

# BEYOND BUDGETING

The effect of reallocating resources towards agility in an uncertain world

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**Abstract:** Traditional management continues to be criticized for its ineffective processes as new management control systems slowly enter the market. One of these being Beyond Budgeting, shifting the traditional processes of target setting, resource allocation and forecasting. The resource allocation according to the concept should move beyond the static budgeting towards a dynamic approach that emphasizes agility to better adapt to the VUCA environment. For that reason this study researches how changing the resource allocation process in accordance with Beyond Budgeting affect companies agility short and long term in the uncertain market, especially during the Covid-19 pandemic. The research is done with a qualitative approach, conducting a case study of Ericsson, with semi structured interviews at different levels throughout the organization, generalizing the study towards the telecom technology sector. The contingency theory has been used to analyze the empirics, looking at the internal and external structures. Concluding from our findings that having a more dynamic resource allocation increases agility, providing exponential growth in numbers long term and satisfying employees. As well as contributing to handling the pandemic with little negative impact as the processes become more flexible. Thus also concluding that some of the problems stated with traditional budgets still remain with a change towards a more modern management control system.

**Tutor:** Aleksandra Pop-Vasileva

**Key words:** Beyond Budgeting, Resource Allocation, Agile, Contingency theory, Covid-19

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# 1. Introduction

## 1.1 Background

Beyond Budgeting is a topic that is increasing attention among business managers, as it has a non-traditional idea of renewing the old budgeting processes and improving management control by making organizations more decentralized and adaptive to business events as well as the environment (Stange, Bogsnes et al. 2021). Founded in the mid-nineties by Jeremy Hope, Robin Fraser and Peter Bunce, Beyond Budgeting was a response to the traditional management and its many flaws, such as being a very time consuming process where assumptions are said to be getting outdated quickly as decisions are made both too early and high up. The concept is built upon twelve principles needing to be adapted to business culture and activities, where it strives to separate the processes of target setting, forecasting and resource allocation (Bogsnes, Kaplan 2016). Today, a limited number of companies have implemented Beyond Budgeting into their control system, where Handelsbanken, Volvo and Ericsson are some of the early adopters (Svensson 2021).

Resource allocation is the process of managing and committing assets in a way that supports the business strategic goals (Bower, Gilbert 2006). According to Beyond Budgeting this is best done by having a transparent, dynamic and broad allocation of resources, regulating itself to the biggest extent possible, leading to more horizontal integration, creating new power dynamics and dependencies within an organization (Kaarbøe, Stensaker 2009). The resource allocation should be based on trust, having a culture with a responsible mindset and outspoken values, where transparency works as a control mechanism. However, according to Beyond Budgeting there is no right way to create a new system for reallocating resources, it is dependent on the internal and external situation as everyone should have their individual journey (Bogsnes, Kaplan 2016).

Even though unexplored phenomena such as Beyond Budgeting often seem frightening, leaving the stable budgets behind, a change in the reallocation process becomes necessary and inevitable as the world is moving towards a more uncertain future, where it is hard to forecast (Mack, Khare et al. 2016). Businesses put higher requirements on managers as they need to act and take decisions in line with constant change. New levels of volatility, uncertainty, complexity and ambiguity (VUCA, hereafter) heavily increased in connection

with Covid-19, creating huge challenges for both employees and managers (Stange, Bogsnes et al. 2021). Research has suggested that the best way to handle a VUCA environment is by having a higher amount of agility, as everything gets updated more frequently, which is what Beyond Budgeting wants to achieve (Baran, Woznyj 2021). For that reason it is interesting to examine how managing resources in a more dynamic and continuous way in accordance to Beyond Budgeting affects companies' agility, and how that will influence them in an unreliable market, where it is impossible to predict the future.

Previous research has been done on Beyond Budgeting and the three processes of target setting, forecasting and resource allocation together, however there is a gap in research when it comes to focusing on the three processes separately, which this study will do, examining the resource allocation. Getting a deeper understanding on how companies' agility is affected by the process. Stated that there is lack of knowledge when it comes to the actual results for a business after implementing Beyond Budgeting, potentially decreasing the number of users of the named management control system (Manstrom 2016). Where it is of utmost importance to examine different types of companies within different sectors, since no business experiences the exact same outcome, as their internal and external settings look different. Further Beyond Budgetings methodology states that there is no clear recipe on how to implement the concept, as everyone experiences individual outcomes (Bogsnes, Kaplan 2016). Where we will expand the awareness about the consequences in practice, getting a more thorough view of a company within the telecom technology sector, since the knowledge regarding that is limited, connecting theory to a real life case. Further, agility in today's market is crucial due to the VUCA environment, where being able to dynamically reallocate resources could be a potential solution to handling it, as we will dig deeper into a practical example. Taking the pandemic into consideration, exploring how companies working more agile when allocating resources have been affected by Covid-19 during the recent years (2020-2021). Which is interesting since Beyond Budgeting is of strong belief that companies should be able to flexibly adapt to unknown situations, alluring to examine to find an answer on how to potentially handle unknown threats into the future (Stange, Bogsnes et al. 2021).

## 1.2 Purpose and Research Question

The aim of this study is to get a deeper understanding of how the agility gets affected in a company working with dynamic resource allocation according to Beyond Budgeting. The

intention is also to analyze the related business consequences, both short -and long term. With the ambition of getting further knowledge of the purpose of being more agile and transforming more traditional management processes into a modern management control system, considering the VUCA environment and more specifically the Covid-19 pandemic. Therefore, the research question that this study will examine is:

*“How does managing the resource allocation according to Beyond Budgeting impact the agility within companies and what have been the consequences of that in today's VUCA environment, particularly looking at the Covid-19 pandemic?”*

### 1.3 Contribution

Our study will contribute with a deeper knowledge about how managing resource allocation according to Beyond Budgeting in practice for large and global companies within the telecom technology sector affects companies agility. With a focus on the results and what can be the expected advantages and disadvantages short- and long term when implementing a non-traditional management control system, contributing to the current gap in earlier research. As well as adding knowledge to future awareness on how to potentially handle an external crisis, with reallocating resources differently in line with the methodology of Beyond Budgeting, focusing on the impact of Covid-19 in recent years as the pandemic has been present.

### 1.4 Delimitations

The thesis will be based upon interviews from people working at Ericsson which limits the study towards the telecom technology sector, as well as global and large companies. For that reason our findings can not be generalized towards other industries.

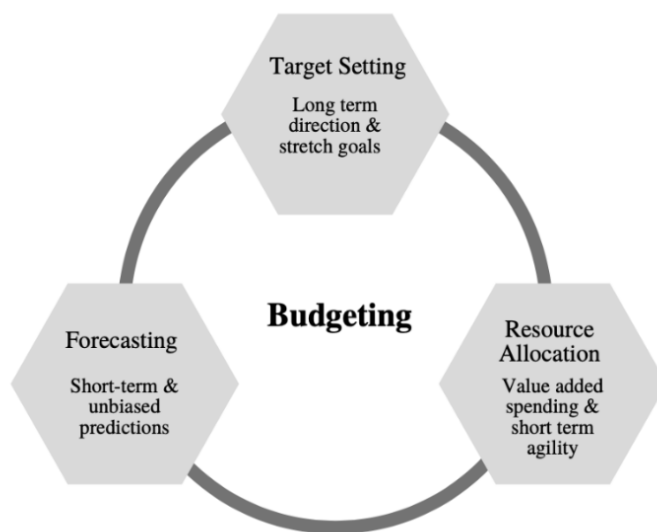
Another delimitation is the study's focus on the Covid-19 pandemic that started in late 2019 and is still ongoing (2022), as the perspective of the pandemic is the focus when talking about the VUCA environment. Even though other challenges have been present and brought volatility, uncertainty, complexity and ambiguity to Ericsson since implementing Beyond Budgeting.

## 2. Literature Review and Theory Development

### 2.1 Previous Research

#### 2.1.1 The traditional management

**Figure 1:** *Traditional approach to Budgeting*



Budgets and traditional management performance is still a widely used way to manage companies, even though budgets are an old phenomenon that started to be implemented professionally in business in the middle of the 20th century and much in our society has changed and evolved since then (Bergstrand 2010). When describing the leadership within traditional management, McGregor's theory X is often referred to. Explaining that

people do not want responsibilities and need to have clear descriptions of their work, as the processes within budgets such as target setting, forecasting and resource allocation often are fixed and stable (Hope, Fraser 2003). The structure of resource allocation within companies is said to shape strategy, where the purpose is to both control and improve value added spending (Bower, Gilbert 2006). Where it, according to traditional budgeting, is best done by dividing the resources between divisions and managers yearly and static. Often basing it on historical performance, which are assumptions that often get outdated quickly, as it is challenging to foresee what is expected in the future (Bogsnes, Kaplan 2016; Stange, Bogsnes et al. 2021).

The old traditional ways of handling budgets have faced major criticism, not the least from several advocates of Beyond Budgeting, stating that the old management control system often provides an illusion of control and is a time consuming process, both when making it, and in the follow up stages (Stange, Bogsnes et al. 2021). Previous research continues the critique

towards budgets with disclosing that 80% of management are discontented with their budget process and the planning within it, where 20% of their time could be more effectively used elsewhere, being more strategically focused, while leaning towards value creation instead of cost reduction (Neely, Bourne et al. 2003).

Quickly outdated assumptions is an issue for the resource allocation process within budgets, as people start to request more resources as the year comes to an end, in combination with managers being encouraged to spend all their given money, as they see it as entitlement. The traditional cost management is stated to be both simple to track and easy to communicate within the budgeting process, working as a cost-ceiling and a floor at the same time. In practice it has been proven that it enforces poor decisions taken, detached from the knowledge workers, preventing the essential behavior of doing the right things at the right time (Bogsnes, Kaplan 2016). Research continues to criticize the traditional resource allocation by explaining that it is too static, where it makes people feel undervalued, focusing more on numbers than on what actually is necessary to be able to complete a project, leading companies to underperform (Neely, Bourne et al. 2003). Decreasing the trust within business, where the strict process indirectly suggests that managers and employees can not be dependable to do the right things without tight controls. The lack of trust is correlated with lack of transparency, leading to restriction of the access to company information (Bogsnes, Kaplan 2016). Only creating accountability among lower levels, not responsibility towards decisions, where the absence of flexibility and responsiveness to today's turbulent and competitive environment becomes a barrier for change, leading the budget process and resource allocation in the end to add little value to the business (Bourmistrov, Kaarbøe 2013; Neely, Bourne et al. 2003).

### 2.1.2 The VUCA environment

The future state of the market is hard to predict, where the environment consists of VUCA, a term founded by the US army (Baran, Woznyj 2021). Volatility describes the amount of uncertainty regarding the size of the change, whilst uncertainty aims at the difficulties to predict the future and the lack of clarity to make proper evaluations of opportunities and threats. The complexity highlights the challenge to connect the cause and effect, due to the fact that the same external inputs can lead to very different outcomes. Ambiguity states that causal relationships are unclear and it is hard to find the right solution since problems often



have several answers (Mack, Khare et al. 2016). Delays in resources, sudden approvals, changes in both the internal and external environments leading to disruptive timelines are just a few problems that VUCA brings (Bakshi 2017). Increasing the understanding that the outburst of the Covid-19 pandemic contributed to VUCA reaching new heights, where strategy has required more nuanced thinking, demanding more from companies and their management (Stange, Bogsnes et al. 2021). VUCA is stated to be best handled by maintaining a vision, trying to understand the situation with clarity and information sharing throughout all levels within the company as everyone should have knowledge and insight into the allocation of resources (Bakshi 2017). Where the need for mutual understanding for different situations exists, to successfully respond to great opportunities and react quickly to complex challenges (Bourne 2021).

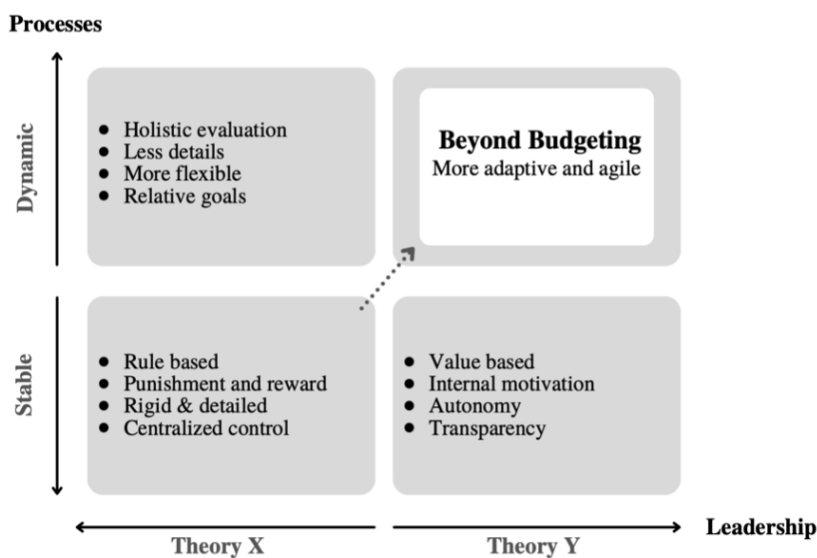
The old patterns from traditional management are not as sufficient with the increased competition globally, changing supply and demand in combination with stagnating markets, where today's strategies require methods that can adapt to these challenging times (Mack, Khare et al. 2016). With VUCA being present the urgency of transforming business for companies becomes even more noticable, which makes traditional management want to create even stricter control, giving the opposite effect. This is explained by the fear of change in management and letting go of what has always been seen as safe. Also pointing out the importance of shift in management and the way of handling resources, since there is an increase of expectation among companies employees, customers, shareholders and society as a whole in this mobile environment, requiring a larger amount of transparency (Bogsnes, Kaplan 2016). Explaining that more advanced organizational systems are necessary to manage a higher degree of complexity in our environment, where VUCA can cause colossal failures if we try to manage it in traditional ways (Mack, Khare et al. 2016).

### 2.1.3 Beyond Budgeting and the resource allocation

Beyond Budgeting in difference to traditional management are in line with McGregor's theory Y, stating that people are motivated by personal development and self esteem, as leaders encourage employees to evolve and be creative (Hope, Fraser 2003). Autonomy, transparency and internal motivation permeate theory Y, which are words used to describe the leadership side of Beyond Budgeting. The management component is moving from being stable and rule based towards a more dynamic and self regulating process, with holistic

performance evaluation to manage businesses (Radonić 2018; Bogsnes 2018). In changing environments more decentralized processes are needed to better adapt businesses to changing markets, where budgets become unnecessary as the predictions often become futile (Sandalgaard, Bukh 2014; Radonić 2018). Even so, the main purpose of Beyond Budgeting is not to completely reduce budgets, but to increase performance by better adjustments towards the external setting (Bogsnes, Kaplan 2016).

**Figure 2: Shift towards Beyond Budgeting**



The term agile can be explained by being able to move easily and quickly embracing the unknown, where innovation and creativity are the solution to success (Bogsnes, Kaplan 2016) (Serrador, Pinto 2015). Enhancing agility is done by teamwork and knowledge sharing, transparency, communication and interactive learning, where outdated processes and bureaucracy with inadequate communication hinders it (Baran, Woznyj 2021). The complex, agile and relatively inexperienced Beyond Budgeting might be a possible solution to improve, change and guide performance management within a company, better adapted to business objectives and strategies (Hansen 2011).

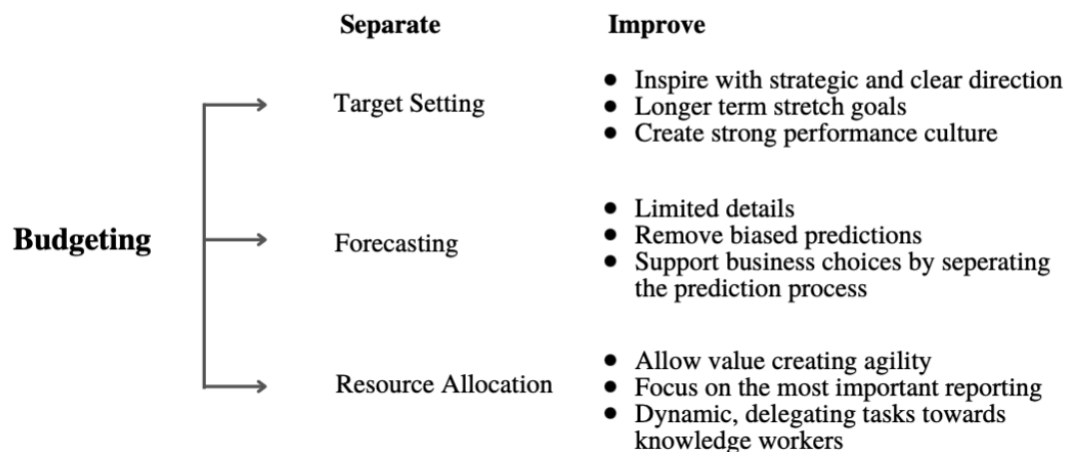
Beyond Budgeting is built upon twelve principles that should be followed, six of them regarding leadership and the other six refers to management processes, presented in figure 3 (Bunce, Hope et al. 2011).

**Figure 3: 12 Principles of Beyond Budgeting**

Leadership Principles	Management Processes
1. <b>Values</b> - Govern through common sense and shared values, towards a common goal	7. <b>Goals</b> - Encourage employees to set enthusiastic goals within the team, not by having fixed contracts
2. <b>Governance</b> - Less regulations and rules, manage with a good judgement	8. <b>Rewards</b> - Shift reward from fixed targets to relative performance
3. <b>Transparency</b> - Create a more open work environment, less restrictions on the information sharing within the organization	9. <b>Planning</b> - Turn it in to an inclusive process, reduce the top-down structure
4. <b>Teams</b> - Reduce centralized functions and hierarchical control, construct teams with accountability with a feeling of belonging	10. <b>Coordination</b> - Interactions are created dynamically, not by a fixed budget
5. <b>Trust</b> - More freedom to act, with less micro management	11. <b>Resources</b> - Make resources available as needed, creating a more dynamic process, not through annual budgets
6. <b>Accountability</b> - Reduce hierarchical systems and divide responsibility among all levels	12. <b>Controls</b> - Supports and gives feedback frequently insted of basing it on budget deviations

There is no right way to implement these twelve principles of Beyond Budgeting, and not a “one way fits all” solution (Bogsnes, Kaplan 2016). Due to the complexity of the concept it needs to be divided into smaller parts, often referred to as a 3-step approach where target setting, forecasting and resource allocation are separated from each other and updated frequently, which is different from the more fixed traditional budgeting that wants to reallocate resources strictly, so management can control costs, as they try to meet the objectives of these three conflicting purposes (Stange, Bogsnes et al. 2021).

**Figure 4:** *Three step approach towards Beyond Budgeting*



This research will have a focus on the resource allocation process within Beyond Budgeting stated in principle eleven shown in figure 3. Explained by a change in mindset, where resources should be allocated dynamically to be used in the most optimal way, available when demanded rather than allocated through traditional budgeting processes. This to encourage value creating agility, where decisions are taken by the people with the most insight within their area. Transparency becomes a key factor to succeed with managing resource allocation in this way, since management will have a hard time delegating responsibility without it (Stange, Bogsnes et al. 2021).

Further studies found that moving away from the traditional allocation of resources towards Beyond Budgeting helped improve the dynamic systems in terms of project initiation, develop a self regulating process, freedom in setting up cost categories and internal benchmarking. Projects are less likely to be turned down due to budget constraints, allowing firms to make better decisions in recognizing the best projects within the organization, instead of in each department (Bourmistrov, Kaarbøe 2013). Resources can now be divided frequently throughout the whole year, confirmed by research that 45% experience greater agility in the resource allocation process after implementing Beyond Budgeting, as well as reducing cost (Stange, Bogsnes et al. 2021; Bunce, Hope et al. 2011).

As transparency grows when allocating resources, a larger amount of trust is necessary, since it should be acquired on a more dynamic level and strive for more effective approvals (Matějka, Merchant et al. 2021). Beyond Budgeting believes that people are mature enough

to spend resources wisely, which is one of the biggest challenges of the concept, as some employees will abuse the given trust. Beyond Budgeting states that this dilemma is best handled by confronting those taking advantage of the dynamic resource allocation. Which should be done with more horizontal communication that is built on the mentioned transparency, revealing any wrongdoings and works as a control mechanism (Bogsnes, Kaplan 2016). If trust and transparency are lacking the principles of Beyond Budgeting including the resource allocation will not work (Neely, Bourne et al. 2003).

Beyond Budgeting in practice is very different from one another, where research has been made on the topic and shown that it is hard to determine which specific management control practice is correlated with Beyond Budgeting. A study found that dynamic resource allocation and effective control systems are associated with the implementation of the concept, creating a holistic view on the system and a better adapted company to their strategies and objectives. Making it easier to set accurate goals and monitor the trend line (Matějka, Merchant et al. 2021; Bunce, Hope et al. 2011).

Even though Beyond Budgeting potentially brings many benefits and opportunities, there are reasons why the new management control system is not widely implemented. Beyond Budgeting is still in an early stage of development where many areas of it still are unclear, one of them being resource allocation. The uncertainty it brings due to insufficient amount of empirical evidence fears managers to commit to a change in their structure where the lack of knowledge about the concept is a crucial aspect (Rickards 2008). Furthermore, there is not enough practical experience of the management control system making it difficult for companies to grasp the understanding of how to manage without budgets and how to efficiently work with resources. This brings a lack of engagement to even try due to the uncertainty of potential outcomes this new concept might bring for the company. Organizations seeking confirmation in their industry to better adapt to the VUCA environment do not want to be the first to try as that comes with high risk and the possibility of losing value. This builds on the fact that there is not enough practical evidence and no concrete results associated with it, especially when traditional budgets still seem reliable enough, giving no reason for companies to commit to a change, leading firms to reject the Beyond Budgeting (Manstrom 2016).

## 2.2 Theoretical Framework

### 2.2.1 Contingency Theory

The theoretical framework the study will be rooted in is the contingency theory first recognized in the 1950s by Fred Fiedler, developed further aligning well with the VUCA concept of our time (Miner 2005). Today, the theory can be stated to move beyond theory Y as it emphasizes that the best way to organize is dependent on the tasks and the environment it is present in (Morse, Lorsch 1970). Stating that the recipe to a successful business looks different for everyone, expressing that there is no right way to organize a company, as it is contingent upon situational variables, divided into internal (e.g size of the business, traits of employees and tasks) - and external factors (e.g rapid change and uncertainty in the environment) (Moniz 2010).

The contingency theory states that the internal conditions need to adapt after the external setting to create beneficial outcomes (Winzenried 2011). As there are different requirements on an organization, depending on the environment, especially when it is characterized by volatility and rapid change (Lawrence, Lorsch 1967). It is of importance to identify these uncertainties as an organization present in a complex and changing setting according to the theory will perform better with a more flexible and organic management control system (Burns, Stalker 1961; Chenhall 2003). The theory further explains the differences between being task - and relationship oriented, concluding that motivation among employees is dependent upon circumstances and situational variables, therefore perceived differently depending on the setting the individual is present in (Kerr, Schriesheim et al. 1974; Chemers 2001).

There is no right way to structure a management control system, however there is a lack of understanding when it comes to which actual contingencies affect the outcomes of a company, since the external environment is constantly changing which again must be considered for an organization to effectively operate (Chenhall 2003;Otley 1980). There is little doubt about the internal and external environment of a company to be correlated, increasing the understanding that businesses have several possibilities to organize towards different contexts. Clarifying that a business with internal traits that are similar can

emphasize management control systems differently depending on the industry and their individual contingencies, to create the most successful way to organize (Scott 2003).

The contingency theory has faced criticism when it comes to having unclear presented scope and also on how it defines the correlation between the different concepts, becoming more of an orienting strategy rather than a theory (Weill, Olson 1989). The theory is however useful for this study as it will help us conceptualize the understanding of how the external setting affects the internal processes in a company during uncertain times. Gaining further knowledge into how an agile management control system impacts companies within the telecom technology sector, both in terms of mindset for employees and the result presented in the reports after changing the internal setting.

## 3. Method

### 3.1 Study Design

The theory and empirics used in this study have been made through an abductive approach to the research, where they are gathered parallel to each other and adjusted accordingly. Since the topic in itself has a wide approach, to delimit the research to the relevant parts of the theory the empirical data was used. The reason behind the approach is that the delimitation would not be possible to attain through the use of a completely deductive or inductive method.

Semi-structured interviews were used to collect the empirical data as the interviews among Ericsson were made throughout different levels of the company. This method contributes to several benefits, such as enabling open-mindedness, where asking follow-up questions becomes straightforward and more natural. Although the level of comparability between the interviews can vary with semi-structured interviews, it would be even more difficult to attain such nuance with a structured interview method (Bryman, Bell et al. 2019).

### 3.2 Data Collection

The data in this study is based upon eight interviews from people working at Ericsson. A single case study is used to be able to attain a more in-depth understanding, for the opportunity to interview employees from different hierarchical levels in the organization. The process to find the case company started by looking up companies that had implemented Beyond Budgeting as a management control system in Sweden, contacting the first seven ones that seemed the most appropriate for the study. After two companies rejected the request, Ericsson was the first company to accept the proposal to be involved in the research. The deputy CEO being the first contact point, contributed with the right contact information to relevant personnel through his assistant for possible interviews, as we pinpointed our focus. However, as Ericsson is a large corporation, to reach the relevant employees at the company secretaries in different departments were contacted to in a more effective way be able to navigate towards the people with the interesting knowledge relevant for the conducted research. In total fourteen employees were contacted within Ericsson in different hierarchical positions, resulting in eight interviews. These interviews are summarized in table 1 stating the



date of the interview and the codenames for the interviewees that will be used in the empirical findings.

**Table 1:** *Interviewees at Ericsson*

Date	Role	Interviewee	Duration	Meeting
4/3-22	Employee	E1	37 min	Online
7/3-22	Lower level manager	E2	65 min	Online
15/3-22	Controller	E3	68 min	Online
15/3-22	Executive	E4	55 min	Online
22/3-22	Executive	E5	52 min	Online
7/4-22	Employee	E6	57 min	Online
8/4-22	Executive	E7	50 min	Online
8/4-22	Controller	E8	36 min	Online

The interview questions asked were corresponding to the considered theories, however the theoretical framework was not completely decided upon, due to uncertainty if it would be suitable throughout the study. For that reason the interview questions were held open, to be able to capture different aspects and enable deeper understanding of the topic, leaving room for follow up questions, to be able to attain knowledge to help look at other possible theories of interest. After the initial interview some changes questions were modified, based on the delimitations of the study and the answers gathered from the interviewee to better adapt the study in order to answer our research question. Furthermore, the interviews were all conducted through online video calls that were scheduled for 60 minutes. One problem that we came across was that one of the interview sessions got double booked, which was solved by adapting our questions to fit the shorter time that we had with one of the interviewees, being more candid in the interview.

### 3.3 Data Analysis

The empirical findings for this study gathered through interviews were transcribed, which became the basis together with the recordings and notes for the analysis. The analysis was conducted based on both audio and text analysis. To facilitate the grouping of the data, a

thematic analysis was used, in which the identification of themes was done. These themes were divided into three different categories to be able to analyze our presented research question:

- Resource allocation within Ericsson
- Outcome of the new strategy
- Covid-19 pandemic

Further, the structure of the interview questions allowed for a more open discussion. Resulting in many interesting perspectives on the topic that was identified through the analysis conducted.

### 3.4 Ethical Considerations

When operating the study itself we considered the ethical issues, such as if there was any harm whatsoever to the participants of the study, or any lack of informed consent. To avoid these ethical issues a consent form was included for the respondents to fill in which acts as a form of approval. The respondents and the firms have also been anonymized, something that the respondents were aware of before the interviews were held. In the first email sent to the respondents they were informed about the aim of the study which also was clarified during the interviewing process where they were given the possibility to ask their own questions about the study (Bryman, Bell et al. 2019). Adding to this, at any moment the interviewees were provided with the option to leave the interview without a stated reason to why.

### 3.5 Method Criticism

Weaknesses regarding this study's credibility may be that the majority of the interviews were conducted in another language, six of them in Swedish and the other two in English. To gather the empirical material the interviews done in Swedish had to be translated to English, contributing to the risk of deviation, due to potential translation errors. The natural environment was also considered in this study as all interviews were made online to ensure the fact that the respondents were in their desired setting. Additionally the confirmability of the study can also be criticized as the empirical data only includes eight interviews scheduled by one single contact person from the initial email to the company. Where we had limited impact on who to interview, which may have resulted in empirical data that is not varying

enough. Nonetheless, to make sure that the confirmability of the study were still high, the interviews captured and included the contextual factors of the respondents to ensure a thick description to enable the study to be used in a future research (Bryman, Bell et al. 2019). We documented the material throughout the study to be able to follow up the research process, to ensure a high level of dependability in the study.

## 4. Empirics

### 4.1 Background and Context

Ericsson was founded 145 years ago by Lars Magnus Ericsson, and is today one of the world leading companies within communication and information technology with over 100 000 employees and customers from 180 countries. Constantly trying to deliver services that are simple to scale, adapt and use to help make their customers succeed in a continuous digitalized world. With company culture and values founded in professionalism, respect, perseverance and integrity they have a vision to create connections to make the unimaginable possible (Ericsson 2022).

Advancing towards a sustainable future, where the company's main focus areas lies within 5G, Artificial Intelligence (AI) and Internet of Things (IoT), divided between their portfolio of four categories - Networks, Digital Service, Managed Service and Emerging business. As they are driven by their strategy to create long-term value through technology leadership, addressing long term possibilities to have scale advantages, grow faster both organically and by acquisition together with beneficial revenue streams, which they achieve by being selective with projects, taking their target customer into consideration, increasing the profitability by being value creating (Ericsson 2021).

Ericsson have a strong customer centric approach, meaning that they constantly try to fulfill their customers needs, which requires a high amount of agility, something they have strived towards and worked with for ten years. They have moved from fixed guidelines that affected Ericssons potential to expand in size, as it inhibited their flexibility and contributed to an ineffective control mechanism over money flowing in and out of the different projects, towards a more value creating approach. Five years ago (2017) Ericsson moved towards Beyond Budgeting, after several years of decreasing profitability (2015-2017), with a new CEO Börje Ekholm taking over, turning the company around. With a strategy more focused on the market positions Ericsson wants to achieve, giving their employees more impact in the different processes as well as investing in value creating projects and launching products with good timing on the market.

*“If the timing of it is wrong and it wont yield the planned ROI then the project is canceled, which has improved with the introduction of the agile concept” - E3*

One of Ericssons outspoken goals has been to be market leading in 5G, which was confirmed to be a success by interviewee E5

*“Today we are completely world leading in producing 5G net, which has been absolutely crucial in the creation of an agile mindset, as R&D (Research and Development) is used to create value. Helping us increase our market share.”*

Ericssons global supply chains, with distribution centers and production facilities located all over the world, in several continents enables them to be agile and close to their customers to have adaptability to a larger extent as well as sustainable operations (Ericsson 2021). As they constantly strive to find the right balance of managing investments, as they state to be present in a market that will be more uncertain in the future, necessary for them to be able to adapt to future challenges. The new less traditional way of managing Ericsson has changed and affected both the internal environment in terms of their agility, as well as the external environment, due to the presence of the Covid-19 pandemic, along with their more customer centric approach. As they need to be ahead of things, aware of the next step and never stop moving.

*“Winning concept? It is all about being able to be agile, it is a capability to change continuously. However, it is important to not to end up in an unchangeable concept, being agile in 2010 is not the same as in 2022, we strive to be able to change and adapt towards the market and continue to evolve” - E4*

## 4.2 The Internal Environment within Ericsson

### 4.2.1 The new process of allocating resources

The internal setting when it comes to the resource allocation has changed since the implementation of Beyond Budgeting. The previous methodology was to run two year projects rather than quarterly programs, changing the mobility within the company. Through this change employees are now working in semi-permanent teams, making life easier for

mapping the organization. Project management sets the agenda and prioritization of the project groups, which is handled and decided transparently giving everybody an opinion. New assignments are pushed to a project office, and decided upon by project - and organizational management. This process is often started with nailing down the technical aspects and creating a paper on the specifics that is run through relevant parts of the organization and presented to the project office in charge. Resource allocation within Ericsson starts with looking at the overall strategy and what they want to achieve over time. Later they go on with a specific product strategy or roadmap, passing on to a product management function, which prioritizes products in the different portfolios. The product owner develops a business case and explains what costs and profits it can bring and how it makes you competitive, which is the leading reason for the amount of resources you get, working as a breakdown strategy. A market analysis is often needed, revolving around three to five years to see how the market will evolve and then strategically adapt the resource allocation based on that. These plans are constantly updated and followed to ensure that everything is well and sufficient to achieve the final goal, creating better investments. Following the general concept of Ericsson, as stated from E5:

*“60% of resources are used towards mid - and long-term goals, whereas 40% is able to be used more agile and adapting to the contemporary as we believe that there has to be a balance. The future of the industry will be less certain, where we [Ericsson] will have to become even more agile, as we will not be able to forecast into the future, but be able to adapt after it. Leaving more time to emphasize value creating questions rather than useless reports”*

Agile methods have enabled a basis for permanent evolution of new ideas to develop in the company, mainly through an open dialogue internally between different departments. However, resource limitations still remain a factor that needs to be prioritized and accounted for when budgets are adapted due to alterations in how the future is viewed by the market. For example, if a certain part of a supporting structure for a project is deprioritized and funding is instead put into other parts such as in the money (ITM) it can lead to tremendous issues later on sparking debates regarding resource distribution. Those discussions are often raised with budget models that are more overt, such as Beyond Budgeting. The biggest difference today is that programs are controlling the demand and supply of labor, in a more

short-term thinking way. Thus, a better cost structure appears as a result of agile governance. Cutting costs when economy is dire is not to prefer, as the new strategy believes that:

*“You should keep investing in a tech company if you want to save money” - E7*

The plan also works to describe teams and competences that are needed, with a monthly cycle of reporting, where changes are made more frequently. Acceptance for this dynamic landscape is slowly being built up. This requires working with a “toolbox” of understanding capabilities and requirements. However, reports today show less guidelines for diverting numbers, which are sacrificed for more efficient labor. Ericsson strategy today, compared to the one implemented in 2017 has built a stronger connection of competencies and capabilities, however as projects come and go, staff are often misaligned in their mission, which drags down efficiency and is costly. Labor being more mobile in the future is something Ericsson are going to have to brace themselves for and continuously work towards.

Geopolitical constraints make it tough for agile management but it helps Ericsson to be more flexible and be able to adapt faster to changes, which is also their biggest challenge. Ericsson wants to be agile in customer requirements but this is limited by geopolitical reasons. For example, when decisions come 18 months into investments, they have in a better way been able to redirect in cases they fall due. Agile organizations can reset much faster which allows room for taking more risk, for example when making investments. Resource allocation is largely based on what they want to achieve and on performance, aspiration driven and less focus on the resource constraint at work.

The new way of allocating resources for Ericsson also required changes in the general structure within the company, to further understand the trust and transparency two central terms within Beyond Budgeting where further researched during the interviews:

*“I personally do not think that it [trust] has changed fundamentally comparing the traditional budgeting, to Beyond Budgeting, but the current way of working has led to a more frequent dialogue about what things cost and what to invest in, which also can get out of control, taking up time” - E2*

Before the new management control system was implemented there were more internal discussions between top management. With the higher amount of responsibility for the individual the amount of meetings increased to five to six meetings daily. Even so it does not seem like there is any specific pressure from top management, as it was confirmed by our findings that there is a lot of trust between the parties, in a friendly work environment, explained by the existing control of how things should be reported and communicated.

Trust is also a word that is defined and thought of differently, as different personality traits need to be taken into consideration, people are either optimistic or pessimistic in their nature. Ericsson encourages a culture for questioning, if that is correlated with lack of trust or not is unclear, as the main purpose is explained by being flexible towards different people. Where some roles have some extended control, even though there is trust among them, as they might have different competences than the ones proposing the project, even so everyone has the opportunity for a bigger insight within the company.

*“Everyone gets the opportunity to see the entire organization [Ericsson] and not just what is going on around our nearest colleagues and department.” - E8*

The work environment has become more transparent, since the agile mindset requires that, with its faster tempo, where business information is displayed to a larger amount. The shorter cycles decrease the sensitivity of the information, where more people are in need of accessing it. Business information is shared to all employees of Ericsson, as meetings are recorded and summarized. In other areas (e.g strategy), some of the information is classified meaning that only the ones being directly affected by the information are able to take part of it.

#### 4.2.2 The outcome of the dynamic resource allocation

Since the implementation of the agile strategy the company has seen many positive outcomes both in numbers and also in the working environment. This change in strategy has enabled them to be quicker and with less effort meet the customers needs, pushing Ericsson to be the leading firm in 5G. Which has been possible by realizing that R&D could be used as leverage to create value, which in turn has resulted in freeing up market share and volume in the market.



The investment in R&D has since 2016 increased with over 7 billion SEK with the majority being towards 5G networks resulting in 15.8% of the market share, with Samsung as its closest competitor. To be customer centric has been an important aspect in the agile strategy Ericsson has implemented and with it they have been able to better adapt and move from investment failing to be able to reallocate resources toward the right projects.

*“Developing to specific demands instead of "mindset" has been the leading aspect”. - E5*

Leading them to become more efficient, releasing time to better adapt to their customers needs. Presenting results from Ericssons Annual Reports during the years 2015-2021:

**Table 2: Key Ratios presented by Ericsson, years 2015-2021**

	2015	2016	2017	2018	2019	2020	2021
<b>Return on Investment (ROI)</b>	8.16%	1.1%	-24.5%	-5.2%	1.9%	17.1%	19.1%
<b>Gross margin</b>	34.8%	29.8%	22.1%	32.4%	37.3%	40.3%	43.4%
<b>Operating margin</b>	8.8%	2.8%	-19%	0.6%	4.7%	12.0%	13.7%
<b>Net income (Billion SEK)</b>	15.8	2.0	-40.6	-7.4	2.4	18.8	26.1

As Ericsson experiences greater efficiency with reallocating resources, it has not been present in all the stages of the process. The tendency to both rapidly increase spending (sometimes on unnecessary things) at the end of a given period, or do the opposite and stop spending is however still prevalent, which confirms that it has not only been positive outcomes implementing the new strategy, stated by interviewee E6:

*“I always feel like I have a lot of work, and have received a lot of projects. Efficiency has led to more projects, so I have more work to do than before”*

When the work feels like it constantly needs to be completed it is affecting the stress level of the employees, potentially decreasing motivation in the long run. Furthermore, since Ericsson strives to develop products and services based on demand, projects no longer have a clear

start and ending as demand shifts and resources can be redirected in the middle of a cycle. Contributing to the feeling of never succeeding and completing a specific project.

Changing the mindset on how to solve problems and work with resource allocation in Ericsson has opened up new opportunities for the organization as a whole. Basing the decisions around what needs to be done, therefore it's important to be able to see the opportunities and pursue them without being restrictive, but also know when to not go through with a project. R&D is no longer seen as a cost, rather an asset and employees as an investment. Making no restrictions on the innovation aspect of the work. Enabling engineers to thrive for a common vision, through the possibility to think more innovative and be more dynamic to be less of an institution to improve on the chances of accelerating and moving forward.

*“We have succeeded in becoming more dynamic which resulted in us having a profitable organization, being the leading company in the software sector, making us an attractive workplace, helping us stay at the top, where more competent people seek to work for Ericsson” - E7*

Another outcome by allocating resources dynamically is increasing the flexibility for the employees within Ericsson, explained by E6 as:

*“The new way of managing the company has opened up and affected the possibility of mobility, increasing the competition for competence, where internal flexibility is supported throughout Ericsson. Before, managers were more careful with rotations among the staff, you had to stay within your area and keep your competence at the same place”*

This outcome has resulted in controllers and employees working with capabilities having a higher tempo in their cycle, more people coming closer to the business, getting deeper knowledge and having something new to act upon.

*“The internal mobility has changed, which is proved, as I got my current position due to the more flexible environment. Which is something good for Ericsson, as we [Ericsson and its employees] will move forward not staying in the same place. Opening up for involvement within the company and individual progress.” - E4*

Mobility is another factor affecting the motivation positively since it gives people more room to take place and evolve, as there is a culture of possibilities for change, reducing the risk of blame when rotations occur. As the right people more easily can be put in the right place and later be rewarded for that. Even so, it is stated that the less clear guidelines could create stressful situations for some of the employees, this was especially noticeable during the transformation period. Where transfers between the companies also has been viewed as lack of respect for people's competence, focusing on teams rather than the individual, where they should be better to match individual competence to projects instead of a whole team.

## 4.3 The External Environment

### 4.3.1 The pandemic

During the Covid-19 pandemic the process of allocating resources has been continuing as usual, this due to the fact that their already implemented strategy was applicable to the new and unforeseen market conditions.

*“We started the journey several years before the pandemic and were then able to live on it when Covid-19 broke out. Where other companies needed to make a faster shift, it came more naturally for us [Ericsson], as we already have a habit of shifting work and structure.” - E4*

The actual cycle of the reallocation process has continued as before, where the effectiveness has been able to be improved as more time is put into the actual work, rather than transportation between the office and home. Generally they have experienced more democratic decisions, Ericsson moving online has enabled more involvement in the meetings, as more people can attend from their computers, compared to before where meetings were held at their headquarters in Kista. Something they hope to continue with when coming back to the office, as the teams will be less location based. Hoping to create even more dynamic processes with larger flexibility within the company.

Ericsson has instead of losing money, saved significant cost on traveling, making them invest in more value creating projects. Delivering solid results with great response from both their employees and customers. Covid-19 increased the understanding among Ericssons customers

about the importance of having critical communication and worldwide internet access, being able to work remotely. Therefore the business has been more present for the current and future customers, as people's awareness and understanding for it has increased, which in some ways before were taken for granted.

Even though Ericsson could adjust to the new conditions, continuing to deliver good results, some processes have experienced less effectiveness. The lessened communication has decreased the group dynamic, due to the difficulties of building that completely remote, as people take longer time to ask questions and respond. Reporting different team's capabilities has also brought some difficulties as everyone has had less insight during the pandemic, making it hard to determine the individual contributions. Affecting innovation and creativity, as that decreases with remote work, mainly due to having less discussions within the teams.

After the pandemic the agility is likely to increase even more for Ericsson, making them understand that increasing the dynamic processes can help a company adapt to external crises. Understanding that they actually can globalize their work, as they realized the value of taking advantage of accessing their global resources. With a vision to implement a hybrid workplace in the future, promoting and encouraging flexibility in all of its processes to a bigger extent. The risk of going back to what was before the pandemic is traveling costs going up again, but the process of reallocating and rethink where money is put has not yet been an experienced issue, where being able to travel and meet people opens up for a stronger company culture, as there will be bigger connections towards co-workers, potentially having positive outcome for the motivation.

*“Building a company culture and identity can not be done solely on remote work, therefore a hybrid model, 50% in the office, 50% at home, is adapted to employees and needs of the company, where the office is a meeting place trying to adjust to what is the most efficient, depending on the market and the world around us” - E7*

#### 4.3.2 Customer centric approach

The increasing demand and competition in the market has made agile adaptation inevitable. Due to the fact that they chose to adapt a customer centric perspective, the positive response from the market meant that there was limited resistance. The process of going from

forecasting customer needs, to manufacturing a product they actually want has been effectivised. Maintaining a pragmatic view of this is assisted in making the process more efficient, which has won the company acclaim from customers, since they are able to use clients feedback and ideas as basis for product development. The distance between the R&D department and the final customer has lessened, making products more fit for the market but also reducing the overall time of the R&D to final product process. This, combined with reinvesting earnings and cooperating with customers has resulted in a reduction in time-to-market.

*“A lot of what is driving R&D is meeting customer demand, being responsive to the market when allocating resources. This way of working is more of a response to market demand, rather than internal demand for change. The market today is more dynamic, which makes customer centricity an important way to make work more efficient.” - E3*

For the most part, overall demand from the market shapes the industry, where the customer centric approach has reduced the issues with overspending, as resources to a bigger extent are allocated by demand and not by an annual budget.

## 5. Analysis & Discussion

### 5.1 The Consequences of Ericssons Internal Strategies

The contingency theory states that there is no right way to structure an organization, a statement closely related to Beyond Budgeting's methodology (Bogsnes, Kaplan 2016; Moniz 2010). This is somewhat confirmed by the information gathered from Ericsson on how they handle their new internal environment to best adapt towards the external conditions. Which they do by being more dynamic, dividing 40% of their resources towards agility and the other 60% is committed to long term planning, which is seldom a point of discussion in previous studies implementing Beyond Budgeting (Bunce, Hope et al. 2011). Proving that Ericsson has navigated their own journey with the concept, constantly trying to find the right balance between long term thinking and agile strategy. It's clear that the dynamic resource allocation has enabled improved adaptation to the demands of the customers and the market, hence indicating a continuous shift for Ericsson. It is possible to challenge the traditional approach further, having even more flexible resources available to achieve even better adaptability, especially as Ericsson is a company working with innovation.

Ericssons way of allocating resources more dynamically has affected the company's agility in several ways. First and foremost the resource allocation is more time effective, due to being better at prioritizing, a stated problem about traditional budgeting. As the useless reports are no longer taking up time, where tasks that benefit Ericsson directly are put on the agenda instead, confirming the previous research that managers' time can be utilized effectively to a larger extent (Bourmistrov, Kaarbøe 2013; Neely, Bourne et al. 2003). However, the shift within Ericsson does not confirm a more rapid resource allocation process, where there are not less things to do for the employees, rather the opposite as it has become more stressful as projects are more dynamic, indicating a feeling of never completing or succeeding with a task, bringing a new insight to prior research. More people have become involved in the process, due to the increased transparency, encouraging discussions about the division of capabilities, taking up the time that was previously put into the reports. As the same amount of time is used when reallocating resources the cost of the process has not changed, contradicting the earlier findings on the topic, thus confirming that resources have been utilized differently (Bunce, Hope et al. 2011; Bourmistrov, Kaarbøe 2013).

*“The more open environment has helped us [Ericsson] prioritize the right things, as we are more customer centric, contributing to completing projects upto one year before our competitors. Strengthening our position in the market as leaders in the software sector.” - E3*

The shift in management control system does therefore display the biggest benefits when the external environment starts to affect the company, increasing their results (Moniz 2010). Beyond Budgeting is more complex than just changing the internal strategy, proving that it is about the dynamics between the internal processes that helps the adaptation towards the external conditions, in line with contingency theory (Lawrence, Lorsch 1967). As it is a capability for the company to be able to change continuously, and the new way of reallocating resources is a key aspect to the success.

The shift within Ericsson, focusing on being customer centric, has led the resource allocation process to be more affected by the market, where the process works less as a limiting factor, trying to save costs. Instead it increases flexibility and effectiveness, not tying up resources to projects that get outdated, giving Ericsson the opportunity to invest in projects that create value. However, as previous research confirmed it is hard to determine which specific control practices determine the success, but there is no coincidence that Ericssons results turned around after the change of management control system (Matějka, Merchant et al. 2021). Looking at the key ratios presented in table 2 it can be concluded that since the implementation of the new strategy starting 2017 Ericsson has had exponential growth in multiple ratios. The decreasing numbers in 2015 and 2016 indicated a need for change in the organization as it was present that Ericsson was at a stage where the performance of the company had changed for the worse. The implementation of the concept meant a big adjustment for the company and led to drastic change in the ratios dropping even further. Nonetheless, Ericsson has managed to quickly adapt to the changes showing a significant increase starting the first year after the shift towards a more dynamic approach to the market. Going from -24.5% in 2017 to 1.9% in 2019 on ROI and from having a net income of -40.6 billion SEK in 2017 to 2.4 billion SEK in 2019, indicating that they have succeeded in their approach towards focusing on value creating projects (Ericsson 2017; Ericsson 2019). Concluding that a change in strategy can be costly looking at it short term, however it is necessary to sustain long-term profitability. Stating that the increasing numbers are correlated with better adaptability to the external environment, which has been possible due to Ericssons higher degree of agility, confirming previous literature by Baran and Woznyj (2021). The

success of Ericsson is positively correlated with the motivation of their employees, getting better cooperation, with higher satisfaction at work.

*“It goes without saying that people want to work at a company that is performing and producing products that are appreciated by our customers, therefore benefitting Ericsson altogether” - E4*

Explaining that the internal behavior among employees are affected by the increased agility and better adaptability towards the external environment, which is a part of what the contingency theory discloses (Lawrence, Lorsch 1967).

Ericsson has also been able to be flexible when unforeseen things within and outside the company occur. Resources are redirected to where they are most needed, resulting in a continuous workflow for the company, which is a consequence of them being able to map their organization effectively (Hansen 2011). Ericsson has prioritized the agility of the workforce to a larger extent, as people within their organization are seen as one of their most valuable resources, even though they continuously want to evolve in this area. They have hired more consultants, optimizing the money spent on employees, allocating resources when necessary, decreasing the fear of cutting the labor force and unemployment. Further, having a climate more open for change in positions, opening up career opportunities. Which has been perceived differently looking at the employees motivation within Ericsson, explained by the contingency theory, as the perception is not the same for everyone, dependent on the situation (Kerr, Schriesheim et al. 1974; Chemers 2001). The majority experienced an increase in motivation, while others a decrease, explained by the unfamiliarity to the new internal strategies, as everyone was pushed towards always taking the right decisions, which comes with a lot of pressure. Leading to a decreasing trust for Ericsson, especially during the transformation years, which could be another reason for the dropping numbers in 2017. Confirming that being more adaptive towards the external environment, can short term have a negative impact on the internal organization, partly contradictable to contingency theory.

Even if the process has, looking at the bigger picture, become more efficient, processes within the dynamic resource allocation have caused some problems. Prioritizing projects is present even if they preach the idea that resources should not be a constraint, and all projects that are value adding should be invested on which both previous research and the principles



of Beyond Budgeting mention (Stange, Bogsnes et al. 2021; Bogsnes, Kaplan 2016). This problem can lead to further issues in the company, such as drastically stop spending at the end of a given period due to the feeling of being restricted, which is one of the critiques directed towards traditional budgeting (Bergstrand 2010). Resulting in the fact that even if Ericsson has changed their approach there are still problems that are hard to overcome. Beyond Budgeting has had a positive impact on several aspects of the internal processes, but it will not solve all the problems. Partly because the external environment has an effect on the matter as well, however this concept has given them the opportunity to better adapt in a complex environment which is one of the purposes for implementing this management control system (Mack, Khare et al. 2016).

Implementing the dynamic resource allocation has also meant increasing the number of meetings, taking up much time for employees involved in the process. This is done so everyone gets the knowledge and insight about the company and its capabilities to later be able to make the right decisions, in line with Beyond Budgeting (Neely, Bourne et al. 2003). However, as some meetings are ineffective and counterproductive, there is a good chance that transparency can be achieved more efficiently. As there is a fine line between getting the necessary information and wanting to have control over every situation. Even if the transparency has increased since the change in management control system it is not done in the most effective way, also leading to unchanged or even decreasing trust, confirming that transparency and trust are two correlated terms (Bogsnes, Kaplan 2016). Even so, it must be stated that Ericsson as a large and innovative company requires open conversations and meetings to a bigger extent. Especially when the traditional reporting has drastically decreased, as they according to contingency theory must take internal factors into consideration as well, to know how to choose the best tactics for their business, to adapt to the external setting, where once again there is no best way to organize a company (Moniz 2010). Helping them avoid misbehavior and employees taking advantage of the dynamic resource allocation in a way that harms the company, having a working solution to one of Beyond Budgetings stated challenges, as they sort out misunderstandings with horizontal communication (Bogsnes, Kaplan 2016).

## 5.2 Covid-19's Impact on Ericsson

Due to the increased agility towards the market as explained above, we can see that Ericsson's internal structure has been able to adjust after the external environment, more specifically the Covid-19 pandemic. As they have managed to create a beneficial balance between the internal - and external conditions (Lawrence, Lorsch 1967).

The resource allocation process continued as usual during the pandemic as the employees responsible were used to working remotely, requiring less adoption for the employees as the agile mindset had been set several years ago. Leading to positive economic benefits for the company as they reduced their costs for national and international traveling drastically. At the same time Ericsson were also benefited by the time saved for transportations of the employees, as more hours were said to be put into the actual work. The question is whether the effectiveness of the work continued, as Ericsson's employees started working from home, which is hard to determine. What can be stated is that it has been somewhat problematic, solely having communication remotely have led some of the employees to hesitate to ask questions and others simply zooming out. Therefore the transparency for Ericsson was somewhat reduced during the pandemic, as the insight decreased. Looking at it from this perspective, having more people involved slowed down the resource allocation process. Therefore, the more traditional approach in this sense could be beneficial, explaining that there is no right way to organize, and one thing that works for some organizations is not beneficial for others (Scott 2003). Confirming the literature review, that the purpose of Beyond Budgeting is not to get rid of budgets, but to adapt to fit the external conditions effectively, which is what the contingency theory emphasizes (Bogsnes, Kaplan 2016; Moniz 2010).

Covid-19 was also stated to reduce the overall innovation at Ericsson. Trying to match the internal environment towards the external has in this sense been problematic as the new management control system was said to increase innovation during the first years of implementation, but as the pandemic struck, it decreased. Jeopardizing the whole concept, as Beyond Budgeting is in need of finding the finest solutions and being creative as it does not give you any specific framework to work after, potentially slowing down the internal structure (Bogsnes, Kaplan 2016). Even though involving people remotely has its disadvantages, it has on the other hand also encouraged the democratic environment, as more

people get involved and get insight, where input can be gathered from different departments. Which on this end potentially could increase innovation longer term and continuously find new ways to improve the process, to be able to handle the VUCA environment in the future (Bakshi 2017) .

As previous research states the VUCA environment is best handled with transparency, which to some extent can be confirmed, as they increased the insight for their employees during 2017 implementing the new strategy, which in 2020 as the pandemic broke out had a positive impact on them handling the situation (Bakshi 2017). Ericsson were widely familiar with the agile concept, as they had built a working internal strategy, helping the adjustments towards the external environment becoming flexible. Continuing to have a value creating focus, which can be seen in the results between 2019-2021, as ROI reached new heights, resulting in an increase in net income as well. In 2020, ROI increased 15.2% from 2019 but only 2% between 2020 and 2021 (Ericsson 2019; Ericsson 2020; Ericsson 2021). Furthermore the net income amounted to 18.8 billion SEK in 2020, increasing with 16.4 billion SEK from 2019 and only 7.3 billion SEK between 2020 and 2021. Indicating that the pandemic could have affected the growth rate of ROI, however it's not clear if that is the reason or if it could be seen common due to the fact that implementing a new strategy will not deliver continuous exponential growth in the market, but is expected to result in a continuous growth until the market catches up with this strategy as well leveling the playing field. The results can potentially be further explained by their closely connected links to their customers, improving the customer centric approach, where the continuous increase in agility contributes to faster and more dynamic allocation of resources, making them more adaptive towards their customers needs aligning with previous research (Stange, Bogsnes et al. 2021). The market today is more dynamic, which makes customer centricity an important way to make work more efficient. As the necessity for digitization drastically increased during the pandemic, which is something Ericsson will take advantage of, as they strive to become more global. Strengthening company culture and inspiring both current and future customers as well as their own employees to become more agile and adaptive to the external environment.

## 6. Conclusion

### 6.1 The Effect of Reallocating Resources Towards Agility

This study aims to contribute with a deeper understanding of how dynamic resource allocation has affected a large and global company in the telecom technology sector in today's VUCA environment, where both long- and short-term effects have been considered. With the contingency theory being a guiding theory the research question has been examined. The analysis provides additional information to previous research on the topic, with new practical insight on the effects of implementing a new management control system. Contributing with empirical findings that are supposed to extend the knowledge of Beyond Budgeting.

The essential findings in the internal environment are that dynamic resource allocation affects the company's agility in several ways. The flexibility it has brought has improved adaptation to the demands of the customers and the market resulting in a more time effective allocation of resources due to better prioritizing, completing projects upto one year before its competitors (Bourmistrov, Kaarbøe 2013). More people are now involved in the processes sparking discussions about the division of capabilities which has increased the transparency in the company, but have not meant a change in time or money used on resource allocation, contradicting prior research (Bunce, Hope et al. 2011).

Ericsson has been able to invest in value creating projects, necessary for sustaining future profitability, leading to exponential growth in multiple key ratios from year 2018 and onwards, after the drop in numbers the year the strategy was implemented. Positively correlated with motivation as the employees are more satisfied working at a well performing company. On the other hand, a negative effect of the dynamic environment in the organization has led to a feeling of never ending projects as a result of continuous workflow making it stressful. Confirming that there are still problems with having dynamic resource allocation, as the feeling of being restricted is still present.

In short, Beyond Budgeting has had a positive impact on several aspects of the internal processes, but has not solved all the problems, but helps them to better adapt towards the environmental changes (Lawrence, Lorsch 1967). Digging deeper into the success factor of

Ericsson it's hard to determine the exact reason as it could be due to internal intelligence or the increased external demand or a combination of both, however it's clear that it has taken place in the context of a change in strategy (Matějka, Merchant et al. 2020). The modern management control system has contributed to being adaptive and able to continue as before. Further contributing to future awareness on how to potentially handle an external crisis.

The main findings in the external environment are that the pandemic has affected the innovation of the company due to the lack of communication which also affected the transparency in the company, leading to a decrease in efficiency, essentially slowing down the internal structure. However the pandemic also brought economic benefits as the restrictions on traveling led to saved cost and time which was reinvested into work, resulting in continuous focus on value creation, which can be seen in the results between 2019-2021 (Ericsson 2019; Ericsson 2020; Ericsson 2021).

In general, implementing a new strategy to a company will in the short term have a negative impact on the performance, however the long term benefits of having continuous growth both for the employees and the company are hard to deny. It's difficult to pinpoint anything more in detail because each company is inherently unique and must adapt to their needs confirmed by both the contingency theory and the methodology of Beyond Budgeting (Bogsnes, Kaplan 2016; Moniz 2010). It's clear that both flexibility and agility in the company has increased setting the company to be stronger in the market, which is backed up by the literature on how to best handle the VUCA environment, however presenting new findings on disadvantages within the concepts we can conclude that it brought more work to the employees increasing the stress levels (Baran, Woznyj 2021).

## 6.2 Limitations of the Study

There are a few areas of limitations that should be underlined in this research study. Firstly, having a single-case study restrains and narrows the perspective of Beyond Budgeting in practice towards the telecom technology sector. However, a multi-case study would not be optional considering the given time for this thesis, to get the scope from more companies to provide valid information that would contribute to our research question. Nonetheless, a single-case study is still useful to further understand the conceptual insight to this management control system, arguing that our study contributes to previous research about

Beyond Budgeting in a compelling way. Adding additional practical knowledge to the subject, having a result driven focus, with a pandemic approach. Contributing with knowledge for companies within the same sector wanting to rebuild their structure towards Beyond Budgeting and reallocate their resources more dynamically.

Further limitations connected to our report is that it has a focus on the Covid-19 pandemic and the generally increased complexity on the market when referring to the external environment, even though other conditions in the external setting have been of relevance and affected the company in question. Lastly, we want to address the generalization of our research towards the telecom technology sector. Companies within other industries would most likely experience different outcomes as the internal and external contingencies are correlated, but if not that is something our research report is limited to further explain.

### 6.3 Future Research

For future research we see possibilities of continuing to examine the Covid-19 pandemics impact on a company that has implemented Beyond Budgeting with a long term horizon, as the pandemic is still present and we have not been able to examine the possible outcome of the pandemic with a longer duration. Looking into Ericsson further, as well as doing a case study for a company within the same sector, that potentially could confirm or contradict our findings. Possibly even research other innovative companies that have implemented Beyond Budgeting, so the study gets less generalized to a specific sector. Our findings stated that Ericssons way of handling the pandemic was positively correlated with the change in strategy, which makes future research interesting, trying to find the solution to how to best handle the VUCA environment. Shown to be of utmost importance for an organization's survival to continue to find the most beneficial way to organize a business in uncertain times.

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## 8. Appendix

### 8.1 Interview Questions

#### 8.1.1 Guide 1: (E2, E3, E8)

- What is your role in the company
- What are your tasks/responsibilities?
- How long have you worked within Ericsson?
- At which time did the company implement Beyond Budgeting?
- How do you notice the change of work with the new management control system?
  - In terms of trust and transparency among your colleagues/employees, as well as the organization in general → Do you perceive a shift in mindset
  - How has the working environment changed since the implementation, differences between the traditional budgeting and more modern Beyond Budgeting within Ericsson
- How does the resource allocation work? Tell us the process, if you should divide or ask for resources?
  - Both before and after the implementation (if they worked at Ericsson when the shift occurred)
- After the shift in management control system what have you experienced as the main:
  - Difference between the two methodologies
  - Advantages and disadvantages
- Do you believe there have been any changes in Ericssons mobility after the implementation?
  - What has that meant in turn?
- If you have saved time on the process, how has that been used/reinvested?
- How has the pandemic affected your role and how has the resource allocation process worked and changed during this time
- How do you think Beyond Budgeting has both helped and hindered the company during the pandemic
- To end: Do you believe Beyond Budgeting is a winning concept and something Ericsson and other companies should continue with

### 8.1.2 Guide 2: (E1, E6)

- What is your role in the company?
- What are your main tasks/responsibilities?
- How long have you worked within the organization?
- How is the agile strategy present in the organization?
- Compared to before the new strategy was implemented:
  - Do you feel like you have more influence in decision making?
  - How is the pressure from top management?
  - Do you feel like you have all the necessary knowledge to be able to make a decision or have a valid opinion on it?
- How often do you have meetings?
- What factors determine the participants in the meetings?
  - If you are not able to attend the meetings, do you get access to the information afterwards? How?
- How much insight do you have to different departments within Ericsson?
- If you need resources for a project or similar, how does that process work
  - Before and after the implementation
- After the shift in management control system what have you experienced as the main:
  - Difference between the two methodologies
  - Advantages and disadvantages
- Do you have any thoughts about other things that you think have been negatively affected by Beyond Budgeting.
- Do you feel that working with resource sharing in this way has affected your mobility and what has it meant in turn?
- How has the new strategy affected you and your team's motivation?
- Has the resource allocation process changed for you during the pandemic? In what way?
  - How do you feel about the change? (If any)
- Do you believe in Ericsson's new strategy?

### 8.1.3 Guide 3: (E4, E5, E7)

- What is your role in the company?
- What are your main tasks/responsibilities?

- How long have you worked in the organization?
- In which sector would you state that Ericsson is present in?
- How is Ericsson structured (e.g different departments)?
- Why did Ericsson choose to change strategy?
- Has the implementation gone as expected?
  - Pros and cons
- What was the purpose with the change of strategy?
  - Was it specifically directed to certain department areas?
- How much of the traditional management is left and what is the plan for the future?
- How do you see the working environment?
  - Transparency?
  - Trust?
- What do you perceive as the biggest difference among Ericssons employees after 2017?
- Have you experienced a change in attitude from your customers as well?
- What is Ericssons policy when it comes to information sharing?
  - To whom is information distributed to?
- What is the difference between the resource allocation process after the new strategy was implemented?
  - Do you see a change in mobility for the company?
- How has Ericsson developed as a company having an agile mindset both short and long term?
  - Employees?
  - Results in the report?
  - Customers?
- When the pandemic struck, what was the initial thought of the company strategy and how to handle the new market conditions?
- How did the pandemic affect Ericsson?
- Do you believe Ericssons current strategy were a succesfactor when dealing with Covid-19?
- What do you believe Ericsson learned from this crisis and will evolve and bring into the future?