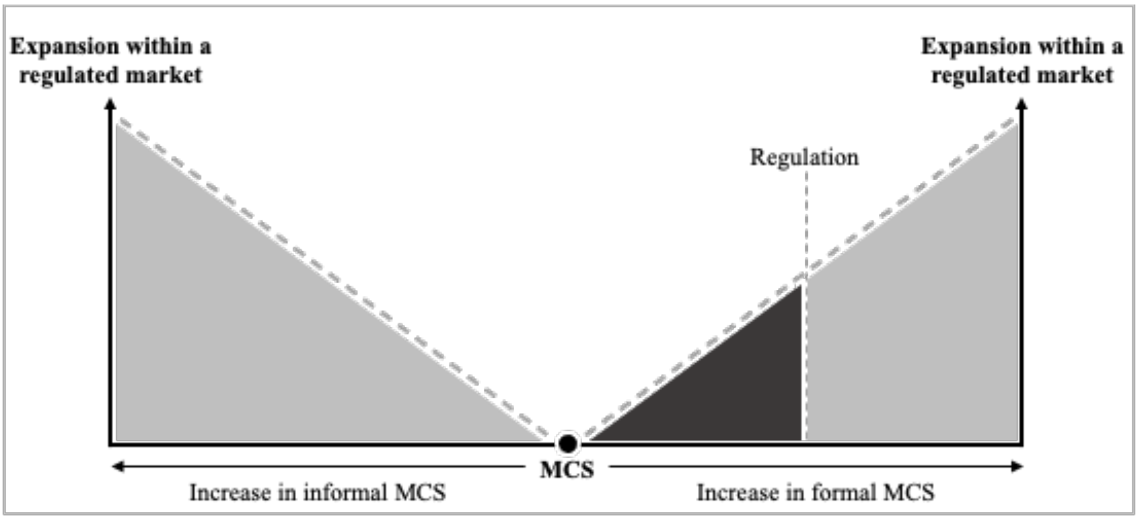

Figure 1: *Control practice requirements in a financial institute*

Previous research does not explain why challenges arise for certain departments within an organisation. Neither does it explain why employees with a background in accounting experience challenges related to MAS. Previous research has focused on the change in

MAS but does not explain why certain control practices last over time and control others. Thus, we want to add the lens of Anchoring control practices, to understand how MAS has developed in the case company and why tensions arise.

2.3.2. Anchoring control practices as a contrasting theoretical lens to previous management accounting research

In contrast to the management accounting research theory, Ahrens (2018) states that it is the long-lasting constitutive rule that decides what control practices that will last over time and impact the development of MAS. By contrasting previous research within the field of management accounting with the Anchoring control practices theory, we add a layer to the previous MAS research. The theoretical framework can explain why certain control practices are prioritised over others. Thus, it helps us understand how certain prioritisations affect different departments depending on their dependence on external factors. By looking through a theoretical lens of Anchoring control practices, we will investigate why challenges arise for the Financial reporting department to answer our research question. Previous research stresses the importance of establishing MAS compliant with external and internal requirements while Ahrens (2018) states that the constitutive rule impacts the development of MAS. In the empirical context of this case study, we observe that the external regulatory requirements and the constitutive rule compete on resources and focus from management, which indicates that both the framework derived from the field of management accounting and the Anchoring control practices theory is needed to understand the empirical setting. By contrasting previous research within the field of management accounting and the theoretical lens of Anchoring control practices, we conduct a theoretical framework that captures the external and internal implications that foster tensions within the organisation.

3. Method

In the following section, the research design, data collection, and data analysis for the applied research methodology will be discussed.

3.1. Research design

To answer the research question of why MAS challenges arise for the accounting department when an entrepreneurial Fintech company expands within a regulated market, the researchers have chosen to conduct a qualitative study primarily based on interviews with employees from a single case company. To contribute to the research of Anchoring control practices, we choose a method with significant comparability to previous studies e.g., Ahrens (2018) and Carlsson-Wall et al., (2020). The choice of a single case study will enable a rich description of the social scene at the case company and therefore facilitate the understanding of new theoretical relationships and help us question the old ones (Dyer & Wilkins, 1991). To ensure research quality, consistency between the research design, research question, and the contribution to the theory are essential (Edmondson & McManus, 2007). Thus, to get in-depth and to focus on our specific problem scope, a single case study is the most suitable. A case study of this nature enabled us to carefully investigate the dynamic interactions between accounting and management's intentions (Langfield-Smith, 1997) and gave the researchers an honest view of the case company where the formal processes were given equal weights as the personal experiences.

3.2. Data collection

The data collection is primarily based on interviews constructed according to a semi-structural approach, which is motivated by the limited time frame for this paper. Furthermore, the semi-structured approach enables us to adapt our interview questions and be flexible to explore the chosen areas, which resulted in deep insight into our research question. The interviewees were given the ability to express their own experiences and new themes were followed up during the interviews, even if they were not included in the interview guide. This method diminishes comparability between the interviews but is advantageous because it allows the interviewee to share their personal experiences and provide nuanced answers. Despite a semi-structured interview approach, similar questions have been asked to all interviewees to facilitate the identification of similarities and differences among the interviewees' experiences. All interviewees were informed that their answers as well as the case company will be anonymised, in order to encourage the interviewees to be honest and transparent in their answers (Bryman & Bell, 2017).

In total, 13 different employees at FinTechny were interviewed. To get a broad picture of the situation and to understand how control practices impact different organisational levels, the sample consists of people from different organisational levels. The organisation can be divided into four levels of hierarchy, and we interviewed people from levels 1-3 where level 4 is the senior management team. Most interviews were with level two employees, who are managers of a team. Furthermore, the interviewees represent different functions of the organisation but belong mostly to the CFO teams. To answer the research question and understand why challenges arose for the Financial reporting department, we interviewed people from the Financial reporting department but also the Financial steering department, among others. The sample has been strategically selected to be relevant to the research question (Bryman & Bell, 2017). The data collection aims to gather a nuanced picture of the organisation while focusing on the Financial reporting department. Thus, both the Financial reporting department and the Financial steering department are relevant for the case study since they are assumed to have a central role in how to handle external regulatory requirements. Although both departments need to consider the regulatory requirements in their daily work the main responsibilities of the departments differ significantly. Hence, the interviewee sample enables us to gather empirics providing different perspectives and experiences regarding the expansion.

The interviews took place in a formal setting through the company's internal digital communication channels in the period from September to November 2020. One of the participants was interviewed three times, two times in a more informal setting to set the scene before the rest of the interviews. Thus, the total number of interviews amounts to 15. The informal interviews were used to ask questions about the company and to brainstorm together, which facilitated our understanding of the organisational setting. All interviews were conducted in Swedish, except for one that was in English, hence almost all quotes in this paper are translated into English by the researchers. The average length of the interviews was 48 minutes. This enabled the researchers to introduce the interview topic and adjust the interview to what the interviewee expressed opinions about, without missing the important parts that gave the researchers a broad perspective (Bryman & Bell, 2017). Ten out of fifteen interviews were recorded and subsequently transcribed. The informal interviews and three of the formal interviews were not recorded as the interviewees were not comfortable or that it was nonessential. When the researchers did not record the interview, extensive notes were taken, and the researchers discussed the interview immediately afterward to capture initial impressions and to sort out the main points the interviewee emphasised the most. To enhance the reliability of the interpretation of the empirical material, both researchers have been present at all interviews (Bryman & Bell, 2017). All data was gathered in a spreadsheet and colour coded to facilitate the analysis. The empirical material from interviewees from the different departments was marketed in different colours to easier identify common empirical themes among the departments.

In addition to semi-structured interviews, we have collected secondary data sources in the shape of annual reports, company filings, and publicly available information. These data sources have been used to establish a foundational understanding of the company structure and the impact of the external environment.

3.3. Data analysis

The researchers applied an inductive approach when conducting the case study and pursued an iterative process when developing the theoretical framework and research question. Thus, the final theoretical framework has been developed with respect to the empirical findings (Bryman & Bell, 2017). Empirical themes have been identified whereafter the theoretical framework has been developed and used to analyse the empirical findings. The inductive approach and the qualitative method that has been used when gathering the empirical material facilitated the process of understanding the interviewees' experiences and opinions. In addition, the theoretical and empirical insights that have emerged during the research process opened up for iterative development of the research question. Hence, the research question has developed from being open and general to being connected to theory and empirics.

During the data analysis process, the empirical material has been manually coded and successively analysed. The material from the transcribed interview has been organised into the empirical themes that could be observed during the data collection process. The empirical themes were initially identified during the interviews and thereafter confirmed through a thorough analysis of the aggregated empirical material. During the data collection process, the main points from each interview were clustered into broader empirical themes and contrasted to theory, according to the iterative process. The inductive approach allowed the empirical framework to change according to the empirical findings. The theoretical framework was developed to explain the observed tensions within the case company. However, previous research could not completely explain the organisational challenges that were identified when analysing the empirical material. Therefore, the empirical themes are used to problematise existing research and provide evidence that can explain the identified research gap and contribute to the research field of management accounting. Moreover, we apply the theoretical lens of Anchoring control practices when studying the empirical findings. The theoretical lens provides a new perspective on previous research. Thus, we expand the boundaries of the management accounting research which enable our contribution to the research field (Lukka & Vinnari, 2014).

4. Empirical analysis

In this section, the empirical findings will be presented. First, we present the background of the case company. Secondly, the empirical findings are presented and clustered into empirical theme a) Implications arising during the expansion, b) The Pink bank vs. The Blue bank and c) MAS in an Entrepreneurial bank, according to the inductive approach we have applied when analysing the data.

4.1. Background and context of the case company

FinTechny, based in northern Europe, is a Fintech company providing payment solutions for online transactions. The company was founded in 2005 by entrepreneurs that just graduated from university. The technology and the infrastructure for online transactions have evolved drastically in recent years which has enabled FinTechny to grow and expand internationally. FinTechny has become a large bank, which affects their way of doing business as another layer of regulation needed to be implemented. In 2020, the company has millions of consumers in around 20 countries and is backed by reputable Fintech investors, thus, the company and has been able to keep a profile as a high growth company for several years. Today, their products involve different payment solutions including direct payments, credit, pay in instalments, and pay after delivery. The company has tried to reinforce the start-up culture to enable growth and motivate employees partly through an extensive organisational change that took place in 2018. The around 4,000 employees are now divided into small teams that all have a certain problem scope that they are responsible for. To structure this large number of teams, they are divided into departments that are constructed to own a subset of the overall offering FinTechny provides to the consumers. As the company is growing, there is a need for more formal steering (Granlund & Taipaleenmäki, 2005; Moores & Yuen, 2001). When new entities were introduced to the group, Fintechny experienced problems related to the databases and the consolidation of data from different units. It has been rather difficult for the company has the data accessible for all parties that need it. However, the consolidation is motivated by the need for more formal steering.

The company has a structure on how to measure success for each department. This consists of common metrics and KPIs and the Business control team is responsible for setting up these targets together with the management team. In addition, FinTechny has specific KPIs applicable to the different departments that they use to track performance. These KPIs are supposed to be related to the targets which for FinTechny is highly focused on international expansion. According to the business plan, the main objective of FinTechny is that the company shall grow, and in turn, create value for the shareholders. However, shareholder value is primarily created in the product departments and through the merchant teams that are focused on selling. This has put the support functions, e.g., the Financial reporting, in a position where they have to adjust to the new changes on short notice, due to the company's strong emphasis on growth. *"You can see a new large merchant in a new market as binary, if we enter an agreement, everything changes"* (William, Head of Financial steering). Whether the Financial reporting department can cope with it is secondary, according to William (Head of Financial steering). However, the Financial reporting department lead demonstrates the bigger picture for the department: *"We are the ones turning the achievements into numbers, and that is what the management team is looking for"* (Sandra, Head of Financial reporting). This shows that the Financial reporting department has a vital role in sustainable growth.

4.2. Empirical theme A: Implications arising during the expansion

During the time frame of this study, the main focus of the company was to expand its current product portfolio to several new countries. William (Head of Financial steering) says that FinTechny never would enter a new market without an assumption of future profitability, but the growth rate is currently in focus. To be able to launch in a new market there are several factors need to be considered. More particularly, for the accounting department local regulatory knowledge, product specifications, and the new systems need to be in order (John, Head of Business control).

Robert (Accounting manager) says that his team has not been involved at all in the expansion and that they are limited to adjust accordingly: *"Financial reporting is a service function, whose job is to serve the other departments. The expansion is not up to us"*. Complexity is growing with the increased number of products and countries, which affects the ability to keep the deadlines set for the Financial reporting department (Sandra, Head of Financial reporting). Sandra also adds that the organisation tries to involve the department when they decide to expand to a new country, but it is not always successful. The Financial reporting department has not the ability to assist immediately: *"One problem is that the organisation needs constant input and approval from finance, but we are not able to assist when we are in the middle of a book close"* (Sandra, Head of Financial reporting). Sandra continues and says that her department is very involved in the expansion as it requires a lot from the systems the Financial reporting department is in charge of, "*It is all boiled down to how it is stated in the financial reports"*.

As a result of the focus on the expansion, the treasury teams must make sure that FinTechny always has enough financing. Daniel (Treasury manager) explains the situation as follows:

> Treasury is lagging in the expansion, the strategic decisions are not up to us. So far, it has not been an issue. We can handle a new market easily, but the total growth of the balance sheet is a challenge. […] The continuous expansion increases the pressure on the Treasury department as every single transaction must be financed. (Daniel, Treasury manager)

David (Deputy Chief Risk Officer) says that the regulations in the European Union are relatively harmonised, which limits his burden in an expansion within the region. In addition, he does not see the expansion as a threat to any department, "*You just have to cope with it, I do not think that there is a single person at FinTechny who sees the expansion as something negative"*. He further states that the whole organisation works towards the future and has a belief that FinTechny will become a major player globally.

4.3. Empirical theme B: The Pink bank vs. The Blue bank

When FinTechny goes live in a new region, it is a big celebration at the offices. However, when the event takes place, the Financial reporting department has work left to do, e.g., review the new systems and new regulations to consider. This creates a lag for the department that the rest of the organisation does not always recognise. It is stated by Sandra (Head of Financial reporting) that to cope with this internationalisation challenge, the company is hiring more experienced accounting personnel than *"young and hungry individuals",* which the company has done historically. The aim is to increase the competence within the Financial reporting department and speed up the implementation processes. However, the recruitment of more senior staff has not been successful, *"Senior staff at FinTechny stays at average six months, it is very few that handle the pressure, they either quit or get fired"* (Maria, Accounting manager). She further states that the expertise and the knowledge of the managers are not used to their full potential. The tension between the different personalities in the different departments is acknowledged and the company has assigned a task force to handle the issue. At one point, one of the members of the management team expressed *"Why should we even employ senior employees when we cannot keep them?"* (Maria, Accounting manager). Maria is further questioned whether it is worth staying at the company when the workload is high, and she does not get an adequate response from the management team.

The observed tension between the different personalities partly demonstrates the complexity that evolves as a result of the expansion within the regulated market. As a company with entrepreneurial roots, a high growth rate, and high devotion from investors, it is difficult to adjust to the regulations following a bank licence. The external regulations require the company to consider formal procedures, which limits the growth pace. The phenomenon of hiring more experienced employees is not the case throughout the company, as several departments are still focusing on recruiting young, ambitious people with an entrepreneurial mindset. That is one of the reasons for the researchers to divide the bank through this empirical study as the *Blue bank* including the Financial reporting department e.g., personnel with previous knowledge of financial institutes, and the *Pink bank* as the more operational parts of the business e.g., personnel with a more entrepreneurial mindset. In this study, the employees of the Financial Steering department are more connected to the operational parts of the business.

4.3.1. The Pink bank runs faster than the Blue bank

On the one hand, being favoured by investors in Silicon Valley, and on the other hand, being compliant and acting according to regulations set up for traditional banks creates certain tensions within the company:

> I believe that some parts of FinTechny do not take our work into consideration when they are making strategic decisions and launches in new markets. They run too fast at times. Accounting is always behind, when others believe that we are done, it is then accounting needs to start getting everything into the books. (Jennifer, Accounting manager)

The complexity of the expansion varies between the different teams within the Financial reporting department. Another accountant says that *"The problem for our team is not the new countries per se, it is the consolidation that we need to put a lot of effort into, new products and organisational changes also affect us as we have to reinvent the systems"* (Amanda, Accountant). On the other hand, Sandra, the lead for the Financial reporting department says that:

> My part of the organisation should not slow down the growth or development of the organisation. The department cannot grow at the same pace as the rest of the organisation to reach profitability. This requires a need to work faster and more efficient as the number of employees needs to be limited (Sandra, Head of Financial reporting)

Jennifer (Accounting manager) further states that the Financial reporting department is being excluded by some parts of the organisation and that *"The informal ways are a good way of receiving information of what is going on in the company"*. In one case, the absence of the Financial reporting department in strategic decisions related to expansion resulted in huge residual taxes in a new market. *"In this case, the sellers gave provisions to incentivise merchants to sell our services, what they did not know was that they would have needed to include value-added tax"* (Robert, Accounting manager). This is just one example of the actual consequences of the Financial reporting department being left out from strategic decisions.

FinTechny needs to work proactively to keep the entrepreneurial spirit and has that in mind when they recruit, *"FinTechny wants to keep the start-up spirit to continue to be efficient, and to grow as fast as possible"* (John, Head of Business control). Daniel (Treasury manager) describes FinTechny as completely different from all the other banks that he has been working for, *"It is more like a tech company or a start-up. I needed to buy a hoodie to not stand out from the rest of the organisation"*. The focus on growth and expansion comes from both internal and external actors. Sandra (Head of Financial reporting) says that *"The internal ambition level is very high, even higher than the external at times"*. The money that comes from the external investors is used according to the set plan, and to achieve that, the organisation needs to work hard. John (Head of Business control) says that the money mostly goes to the operational parts of the organisation and that the supporting functions do not get a corresponding share. Maria (Accounting manager) agrees and says that *"The organisation does not understand what costs money, half of the money goes to marketing, and the other half to the operations. Nothing is invested in the internal processes"*. The limited resources allocated to the Financial reporting department affect the quality of the accounting processes and the rapid growth pace forces the department to take shortcuts, which worsens the quality, and in turn this makes accounting lagging (Robert, Accounting manager). All the operational teams can focus on the invention of new products and the entrance into new markets. On the contrary, the Financial reporting department always has to balance between focus on improving the current processes and the ongoing work or focus on the new things to come. Jennifer (Accounting manager says that *"It is a challenge to develop processes that are sustainable, both because of the time limit, and also due to the ever-changing environment"*.

The characteristics of the different departments and the core of their work are also different. This puts pressure on the Financial reporting department as they have inflexible external stakeholders like Financial supervisory agencies and authorities. The Financial reporting department is working backwards, handling what has already been done which always sets them to a time frame that is behind the rest of the organisation: *"The board is fine with some delays, but the external financial supervisory authorities would not be"* (Sandra, Head of Financial reporting). In addition to their despaired operations, Willian (Head of Financial steering) believes that the mindset of the employees at the Financial reporting department is different: *"I guess that the mindset is different in the accounting department, they need to work according to the rules and cannot have an 'I am going to launch the best thing ever'-mindset"*. He further argues that the Financial reporting department has not really started working according to the operational model. The operating model exists for every team to show how they create value, and the Financial reporting department is according to him not on board with this. Maria (Accounting manager) comments on this and says that *"Risk control is not appreciated, nobody wants to raise something to the CXO level. The CEO gets furious if a new product gets a 'NO' from the accounting department"*.

When discussing the workload with Kevin (Accounting manager), he says that *"It has looked pretty awful"*. However, since the summer, Kevin's team has recruited several new persons to the team, "*We have been understaffed for a year, and we have really struggled to manage the workload. We have not been able to deliver in time a single month during 2020"*. Daniel (Treasury manager) adds to the fact that FinTechny is not acting like the other banks that he has been working for previously: *"There is a 'can do' mentality, it is all about how to solve the problems. In the other banks it has been more about the status quo"*. He further adds that there are a lot of people in the support functions that have a very high workload since the allocated resources are not in line with the expectations.

4.3.2. The regulatory environment

Special characteristics for the company include the bank license and the status as a financial institute. However, this affects the various parts of the company differently. On the one hand, product developers and sellers can work without being affected by the regulatory requirements. On the other hand, the Financial reporting department has a significant number of regulations to consider. The overall view at FinTechny is that the bank license has helped them develop into the company that they are today, both in terms of products, but it has also improved the public view of the company:

> By having a bank licence, we are better equipped to become an even bigger and better bank. This is also a form of barrier for competitors to enter, which puts FinTechny in a good position. (William, Head of Financial steering)

As stated, the different teams are affected by the license differently, Jennifer (Accounting manager) says that the biggest difference for her is the change of supervision category for the bank and that it requires a higher degree of supervision. Furthermore, an increased number of reports is now needed. Robert (Accounting manager) agrees with Jennifer and states that he has been highly affected by the bank licence in terms of data needed, capital requirements, and what products FinTechny is allowed to offer. On the contrary, David (Deputy Chief Risk Officer) states that it is rather the supervision category that affects the company, not the bank license in itself. From his perspective, the bank licence should not be seen as a holdback, rather as a strength enabling FinTechny to offer a broader set of products. The empirical findings show that there are differences between how the different departments are affected by the regulations and Kevin (Accounting manager) described a problem related to this issue:

> People do not really understand the complexity [that comes with the regulations]. We need to apply certain regulations, and also consider the rules from FSAs and their guidelines, and this changes all the time. I believe that parts of the organisation think that this is a lot easier than it really is (Kevin, Accounting manager)

Even though Jennifer (Accounting manager) stated that they were not significantly affected by the bank licence, she also comments on the regulation and the change of supervision category for the bank: *"The accounting department has had a high workload for a long time, and the increased regulation as a result of the change of tier puts more pressure on us and we have more to do"*. The change of supervision category is something that Maria (Accounting manager) also comments on: *"The Financial supervisory agencies actually care what it looks like now when we are a larger bank, and the number of controls has increased. As of today, we do not have the information needed to answer their questions"*.

Thomas (Analytics manager) states that the company in many aspects does not feel like a bank based on the focus on growth and development, but that the bank licence forced them to do things correctly. He also states that the understanding of the regulations is high, as the employees know that they cannot do whatever. The regulation affects several parts of the business and Sandra (Head of Financial reporting) says that *"We need to comply with rules that are made for more traditional large banks"*. Thus, the bank license creates trust from the public. Further, it is inevitable to have a bank licence to become the type of bank that the management team has the vision to become. It goes in line with the long-term growth strategic decision, as expressed by Daniel (Treasury manager)

4.4. Empirical theme C: MAS in an Entrepreneurial bank

4.4.1. The budgeting process

The budgeting process is a big part of FinTechny's MAS. The interviewees describe it as a *"roadshow"* where all the department leaders must convince the management team how much resources they need to run their department. This includes what they will focus on and the number of employees needed. Every team needs to motivate their budgets and their costs for the upcoming year, unrelated to previous years. Sandra (Head of Financial reporting) describes this process as highly influenced by the different teams and that the result is accessible internally. The Financial steering department, i.e., Business control, owns the process of the budget setting, and is involved in the process for all departments.

During the roadshows, the departments that can motivate how they will contribute to the growth objectives are favoured to get the resources requested. The actual costs associated with growth seem to be a second priority, and Maria (Accounting manager) raises the issue with the current development of the costs: *"The cost development is a problem, we are launching branches all over the world and none of these branches are connected to the systems that the parent company has. It is not sustainable, and the costs will explode"*. Maria further states that a Financial supervisory agency addressed FinTechny's increased costs in a recent report, confirming the issue that Maria tried to raise internally. Recently, FinTechny introduced a new system to get better access and consolidation between the different legal entities and subsidiaries. According to John (Head of Business control), this system should have been implemented years ago but it was a matter of cost, where this type of cost was not prioritised by management.

4.4.2. The product development process

For a bank to introduce a new product, a *New product approval process* (NPA) needs to be conducted according to the regulations. This system is used both externally and internally within FinTechny for the accounting teams to communicate with the product developers. Previously, they used another formal checklist internally for the introduction of new products that Jennifer (Accounting manager) favoured, but it was informally phased out. She sceptically stated that *"What works today, might not work tomorrow and the internal NPA list could face the same destiny"*. The problem with the systems and lists is that they do not follow the changes in the rest of the organisation and become outdated. There is some debate whether the Financial reporting department has been sufficiently involved in the product approval process, but according to Robert (Accounting manager) it has changed, *"Finance complained so much that they could not continue the way that they previously did"*. Maria (Accounting manager) explains the current NPA process and says that *"When they come to us with an NPA list, it is more used as a checklist than a tool. They have already come far in the development of the products so the changes that can be made is very limited"*. Usually, when this NPA checklist is discussed with the Financial reporting department, the product teams have the ambition to launch internally the day after, and to go live within three weeks, which makes changes more difficult, *"You have to physically scream at the product people to do any changes*" (Maria, Accounting manager).

Another problem with product launches is that the developers do not know how certain regulatory factors work, *"A question we usually get is 'Oh, we did not think of that, is that a cost for us?', they have no clue about what their product actually means"* (Maria, Accounting manager). She further describes two examples where the Financial reporting department had to stop new products whose entire business case was demolished by regulations that had not been considered. From the management team, this is a concern as they have expressed, according to Maria, that: *"How should we attract the best product developers and creators if their products are not approved?"*.

4.4.3. KPIs focusing on growth

Each month, the Business Control team presents a slide deck with more than 120 pages to the management team. This covers different types of metrics, like common metrics that apply to the entire company that involves incidents, budgets, and internal audit. They further present supporting material for the expansion, including reports from competitors, data quality, and model accuracy. In addition, this report covers a combination of targets relating to growth, regulatory adequacies, financial KPIs, and operational KPIs. According to Maria (Accounting manager), most of the analytics employees come from either the retail sector or start-ups, which results in an extended focus on the income statement, and that the balance sheet is the second priority. This interferes with the status as a bank according to Maria, who comes from a background in the financial sector, *"They are doing a lot of great things, but they have another perspective of what they believe is important. If we have a pie, they only care about a single slice"*. Further, Daniel (Treasury manager) states that his team has to come up with their own KPIs regarding capital requirements and buffers. The management team does not question the suggested targets and Daniel explains that the majority of the management team is lacking financial knowledge. Hence, they are not able to assess the financial risks and cannot develop the capital requirements on their own. "*It is because the management team does not have any experience from operating a bank, they do not know how to set the financial limits or requirements, my team has the responsibility to set the boundaries and they need to rely on our judgment"*.

Thus, KPIs related to growth are primarily in focus, i.e., the number of new customers and merchants. The financial revenue is correlated to growth, but the financial effects are lagging, which makes the financial part second priority (John, Head of Business Control). John further states that the focus on operational KPIs has increased as a result of the expansion: *"This focus was introduced simultaneously as the expansion to the US where the management sees great potential"*. Kevin (Accounting manager) states that the understanding of the overall objectives differs depending on your position within the Financial reporting department. The bookkeepers are too focused on the tasks and do not understand how their job is linked to the overall organisation. As a consequence, the Financial reporting department targets the same objectives, but everyone does not understand the bigger picture, according to Kevin (Accounting manager). The choice of focus is further motivated by the lag in the financials, William (Head of Financial steering) describes it as follows:

> What has happened operationally will be shown in the numbers with a lag, one million app downloads will not be shown in the results tomorrow, but rather when the first purchase is made. Also, our credit products include a lag per se. (William, Head of Financial steering)

William (Head of Financial steering) further identifies the difference between the more operational team's KPIs and his teams' KPIs. However, he says that *"Yes the other teams have a direct link to the operational KPIs, but we have it indirectly, and in some cases directly, like through the procurement team"*. For the Financial reporting department, the "success" is related to how long it takes to produce the reports or how correct the data is. As the workload for the department has been rather high historically, Jennifer (Accounting manager) suggests that: *"The target should be how many hours that are spent on the book close rather than the days as the workload is very high"*. According to Jennifer, another target for the Financial reporting department is how long time it takes to implement new accounting rules or standards. Her overall comment on the KPIs and the overall structure is the following:

> The main target is very clear, we need to grow and expand, but the subgoals are rather scattered, like for accounting, our targets are pretty far from the others. It is difficult to keep the quality of the reports when we are moving too fast and I think that the organisation needs to consider that it is not a long-term solution to have these ad hoc processes, it is rather a strategy of survival. (Jennifer, Accounting manager)

4.4.4. Development, communication, and motivation

Most teams at FinTechny start the week with a longer meeting where they discuss the week ahead. Tuesday to Thursday they start the day with a shorter meeting to discuss the agenda for the day and potential hurdles. They end the week with a longer "retro" where they discuss the week and future projects or improvements. *"This structure helps the organisation to actively work with improvements and solve problems"* (Sandra, Head of Financial reporting). In addition, all the team leaders and the department lead have meetings, for the Financial reporting department, this takes place before and after a book close. In these meetings, they focus on the achievements and the bottlenecks. It is also a forum to escalate and receive information. Sandra (Head of Financial reporting) says that these meetings are now more formal than they used to be, as an example they now post minutes from all the meetings. However, it is up to the participants to prioritise these meetings, and in order to make them more relevant and interesting, the department lead tries to invite guest speakers and try to inform the department what they are doing and why. Sandra (Head of Financial reporting) stresses the importance of the Financial reporting department and says that all parts of the organisation need to communicate with the department, *"We are related to all of FinTechny's suppliers, all over the other departments"*.

Despite the increase in formal ways of communication, Jennifer (Accounting Manager) stresses the importance of the informal processes: *"The informal communication is a way of putting out fires since we are not keeping up or have the time to establish formal ways"*. Kevin (Accounting manager) stresses that he often needs to ask around to find the right way to receive information. Employees that have been working at FinTechny for several years usually know where to find the information, but there is no guarantee that important information, e.g., who has been responsible for a new product, can be found in a document. Thus, there is no common ground for communication or documentation. Informal communication channels seem to be crucial and employees need to take their own responsibility to stay updated. Kevin further stresses that there has been a change in the company, as a consequence of rapid growth:

> Before there was a lot of predictability and you knew whom you should reach out to, now FinTechny is so big and it happens so much, you are dependent on all the teams you work with (Kevin, Accounting manager)

Recently, Jacob (Analytics manager) identified that there is now more focus on follow-up, on both financial and operational targets. *"This is a major change that I have identified recently"* (Jacob, Analytics manager). Thomas (Analytics manager) shares the same view as Jacob, *"We are now in the middle of the business planning process and we have daily follow-ups about what the different departments are planning for, and how it should be done"*.

5. Discussion

In the following section, we will discuss the empirical findings according to the theoretical framework presented in section 2.3.

5.1. Identification of the constitutive rule

Despite the maturity of the company and influence from the bank sector, FinTechny has maintained the entrepreneurial start-up feeling and the status as a darling of Silicon Valley. The characteristics of being fast-growing and entrepreneurial last over time, hence the constitutive rule of FinTechny has been identified as *growth focus* (Swidler, 2001; Ahrens, 2018; Carlson-Wall et al., 2020). All of the interviewees mention expansion and growth as main objectives, even though the growth focus impacts the Financial steering department and the Financial reporting department differently, which shows that the constitutive rule infuses the whole organisation. The management team has a clear focus on expansion and prioritises resources to the teams that can generate the most significant growth contribution. Thus, the KPIs related to growth are identified as Anchoring control practices. Aspects that are often in focus for a traditional bank such as cost and quality processes (Rasid et al., 2014; Ahrens, 2018), have been subordinated to the growth focus at FinTechny. Our empirical findings show that it is not the market regulations that impact what control practices that will last over time, in contrast to previous research (e.g., Chong & Chong, 1997; Ismail & Isa, 2011; Patiar & Mia, 2008; Rasid et al., 2014), rather it is the long-lasting entrepreneurial characteristics of the company. Ahrens (2018) studied a retail bank and observed cost focus as the constitutive rule. The Anchoring control practices implemented in the bank facilitate prioritisation between conflicting interests and unified the organisation (Ahrens, 2018). In contrast, our findings show that FinTechny has a strong focus on growth and the control practices in use are a source of conflicts for the Financial reporting department. Our empirical findings problematise the Anchoring control practices theory (Ahrens, 2018; Carlson-Wall et al., 2020) by questioning the ability of Anchoring control practices to mediate between objectives of the different departments. Thus, we identify a plausible tension between the constitutive rule at FinTechny and the requirements traditional banks need to fulfil.

The entrepreneurial mindset and eagerness to expand suggests that the management team favour an informal control system to foster flexibility and growth (Sandelin, 2008). This has been the case since the start of FinTechny but the demand for experienced employees has increased since the company acquired the bank licence and as the external regulatory requirements increased. The management and the operational teams are still recognised as young and entrepreneurial, while more experienced people with a background from financial authorities are recruited to the Financial reporting department. Previous research (e.g., Bruns & Waterhouse, 1975; Merchant, 1981; Flamholtz, 1983; Chenhall, 2003; Merchant & Van der Stede, 2007) states that increased complexity and growth are correlated with the formalisation of MCS. However, the mindset of the management team originates from the former start-up characteristics of FinTechny. Hence, the belief in informal control systems as a tool to foster flexibility (Sandelin, 2008) dominated the need for formal MCS. The acquired knowledge is important to continue to run FinTechny as a bank, but the different backgrounds of the employees cause a barrier between the departments (Granlund, 2002). Employees lacking a background in accounting or finance seem to have a limited understanding of the accounting measures, which diminishes the usefulness of the accounting systems (Ahrens & Chapman, 2004) and difficulties are expected to arise (Moilanen, 2008).

5.2. The tensions between the constitutive rule and the subordinated control practices

An important role of Anchoring control practices is their ability to mediate between main objectives and wider organisational concerns (Ahrens, 2018; Carlsson-Wall et al., 2020). The empirical findings show that the main objective is clear, and the constitutive rule infuses both the Financial reporting department and the Financial steering department. External factors such as regulations and the conversion into a bank witness that there are wider organisational concerns that should call for attention as well. Further, the Financial reporting department stresses the importance of allocating more resources to reach the quality and accuracy targets set for their department, and these types of objectives are neglected from a management perspective. The Anchoring control practices seem to be firmly linked to the constitutive rule, while the subordinated control practices used by the Financial reporting department, i.e., quality and accuracy KPIs, are not embedded in the main objective of FinTechny. Unlike Ahrens' (2018) findings, the control practices of FinTechny are lacking the ability to mediate between the main objectives and parts of the wider organisational concerns, which in turn explains why the Financial reporting department experiences MAS challenges during the rapid growth.

The Financial steering department has a forward-looking focus and wants to measure growth in real-time. Hence, they rely heavily on operational KPIs. The financial KPIs are not a priority since the financial effects will be lagging the operational actions. As a consequence, the Financial reporting department will never be central. The observed strategy primarily focusing on operational KPIs is in contrast to previous research within management accounting (Simons, 1995; Rasid et al., 2014), emphasising the importance of implementing MAS that are broad in scope when measuring performance for financial institutes. We observe that financial and operational KPIs do not have the same status at FinTechny, thus, the control system tends to lose scope and become too narrowed and growth oriented. This results in a challenge for the Financial reporting department as they can either prove their own performance according to the operational metrics or attract attention from the management team.

Sandra (Head of Financial reporting department) expresses a high level of understanding of the connection between her department's responsibilities and their contributions to FinTechny's growth objective and says that the Financial reporting department should not limit the expansion. On the contrary, her employees experience that they are lagging behind and have been forced to rely on many temporary solutions. This empirical observation shows that the Anchoring control practices are anchored at a higher organisational level in the organisation, i.e., Sandra and her counterparties. However, the Anchoring control practices do not seem to infuse the MAS and KPIs used in the Financial reporting department. Due to lack of time and ability, the department cannot spend time on additional growth related KPIs favoured by the management. Hence, the Financial reporting department, except for the manager, experience that the daily work is challenging as their KPIs are not anchored to the growth focus. In line with Ahrens (2018), this demonstrates the existence of the hierarchies within the MCS. Connecting this phenomenon to the legacy and the constitutive rule of the company, the empirics demonstrate that the targets related to the constitutive rule are difficult to accomplish for the Financial reporting department. In the setting of an external environment with high expectations and requirements, the constitutive rule can segregate different departments of the organisation rather than unify them.

Pasch (2019) states that management accountants need to take a proactive role as business partners and be involved in operational decision-making to facilitate growth. Our empirical observations show that level two employees, i.e., Accounting Managers, in the Financial reporting department do not consider themselves being involved in the bigger picture. The larger majority of the Financial reporting department is bound to the operational tasks and most of their time is spent on keeping the accounting system updated to the organisational changes and the expansion. Thus, this restrains the Financial reporting department into only focusing on the hygiene factors of an accounting department i.e., bookkeeping, and they cannot enable the characteristics that would make them business partners (Järvenpää, 2007), which would be beneficial to integrate the Anchoring control practice of growth into their daily work (Ahrens, 2018). Other factors that reduce the department's ability to feel that they are a part of the bigger context is the scanted cooperation and information sharing with other departments as well the scarce resources spent on the accounting systems. Hence, the Financial reporting department does not see themselves as business partners and are not able to see the bigger picture and the overall objectives of the company (Järvenpää 2007). They consider the expansion as a burden rather than an accomplishment, which is a reason why they experience challenges related to MAS.

5.3. Interactive use of MAS as a catalyst for common language

FinTechny wants to implement KPIs that can be used as a common language and unify the organisation while it is growing, which requires an increased understanding of the reports presented by the Financial reporting department (Ahrens, 2018). Managers will face challenges when steering an organisation as a unified company if departments rely on different KPIs, as in the case of the Financial steering department and the Financial reporting department. This indicates that managerial challenges will arise (Granlund, 2002). The extensive focus on expansion and the entrepreneurial spirit enhanced the constitutive rule. However, the financial KPIs have been neglected and are not clearly linked to the main objective, which contrasts with previous research stating that both financial and non-financial KPIs need to be considered to create a successful MCS (Simons, 1995; Rasid et al., 2014). As seen at FinTechny, the control practices include both operational and financial KPIs but the strategic partners, i.e., the management team and the Financial steering department, take the financial KPIs for granted and focuses on the growth related operational KPIs that have a clear link to the constitutive rule.

Except for the types of KPIs that distinguish the Financial reporting department from the Financial steering department, the time aspect is a further concern. The Financial reporting department compares actuals to actuals and measures success in relation to previous periods, while the Financial steering department pursues a forward-looking approach and relies more on operational KPIs to speed up the measurement of growth performance. In comparison, the Financial reporting department cannot adapt their KPIs and need to hold on to the foundational KPIs related to timing and quality. This implies that it is challenging to agree upon a common language (Granlund, 2002). Ahrens & Chapman (2004), say that employees lacking a background in accounting might not understand the importance of accounting measures and our empirical finding shows that several managers lacking a background in accounting, hence they do not value the financial and operational KPIs equally. The management team evaluated departments in terms of growth contribution, thus, the subordinated KPIs should be linked to the growth objective (Ahrens, 2018). On the contrary, the employees stress that the Financial reporting department has been lacking resources for several years and have a difficult time motivating the need for more employees. This indicates that their work is not considered to be prioritised with regards to the growth objective.

The Financial steering department does not always have a direct link to the operational KPIs, but they have it indirectly. This shows that the department can contribute to the main objectives meanwhile using their own subset of the control system. Interactive use of control systems can be observed between the management team and the Financial steering department which fosters innovation and facilitate decision making (Pasch, 2019), while the Financial reporting department is rather detached from the management team. The lack of an indirect link between KPIs used by the Financial reporting department and the management team indicates that challenges will arise.

The observed situation in our case study can be compared to the study conducted by Ahrens (2018). In the case study by Ahrens (2018), the quality processes are highly embedded in cost KPIs, hence, an improved quality focus will generate a positive effect on cost KPIs as well. This implies that different departments within the bank understand the importance of both types of KPIs. At FinTechny, growth is in focus but there is also a need for accounting processes and high-quality accounting reports, due to external regulations related to the growth strategy. In contrast to the case study by Ahrens (2018), our findings show that the accounting KPIs are not embedded in the growth KPIs which causes a poor understanding of the Financial reporting department's work.

5.4. Rapid growth in a regulated market requires increased formal communication

Concerning the constitutive rule, departments focusing on growth and development e.g., the Financial steering department is subject to higher status at FinTechny. In contrast, Rasid et al. (2014) show that accuracy is important when operating as a financial institute. Thus, the empirical findings indicate that it will be difficult to maintain growth as the constitutive rule, as the external regulations require management to shift focus. Considering the regulatory aspects, the Financial reporting department must be given enough time and resources to be able to deliver long-term solutions and minimize the need for temporary solutions.

Along with the increased regulatory requirements that occur when expanding in a regulatory market, the Financial reporting department needs to improve its processes but also constantly manage their current tasks. In contrast, the Financial steering department can shift focus and adapt their work to the expansion, regardless of increased regulatory requirements. The observed imbalance causes a higher workload for the Financial reporting department, which explains why they experience MAS challenges related to the expansion. FinTechny identifies itself as a fast-moving technology company, and holds on to informal internal communication channels, derived from the former start-up identity. When transforming into a bank, they need to comply with regulations developed for traditional large banks but the constitutive rule of FinTechny does not take that into account. Consequently, the management does not provide sufficient formal internal communication channels, which explains why challenges arise. Rasid et al. (2014) state that information needs to be communicated both externally and internally while FinTechny does not communicate all information to the departments that need it. Thus, improved internal communication is needed to connect the Financial reporting and the Financial steering departments (Simons, 1995; Pasch, 2019).

Along with growth, the amount of KPIs has increased, but the communication channels, the number of formal meetings, and areas for knowledge sharing have not followed the same pattern. Hence, the Financial reporting department emphasises that informal channels are an important source of information. Without informal meetings, all necessary information would not reach the Financial reporting department and crucial details pass the regulatory processes without being assessed by them. Informal communication is a way of putting out fires since they do not have time to establish formal ways. The inconsistency in communication shows that there is no common ground for communication, which forces employees to find the information needed by themselves. In the long run, this process turns out to be time consuming and a high-risk strategy. As a consequence of lacking control systems e.g., formal communication channels established at an earlier phase, crucial financial risks have been identified only hours before external reporting deadlines. In turn, the Financial reporting department must take the role of the devil's advocate who slows down the growth rate, which impacts the general image of the Financial reporting department.

Without common ground for communication, the different departments will have a difficult time finding common KPIs, which in turn complicates the process of utilising both departments' expertise. To establish the control systems needed, FinTechny needs to invest time and resources to implement the systems at an earlier stage (Granlund 2002). The need for increased formal communication does not seem to be congruent with the constitutive rule and strong growth focus, which causes a challenging environment for the Financial reporting department. Moreover, we identify a risk associated with the current strategy pursued and the financial consequences that may arise as a result of lacking control systems and absence of resources prioritised to the Financial reporting department, which causes challenges related to MAS.

At FinTechny, the operational model and the restructuring into autonomous teams fostered the entrepreneurial start-up feeling which is consistent with the constitutive rule. The restructuring facilitated the use of formal information systems needed when the organisation is growing (Sandelin, 2008) and task delegation became clearer which in turn released a higher degree of freedom for each team. The Anchoring control practices control the KPIs used for the Financial steering department efficiently but the communication channels link to the Financial reporting departments insufficient. Despite the start-up atmosphere, the organisation has become too large to rely on informal information channels (Sandelin, 2008) and all information does not reach all required recipients, which causes a stressful environment and a high risk for financial issues in the long run.

6. Conclusion

The aim of the study is to understand why the accounting department experiences challenges related to MAS and how ignorance of conflicting interests will affect a company in the long run. This is accomplished by answering the research question: *Why do MAS challenges arise for the accounting department when an Entrepreneurial Fintech company expands within a regulated market?* The empirical study identifies several reasons for why challenges arise for the accounting department e.g., the Financial reporting department. Firstly, challenges arise as a result of the constitutive rule being based on the organisational identity being characterised as a Fintech company, rather than a bank. Since there is an observed tension between growth focus and the external regulations, it is difficult to prioritise which MAS to use. Furthermore, this affects the accounting department as their MAS is directly linked to regulations that are not compatible with the constitutive rule and the company's growth focus. Secondly, the MAS that the company operates according to results in more resources to teams with a direct connection to expansion and development. Thirdly, the constitutive rule is difficult to change and the link between the constitutive rule and the MAS is stronger than the link between external regulations and MAS at FinTechny. As a consequence, the company has failed to merge the interests of the accounting department and the management team which further explains why challenges arise for the accounting department. Lastly, the communication in this setting is rather informal and since the departments are fairly separated, some information does not reach the accounting department and in turn, makes it difficult for the accounting department to keep up with organisational changes and the expansion. Hence, MAS challenges arise for the accounting department when FinTechny expands within a regulated market.

Further, the study aims to contribute to the research field of management accounting by contrasting previous research with the Anchoring control practices theory. The contribution to the research field of this study is divided into two propositions as follows:

Proposition 1: Anchoring control practices fails to facilitate prioritisation of conflicting interests when the constitutive rule dominates the external regulations

This study shows that certain control practices are superior to other control practices and that the constitutive rule does not seem to change even though conflicting organisational priorities are present, which confirms the findings of Ahrens (2018). Both the empirical study of FinTechny, and the case study conducted by Ahrens (2018) focused on retail banks. However, in contrast to Ahrens (2018), our case study shows that conflicting organisational prioritisations are neglected, i.e., the motives of the accounting department are not prioritised. The constitutive rule of growth unifies the company, but in terms of prioritising conflicting interests, it does not seem to be beneficial. This observation is dissimilar to Ahrens (2018) findings to the extent that the accounting department's KPIs are detached from the constitutive rule of FinTechny. Thus, we problematise the Anchoring control practices theory by stressing that there are factors, in addition to the constitutive rule, that affect a company's ability to manage conflicting interests. The fact that the management team has a background as entrepreneurs but lacking experience from the bank sector is a contributing factor (Granlund, 2002; Ahrens & Chapman, 2004). The emphasis on the long-lasting characteristics that define the management team seems to be stronger than the external regulations set, which explains why there is tension between the management team and the Financial reporting department. Further, in contrast to the findings by Rasid et al. (2014), our study shows the financial institutes tend to rely on control systems derived from the constitutive rule, despite regulatory requirements from the external environment.

Proposition 2: Anchoring control practices narrows the control systems and diminishes the efficiency of MCS

Previous research within the field of management accounting identifies the importance of a broad scope of MCS (Simons, 1995; Agbejule, 2005; Rasid et al., 2014). Our empirical analysis shows that the constitutive rule is embedded in the organisation and the subordinated control practices are linked to the Anchoring control practice. This results in the MCS being too narrowed and focused on a certain type of control practices. As a result, important parameters are diminished such as KPIs related to quality, timing as well as formal communication channels. Previous MCS literature (Otley 1980; Simons, 1995; Rasid et al., 2014) emphasise the benefits of MCS that include a broad scope of control practices to balance tension within an organisation. On the contrary, Ahrens (2018) states that conflicting interests could be managed by enacting the constitutive rule. In the setting of FinTechny, the empirics show that Anchoring control practices neglect conflicting interests. In turn, this causes problems in the long run as FinTechny is growing simultaneously as the financial supervisory authorities require a higher degree of control and more detailed disclosure of the numbers (Rasid et al., 2014). Thus, our contribution to the field of research is that the efficiency of the MCS depends on what constitutive rule the Anchoring control practices are based on. Furthermore, in FinTechny, the constitutive rule is a heritage from the early days. This has become a problem as the external factors have been changed, which shows that the heritage of the constitutive rule impacts the efficiency of the Anchoring control practices.

Limitations

We have conducted a single case study which limits the generalisability of the findings. The fact that the empirical environment is constantly changing, and the interviewees' experiences are affected by the current empirical environment, impact the ability to generalise the analysis to other settings (Bryman & Bell, 2017). However, a single case study could be used to explore complicated relations and engage in novel thoughts and new research (Eisenhardt, 1989). Thus, the findings of this study can contribute to the research field and explain why employees with a background in finance and accounting experience why challenges arise when a fintech company converts into a bank. Furthermore, the study was conducted within a limited time frame. The limited time frame also affected the ability to extend the data sample and the data should therefore be treated with caution. In addition, the researchers have not talked to people from the whole company which could omit important aspects.

Future research

The findings in this paper establish a series of suggestions for future research. To understand if the findings of this study are generalisable to other departments and companies in other industries, we suggest future researchers conduct a similar case study within a new industry to understand how other sectors handle the relationship between firm specific constitutive rules and industry specific external factors. Secondly, by conducting this empirical study we identified cultural elements, e.g., values, beliefs, and normative expectations that could be studied to add a new perspective to the analysis. Furthermore, our research shows that the external factors e.g., financial regulations, are affecting the departments of the bank differently. The impact of external factors has increased as the company successively changed its identity from a fintech company to a bank. Hence, we suggest future research within the field of institutional logics. By investigating the case company with a new theoretical lens of institutional logic, we believe that new findings could be identified and further explain why the accounting department experiences challenges related to MAS.

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8. Appendix

Appendix A: Interviewees

Interviewee	**Title (thesis)**	**Level**	**Date of interview**	**Length of interview**
Maria*	Accounting manager	2	2020-09-09	60
Maria*	Accounting manager	2	2020-10-07	60
John	Head of Business control	2	2020-10-19	60
Jennifer	Accounting manager	2	2020-10-20	45
Robert	Accounting manager	2	2020-10-20	60
Sandra	Head of Financial reporting	3	2020-10-20	50
William	Head of Financial steering	3	2020-10-20	60
David♦	Chief Risk Officer	3	2020-10-23	30
Thomas	Steering manager	2	2020-10-22	45
Daniel	Treasury manager	2	2020-10-23	45
Kevin♦	Accounting manager	2	2020-10-27	45
Jacob	Analytics manager	2	2020-10-27	45
Maria	Accounting manager	2	2020-11-16	60
Adam♦	General counsel	3	2020-11-25	30
Amanda	Accountant	1	2020-11-25	30

* Informal interviews. Not recorded
♦ Not recorded