

A CURSE AND A BLESSING:

**A STUDY OF THE ROLE OF FINANCIAL CONTROL IN A
GROWING PUBLIC SECTOR ORGANIZATION**

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A curse and a blessing: A study of the role of financial control in a growing public sector organization

Abstract

This qualitative paper examines the role of financial control in the Swedish Armed Forces in relation to the recently initiated growth journey. The core aim is to explore how financial control shapes the ability to grow in order to yield understanding of the challenges that organizational actors in the public sector face after decades characterized by budget cuts, reduced public expenditure and economic austerity. By doing so, we contribute to the PSAR domain by adding richness to the field through the investigation of the relatively unexplored phenomenon we term *capability growth*. In addition, we contribute by classifying growth in the public sector as a heterogeneous concept. This is done by contrasting our case of capability growth with a previous study conducted on crisis growth. By conceptualizing the Swedish Defense Sector as a Strategic Action Field, and complementing the theory with the concept of field frames, we explain why it is difficult to proceed from austerity to capability growth, and simultaneously delineate the role of financial control in this aspired field transition as both restrictive and enabling.

Keywords:

Public Sector Accounting Research, NPM, Capability Growth, Financial Control

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1. Introduction

“We are the best in the world at saving money and making cuts in our own organization. We have become an oiled machinery when it comes to scaling down. But growing (!), that is something completely different” - SwAF representative

The discussion regarding the size and role of the government is as old as modern-day societies and has been debated throughout history. Today, these questions are still relevant. In Sweden, the dominating point of view has historically been an extensive welfare state funded by high taxes (Anttonen & Häikiö, 2011; Øvretveit, 2003). The welfare state in the Nordic countries has even been described as one of the most extensive in the entire world (Jansson et al, 2019). However, the trend of growing welfare states was halted during the end of the 20th century. The reason could be partially traced to the metamorphosis within the field of public sector accounting caused by the influence of New Public Management (NPM) (Hood, 1991). With its origin in Great Britain, NPM is the philosophy of integrating private sector accounting, strategic management and financial control systems within the public sector, emphasizing output control rather than input supervision. Some examples of implemented practices being performance measurement, benchmarking and key performance metrics. This sparked a 30 year long epoch where the field of Public Sector Accounting Research (henceforth, PSAR) was focused on austerity programs, outsourcing (Jansson et al., 2019) and accountingization (Power & Laughlin, 1992), in the name of efficiency and effectiveness (Steccolini, 2019). The Swedish public sector is not an exception as it has also scaled down and implemented efficiency programs in numerous different regions due to NPM (Ferlie, 1996; Catasús & Grönlund, 2005; Sjögren & Fernler 2015). Almost 30 years after its initial appearance, the literature criticizing NPM-implementations and questioning the very core of the philosophy has grown significantly (Steccolini et al., 2020; Lapsley, 2009). Although criticized in the literature, NPM has been extremely influential in the domain of public sector accounting, and has become heavily embedded in society (Karlsson & Funck, 2020) as the philosophy's *raison d'être* of efficiency and effectiveness have shaped the public sector we all live in today.

However, the situation at present is different compared to the 90s. Extraordinary events such as the COVID-19 pandemic, the refugee crisis of 2015, wildfires and flooding due to climate change, and most recently, the invasion of Ukraine are some to name a few. These events pose challenges that private actors have a hard time dealing with as they call for broad collective action which require the strength and resources of an extensive public sector. This is in stark contrast to the previously outlined narrative of NPM where privatization, downscaling and austerity programs have been the central motif. The questions now become, in the wake of these onerous incidents, will the public sector be able to grow, and do so in an adequate pace in order to face these challenges?

What effect have 30 years of public sector accounting, characterized by NPM, had on, for example, coordination, collaboration and communication? What challenges will need to be managed to facilitate the sought growth? Finally, and arguably the most vital, what role does financial control play in creating these challenges, as well as, what role does it have in a possible solution?

It is of critical interest to explore this topic further as the recent events indicate that growth may need to occur in several parts of the public sector going forward. Therefore, in the “post-NPM” period of the present, the importance of understanding the functions and limitations of financial control systems implemented during the NPM heydays in public organizations cannot be understated. Due to the high level of interconnectedness between different actors within the public sector, we believe that these financial control systems may lead to challenges in terms of processes, relationships and mindsets in organizations when deployed in a growth context.

The above-mentioned queries can be examined from a number of different perspectives and point of views. However, there is one public organization that is deemed more suitable than others - the Swedish Armed Forces. After the Russian aggression towards Ukraine the decision has been settled that the Swedish Armed Forces must grow, and consequently, a target has been set to reach military spending equal to 2% of GDP within 5 years (Försvarsmakten 2022c). However, the Swedish Armed Forces has throughout the last decades operated in an environment characterized by budget cuts, reduced public expenditure and economic austerity. As a result, the organization is not in the best position, nor shape to grow. Therefore, by studying the Swedish Armed Forces we aim to shed light on what challenges transpire when an organization in the public sector is facing significant growth.

In order to structure and present the findings, as well as to understand the complex relationships between the various actors within the public sector (Lapsley & Skærbæk, 2012), this paper leverage the theory of Strategic Action Fields (Fligstein & McAdam, 2011) conceptualizing the Swedish Defense Sector as an SAF where actors (the Swedish Government, the Swedish Armed Forces, the Swedish Defense Materiel Administration and the Domestic Defense Industry) tightly interact and cooperate in order to handle exogenous shocks through episodes of contention, with a stable field as the end goal. To add further depth, we draw on Framing Theory (Werner & Cornelissen, 2014) and complement the SAF theory with the concept of field frames (Lounsbury et al., 2003; Modell, 2019) to investigate the inevitable challenges that arise when moving from an extant to an emerging field frame, and the connection to financial control.

The intention with this paper is to contribute to the domain of PSAR by complementing, and adding richness to the field through the investigation of the relatively unexplored phenomenon of public sector growth. Our aim is, on the one hand, to zoom in on the role of financial control in order to yield understanding of the potential repercussions it has

on present growth possibilities. On the other, to explore what role it might play in enabling and facilitating growth in the future. We also contribute to the literature by elaborating on the fact that growth in the public sector is a heterogeneous concept. This is done by contrasting our case of capability growth with the previous study of crisis growth (Carlsson-Wall et al., 2021). Consequently, we define capability growth as sustained growth in capability supported by core and peripheral actors through collective strategic action, where capability refers to the ability, capacity and competence to defend Sweden. Our findings suggest that the financial control systems largely implemented during the NPM-era play a restrictive role in achieving capability growth, but also an enabling role that can facilitate capability growth, while at the same time make sure that the intended growth is maintained, and thus persist long-term.

The remainder of the paper is structured as follows. Chapter 2 outlines the theoretical background of the study, covering a review of the literature in PSAR, NPM and public sector growth, as well as the selection of a method theory and the theoretical framework. Chapter 3 provides the research methodology, while chapter 4 presents our findings relating to how financial control has, and potentially will, affect the case organization's ability to grow in capability. Chapter 5 discusses the findings, and Chapter 6 closes with our conclusions while also suggesting avenues for future research.

2. Theory

In this chapter, the conceptual background and theoretical context of the paper is presented. Section 2.1 reviews previous literature on the topic of public sector accounting and the relation to NPM. In section 2.2, an appropriate method theory is introduced. Furthermore, the theory chapter is concluded with section 2.3, where the theoretical lens used throughout the paper to accompany the empirical investigation is outlined.

2.1. Previous Literature

Public sector accounting has a history as old as the very first city states. In its early days it was primarily a tool used to allocate funds and provide transparency and control over public expenditure (Saliterer et al., 2017). Throughout history, the academic domain of Public Sector Accounting Research (PSAR) has grown and evolved. As a result, the domain of public sector studies, which PSAR belongs to, has received a great deal of academic attention (Steccolini, 2019). In more recent times, accounting has played a central role in the modernization of the public sector (Sjögren & Fernler, 2015). This modernization has taken place throughout the last 30 years and has been described as “a golden era” of PSAR (Steccolini, 2019) as several important papers within the domain has been published and discussed (Lapsley, 1988; Hood, 1991; Arnaboldi et al., 2015; Steccolini, 2017; 2019; 2020).

There is a general consensus in the literature (Broadbent & Guthrie, 2008; Steccolini, 2019; Sjögren & Fernler, 2015) that one central article has significantly influenced both the development of the PSAR domain and the public sector as a whole. The article referred to is titled “A public management for all seasons?” by Christoffer Hood (1991). This paper, and the continuation (Hood, 1995), introduced the philosophy of New Public Management (NPM) with the core concepts and aim to introduce private sector management and accounting methods, as well as market characteristics to public sector organizations. Furthermore, Hood (1991) describes the philosophy with seven doctrinal components: 1) Hands-on professional management, 2) Explicit standards and measures of performance, 3) Greater emphasis of output control, 4) A shift to disaggregation of units, 5) A shift to greater competition, 6) Stress on private sector styles of management practice, and 7) Stress on greater discipline and parsimony in resource use.

Accordingly, one of the main aspects of NPM is the shift away from input controls (e.g., budget figures) to output control (e.g., performance measures and benchmarking) (Hood, 1991). Also, the focus on output control has, according to Bevan & Hood (2006), resulted in adverse effects on public sector organizations. Rather than measuring the qualitative output (the core service provided by a public organization), focus has been directed towards more tangible metrics such as budgetary outcomes and financial KPIs. Furthermore, this has been described as “The dark side of NPM” by Diefenbach (2009).

In addition, the neglect and replacement of qualitative metrics with quantitative measures based on accounting data and financial logic has been referred to as the accountingization of society (Power & Laughlin, 1992; Campanale & Cinquini, 2016; Kurunmäki et al., 2003). Consistently, Power & Laughlin (1992) defines accountingization as “an economic language that colonizes by displacing the previously dominant clinical culture”. Accountingization tends to be described as “NPM in practice” (Kurunmäki et al., 2003). In numerous research studies the adverse effect of accountingization has been studied. Examples of the negative effects are the marginalizing effect on the profession as accounting becomes the dominant language (Broadbent et al., 1996) and the undermining effect on motivation, morale and behavior among employees (Arnaboldi et al., 2015). This has naturally been described as problematic since the personnel is often considered the most important resource within public sector organizations.

The healthcare sector is interesting to study as it has received a lot of academic attention lately (Sjögren & Fernler 2015; Campanale & Cinquini, 2021; Simonet, 2014; 2021). In addition, the sector can arguably be used as a proxy for the defense sector as both share the same characteristic of strong professions in terms of doctors and officers (Sjögren & Fernler, 2015; Skærbæk & Thorbjørnsen 2007). How accountingization emerged in and affects organizational actors are elaborated further on by Kurunmäki et al., (2003) when examining intensive care units in Finland and Great Britain. The authors argue that the emergence of accountingization is contingent on the following factors: 1) Pressure from the external environment to promote the visibility of and action upon accounting information, 2) How lengthy the implementations of accounting systems are, and 3) Receptivity of the sector in terms of the “presence, or absence of institutional or professional barriers and constraints” explained as how established the management accountant profession is in the organization. Hence, if the profession is weakly established, accounting information is argued to easily become directly embedded in the core profession. Therefore, accountingization is likely to occur in a healthcare setting with a high level of outside emphasis on accounting information, long implementation periods of accounting systems and a weak or missing management accountant role.

However, the outlined conclusions about the actual effect of NPM in the sector varies. Simonet (2014; 2021) studied the general implementation of NPM-inspired financial control systems, incentive structures and measurement systems in the French healthcare sector. Consequently, she concluded that NPM affected the quality of healthcare negatively, and the actual gains in terms of efficiency were marginal at best. Sjögren & Fernler (2015) problematized the traditional view of accountingization by studying the interaction between accounting and professional work in the Swedish healthcare sector, since argued heavily influenced by NPM. The authors state that the decision-making process of professionals in relation to taking care of patients relied very little on accounting data. Based on this they drew the conclusion that the relationship between NPM implementations and the negative effects of accountingization might not be as

obvious as previous literature describes it. Furthermore, Camponale & Cinquini (2016) provides additional nuance to the concepts of NPM and accountingization by differentiating coercive colonization with reciprocal colonization. The traditional view of accountingization is an example of coercive colonization, while reciprocal colonization implies that colonization is bi-directional. The authors base this line of argument on the findings of how medical professionals shaped and adapted the accounting systems to fit their own needs better, at the same time as the systems shaped the organization to become more influenced by accounting. The core emphasis is that this took place without one dominating the other. In the same study, reciprocal colonization was enabled by controllers and medical professionals in their close collaborative effort related to the revision of accounting tools.

To date, defense organizations have not been studied and scrutinized as extensively as the health care sector. The characteristics of defense organizations make them complex to study in an NPM context, with the main reason and motivation being the question regarding the actual output of an army in times of peace (Hofstede, 1981). This thought is elaborated further on by Catasús & Grönlund, (2005) raising the issue related to implementation of management control systems when specific targets and purposes are ambiguous. However, this is not an issue that only concerns defense organizations. Ittner & Larcker, (1998) address the akin problematization by emphasizing that in some situations, conventional private sector performance measurement models and financial control systems are not applicable in the public sector. The reason for this being that they are meant to measure private goods, and not public goods which characterizes a multitude of the services provided by public sector organizations.

However, these conceptual difficulties have not stopped the implementation of NPM-based financial control systems in a defense milieu. Skærbæk & Thorbjørnsen (2007) studied the implementation of a new NPM-inspired performance measurement system with the main purpose to increase accountability in relation to budgetary spending in the Danish Armed Forces. The author's main finding showed that the implementation of the measurement system changed the identities of some officers from “professional warriors” to managers. Due to the tasks being very closely tied to the officers' identities, this “commodification” of the officers, as Skærbæk & Thorbjørnsen, (2007) defines it, resulted in decreased motivation. Another case of problematic implementation of private sector models is presented by Barton (2004). This paper investigated the implementation of an accrual accounting-based measurement system that made the Australian Armed Forces create a false picture of the organization as highly financially profitable. An additional study within the defense industry is Almqvist et al., (2011). This paper investigated how challenges related to changes in the environment of the Swedish Armed Forces forced the organization to reevaluate the control systems. Almqvist et al., (2011) argues that models relying on concepts such as NPM can't be used to frame the problems facing the Swedish Armed Forces in situations of instability since these problems do not

primarily concern meeting budget figures or performance measurement targets. The real problem of the case of the Swedish Armed Forces was instead argued to be answering the question of “Why do we exist?”, since the country has been at peace for over 200 years. Furthermore, the authors argue that before that question could be answered, regular management control systems cannot be used in the organization. Also, the authors introduce the concept of NeoPM that focuses on outcome and argues that this is what should be measured and controlled for in reality. NeoPM uses the management control of values, measures outcome (instead of output) and is ideally communicated within an organization with sensebreaking activities. In the case of the Swedish Armed Forces, this means questioning facts and unlearning old control paradigms as the organization’s mission has changed. Hence, there is a transformation from meeting budget figures and performance measurement targets to using values and communicating the outcome of peace to its stakeholders to validate the organizational existence. In conclusion, Almqvist et al., (2011) highlights the importance of sensebreaking activities for organizations that exist in rapidly changing environments to maintain a reflective point of view, as well as how management control practices fail when there is a lack of clarity behind the mission of the organization.

In the early days of NPM, some authors discarded the importance of the idea and referred to it as “a passing concept” within the domain of PSAR (Carlin, 2003). However, 30 years of research has disproved this line of thought. As above-mentioned, Steccolini (2019) describes the last three decades as a “golden age” of PSAR due to the large number of studies being conducted and published. Simultaneously, she terms the era the “golden cage” due to the extensive focus on the concept of NPM within the domain. After conducting an extensive literature review over the last 25 years, Funck & Karlsson (2020) argue that the domain of PSAR has to some degree become synonymous with NPM.

Although there are some nuances to the effects that NPM-based implementations have had on organizations and professions, the majority of the articles emphasize that the negative effects outweigh the positive (Lapsley, 2009; Simonet, 2014, 2022; Hood & Peters 2004). Lapsley (2022) even argues that there are no eminent supporters of NPM as a concept today. Looking ahead, the future role of NPM in PSAR, and in society has been debated in the literature but academic consensus is missing (Bruns et al., 2020; Steccolini, 2019). A potential future path for the domain is to explore what effect the legacy of NPM has when the public sector starts to grow. The central theme around the majority of case studies within the PSAR domain is that they have been conducted in a public sector that is either stagnant or shrinking. However, some examples of studies of public sector growth are starting to emerge. On this relatively novel avenue, Hall et al (2012) studies the extensive re-municipalisation of the water sector in France and electricity and power sector in Germany. Other examples are the Swedish case of the back sourcing of public services (Janson et al., 2019) and the general trend of deprivatization in Germany observed by Weber et al. (2019).

A more relevant article for the domain of public sector growth and the ensuing role of accounting is the study of the Swedish Migration Agency during the refugee crisis of 2015 by Carlsson-Wall et al., (2021). The crisis resulted in an enormous workload for the authority forcing it to scale up its operations very quickly to take care of the arriving refugees. The study showed how management control systems shaped the crisis response in the organization and were used to handle the heterogeneous interests of legal scrutiny and empathy during the crisis. The institutional complexity and time constraints made it harder to balance the interests but interestingly, the management control system was used throughout the organization to rank the interests depending on the role of the employee. However, most compelling was how behavioral controls, such as budgets, are not supportive of the operations in extreme situations. During normal operations, budget controls allowed the processes to be standardized, but in times of crisis the budgetary restrictions became an obstacle and did not match the situation. Thus, it needed to be temporarily neglected to prioritize empathy and legal compliance in the organization. This article is an example of what we refer to as crisis growth within the public sector as it concerns a short period of time to tackle a specific crisis that will not persist in the future. In contrast, capability growth is different since it is centered around achieving continuous growth over a longer period of time in terms of capability supported by various actors through collective strategic action. As several organizations need to collaborate to achieve capability growth the phenomenon must be studied on a meso-level field rather than in organizations individually. As a result, the level of complexity becomes higher during capability growth since many actors with different interests are involved (Jones, 2000; Lapsley and Skærbæk, 2012) and the process takes place over a longer period of time. For the public sector overall, capability growth is relevant as growth in the public sector needs to be done proactively, rather than reactively, and includes actors such as politicians, authorities, public organizations, private firms and the general public who all must work in the same direction in order to manage future challenges.

To the best of our knowledge, capability growth in the public sector has not been studied before. Previous research regarding public sector organizations (e.g., health care, national defense, water supply) is conducted within an environment of austerity, or concern implementations of systems (Skærbæk & Thorbjørnsen, 2007). Earlier research has shown that management control technologies, such as accounting, have a stabilizing function (Hedberg & Jönsson, 1978; Cyert & March, 1992) as cited in Almqvist et al., (2011). Therefore, it is plausible to assume that the financial control systems might hinder growth by solidifying the old structures brought by NPM during the decades of austerity, or it could function as an ally to keep the growth on the right track.

With this literature development as the backdrop, we intend to answer the following research question:

What role does financial control play in a scenario of significant capability growth in the public sector?

Studies in austerity environments within the domain of PSAR & NPM	Crisis Growth	Capability Growth
Almqvist et al. (2011) Arnaboldi et al. (2015) Campanale & Cinquini (2016) Ferlie (1996) Lapsley (2009) Lapsley & Skærbæk (2012) Simonet (2014; 2021)	Carlsson-Wall et al. (2021)	This Article

Figure 1: General overview of previous research within the domain

2.2. Method Theory

Recently, Bruns et al. (2020) confirmed in the bibliometric literature review that there is a scant application of theory in PSAR. Consequently, the article called for theorization in accounting studies, and for more interdisciplinary PSA research. A similar plea was made by Jacobs (2012), who examined 758 papers of key outlets in PSAR between 1992-2008 to explore the theoretical approaches, with the goal of identifying long-run trends and developments. Striking was that the classification revealed that 37% of the examined articles did not use a formal theory but was rather a description of accounting practice or development. Furthermore, of the theories utilized, neo-institutional theory and organization theory were the two most common approaches. Even though rather popular in PSAR, we argue that the idea of neo-institutional theory is too broad to yield a fruitful understanding of how fields, and particularly a field in the public sector function. To fully grasp the complexity of the public sector, and especially in a scenario of significant capability growth, one must acknowledge the aspects of actors' positions, actors' interpretation of external factors, the creation of contention and uncertainty, and the sequential response that depends on actors' particular meso-level frame of reference. We argue that these aspects are lumped together in institutional, as well as organization theory which makes a narrow theoretical lens problematic. However, a theory that lacks clear presence in PSAR but contrasts the truly consensual "taken for granted" reality that is a key foundation in neo-institutionalism (Jacobs, 2012) is the theory of Strategic Action Fields (hereafter, SAF) (Fligstein & McAdam, 2011). Instead of routine social order and reproduction that is guaranteed due to actors' consensus of opportunities and constraints (traits that the public sector usually is associated with), an SAF is characterized by a "constant jockeying due to a contentious nature" (Fligstein & McAdam, 2011), as subjective standing triumphs objective criteria. While applauding the fruits of the

integrative work of social movement and organizational scholars, Fligstein & McAdam (2011) launched their general theory of Strategic Action Fields in an answer to the perceived inadequate attempt to push the synthetic project of the two theories further. We firmly believe that the SAF framework is a relevant theoretical lens to illuminate the role of financial control in the complex public sector due to its system perspective and inherent actor-centric view. This is advantageous since the framework enables a prominent analysis of the various meso-level actors, their interdependencies, and liaison that is deemed pivotal to the value creation process and deliverance of a public sector service. Furthermore, the framework neatly encapsulates the organizational change process from austerity to growth with the following concepts: exogenous shock, innovative action and episode of contention. Thus, we firmly believe that the use of SAF theory facilitates great latitude for the possibility to explore the challenges of capability growth in the public sector from an unconventional theoretical angle, while simultaneously answering the theorization call from Bruns et al. (2020).

2.2.1. Strategic Action Fields

In line with Fligstein (2001a), strategic action is defined as the attempt by actors to create and maintain stable social worlds by securing the cooperation of others. Adding to the definition, strategic action is ultimately about control in a given context (White, 1994, as cited in Fligstein & McAdam, 2011). To facilitate a stable social world through cooperation, actors must “get outside of their own heads” and mobilize action by engaging others (Jaspers, 2006). As a result, an SAF can be seen as a social order where collective actors interact in a field through knowledge under common understandings about the purpose of the field, the field’s rules, and the relationships in the field (Fligstein & McAdam, 2011). According to Fligstein & McAdam (2011), SAFs are the fundamental units of collective action in society. To illustrate, in the public sector, different actors (e.g., the government, public organizations and private firms) interact to produce an explicit service for the taxpayers (for example, a national defense). Consequently, this value creation process, and the interdependencies between the organizations can be perceived as an SAF.

2.2.2. Actors in an SAF

To better appreciate collective action, and to understand change in the theory, the actors involved are central. As stated by Fligstein & McAdam (2011), two main actors compose an SAF: incumbents and challengers, (and sometimes also governance units). Incumbents are actors who dominate a field since the purpose and the structure of the field is adapted to their interests. Thus, incumbents have the largest influence within a field; their views tend to be largely reflected in the SAF, shared meanings tend to support and legitimate their privileged position, and the rules tend to favor them (Fligstein & McAdam, 2011). Challengers are in a less privileged position within the field and typically have less influence. Usually, they tend to articulate an alternative vision of the field, while at the

same time recognize the inherent nature of the field and the dominant position of incumbents. To add some color, if considering the value creation process of a public sector service (e.g., a national defense) as an SAF, then the organization in the public sector that is ultimately responsible for providing that service to the taxpayers typically qualifies as an incumbent, while other organizations involved in the process can be viewed as challengers. In the case of providing a public service to citizens, they can question how things are managed, how resources are allocated or how priorities are made. Consequently, the distinction between actors in a SAF is convenient to describe the relationships in a field that ultimately affects the collaborative efforts (Fligstein & McAdam, 2011).

2.2.3. Episodes of Contention in an SAF

In a SAF, the ultimate aim of the actors is to collaborate to keep the field stable. However, due to external circumstances, a field can be hit by an exogenous shock that threatens the stability. When a shock hits the field and destabilizes the environment, an ongoing process of interaction will take place. This process, with the aim to stabilize the field again, could be described as following: I.) The exogenous shock II.) The collective construction of the threat, and III.) Innovative action. To be more specific, the process usually starts when a field actor defines and constitutes a change in the external environment as a threat to the SAFs interest due to an exogenous shock. Following, innovative action in defense of group interests is needed to fend off the threat. However, the innovative action usually violates field rules related to acceptable practices and norms. Hence, the following engagement and interaction around the innovative action often onset episodes of contention. McAdam (2007, p. 253) defines an episode of contention as a period of emergent, sustained contentious interaction and uncertainty between field actors utilizing new and innovative forms of action. In due time, and with the aid of the innovative action, the prevailing uncertainty will begin to fade, and the field starts to gravitate toward a new or refurbished institutional settlement regarding norms, field rules and logic (Fligstein & McAdam, 2011). A field is said to no longer be in destabilizing change when a generalized sense of certainty and order have returned (McAdam & Scott, 2005, p. 18-19, as cited in Fligstein & McAdam, 2011).

The distinction between incumbents and challengers is valuable to appreciate the dynamics of a field that is at the heart of the SAF theory (Fligstein & McAdam, 2011). However, the distinction builds upon an assumption that the actors involved in an SAF evenly care about the field that they are a part of. This is a strong assumption since actors could be believed to differ in the concerns about, and identification with a specific field. In line with this reasoning (Becker et al., 2020) agrees with (King, 2015) and argues that the incumbents/challenger distinction “overemphasize the active engagement of actors within a field and do not sufficiently acknowledge the existence of different levels of involvement among these actors”. Thus, the SAF theory fails to encapsulate the passivity

and activity that exist along a continuum as a function of field actors' level of engagement conditioned on the situation and history (King, 2015). We agree with this theoretical incompleteness and follow the idea of Becker et al. (2020) and make the distinction between core and peripheral actors (Grodal, 2018; Becker et al., 2020). Core actors identify strongly with the field in question and interact primarily with other actors in that field. In contrast, peripheral actors identify less strongly with the field and could participate in activities with actors in other fields (Grodal, 2018). If conceptualizing the public sector as an SAF, core actors are those that are primarily responsible, concerned, and accountable for the delivery of a public service to the citizens. Accordingly, peripheral actors could be involved in some parts or aspects of the value creation process but have their main focus in another field. This differentiation could be argued instructive for a case that involves several actors that all have a crucial role in a value creation process but with different levels of engagement or activity over time. Thus, this distinction of field actors aims to facilitate understanding of why various actors experience different challenges in relation to an innovative action (Grodal, 2018; Werner & Cornelissen, 2014; Fligstein & McAdam, 2011).

A central underpinning in the SAF theory relates to actors' ability to interpret an innovative action when the focal field is exposed to a threat, something that ultimately facilitates strategic collective action (Fligstein & McAdam, 2011). Put forward differently, actors will try to make sense of the reality of the SAF by proposing an interpretive frame, and that very act of framing can be argued to be especially ubiquitous during episodes of contention (Fligstein, 1996). However, even though the work of Fligstein & McAdam (2011) underscores that framing is a vital concept to understand change in a field, the theory does not fully elaborate on actors' cognitive struggles and concrete expressions that is acknowledged as an integral part in a milieu characterized by high uncertainty. Thus, the concept of framing as a tool for analysis becomes somewhat vague, abstract, and dim in SAF theorizing. Therefore, we will also draw upon Framing Theory to further zoom in on our phenomena of interest and to dissect the challenges related to public sector capability growth.

2.2.4. Framing Theory

We are interested in developing an approach that links public sector accounting and financial control to collective action, and therefore, we also build on the idea of field frames that has gained currency in the social movement literature (Werner & Cornelissen, 2014). Frames are defined as "schemata of interpretation", with the ultimate aim to help actors reduce complexity in order to facilitate action, ease perception and interpretation in a socially efficacious manner (Goffman, 1974, p. 21). In line with this definition, Benford & Snow (2000), states that frames are helpful to make occurrences or events meaningful. Field frame as a concept was coined by Lounsbury et al. (2003) to overcome the perceived theoretical shortcoming of institutional logics as something exogenously

generated to actors in a field. Lounsbury et al. (2003) criticize that exact view and consequently states that the notion is “analytically removed from active struggles over meaning and resources” (p. 72). Furthermore, a field frame is defined as a concept that “has the durability and stickiness of an institutional logic, but akin to strategic framing, is endogenous to field actors and is subject to change and modification” (Lounsbury et al., 2003, p. 72). This viewpoint offers core and peripheral actors leeway to act autonomously since they are not perceived as subject to the control of social forces. Thus, the field frame concept contrasts other theorists that often view actors in a field as “enmeshed in social structures that are out of their control and operating at a level that is above or outside of them” (Fligstein & McAdam, 2011, p. 6). Hence, the divergent view put forward by Lounsbury et al. (2003) provides an analytical structure that yields understanding for the process by which an initial set of framing practices evolves into a set of commonly held conventions that can obstruct innovative organizational practices like growth (Weber et al., 2008; Lounsbury et al., 2003). To support change in a field, and thus move from an extant field frame to an emerging field frame, different framing strategies have been developed and elaborated on by Modell (2019). In his work on constructing institutional performance, Modell (2019) presents two discursive strategies: frame shifting and frame blending. Frame shifting is defined by Coulson (2001) as a “semantic re-writing that reorganizes existing conventions and information associated with the prior schema into that of a new frame” where actors actively question existing field frames by mobilizing an alternative frame (Werner & Cornelissen, 2014). In contrast, frame blending involves the alignment and conceptional integration of multiple schemas (Turner, 2001) and is mainly used if actors want to preserve an extant frame. Furthermore, the success of the framing strategies is heavily dependent on the default or taken-for-granted frame in the field (Werner & Cornelissen, 2014). For example, if the default field frame is institutionalized and sticky, the field frame shifting needed to support an innovative action and ultimately facilitate change will be troublesome. Furthermore, the concept of field frames, and especially frame shifting allows us to explore the challenges of capability growth more explicitly in the complex public sector to gain knowledge about what role financial control plays in constructing the field frame, as well as how it potentially can ease a frame shifting process in the future.

While scholars have highlighted the importance of framing to mobilize collective action, the concept of field frames as a more durable ordering mechanism that shape economic action have not been widely adopted in research, or to theorize the PSAR domain (Lounsbury et al., 2003; Werner & Cornelissen, 2014; Jacobs, 2012; Bruns et al., 2020). Thus, we employ the notion of field frame to shed light on how broader structures of meaning, affected by the use of financial control, can become taken-for-granted cognitive frames and institutionalized, which troubles cooperation efforts, interaction patterns and particular arrays of practices. Facets that ultimately limit the possibility for capability growth. Furthermore, we are particularly interested in the active struggles over meaning in a field where default field frames are challenged and reconfigured and where novel

framings may potentially settle as field frames that form the basis for new field practices (Rao, 1998 as cited in Werner & Cornelissen, 2014). Furthermore, we elaborate on the definition by Lounsbury et al. (2003) and conceptualize a field frame as a key field component that needs to be shifted to mobilize and facilitate collective action. To wit, we focus attention on how accounting practices and financial control have constructed a default field frame but also how it can provide the basis for a new frame that alters conventional structures of meaning, cooperation and resources which are upheld by the established field frame.

2.3. Theoretical Framework

In this section, we establish a theoretical framework that integrates Fligstein & McAdam's (2011) field theory, comprising exogenous shocks, innovative action and episodes of contention with previous research on field framing strategies (Modell, 2019). As mentioned, the preceding conversation in PSAR has largely focused on the implementation, and the related consequences, of NPM-influenced accounting tools and techniques in the public sector due to budget cuts, reduced public expenditure and economic austerity (Ferlie, 1996; Catasús & Grönlund, 2005; Sjögren & Fernler 2015). In contrast, we are studying a scenario of growth. Different from crisis growth, i.e., the type of growth that is expected to occur rapidly and immediately over a short period of time (Carlsson-Wall et al., 2021), we argue that capability growth instead can materialize in different ways (i.e., fast, and uncoordinated or moderate and responsible). This growth indecisiveness, and the challenges that follows, is likely to onset contention that needs to be understood and handled to enable growth. This is arguably one key strength of the proposed theoretical framework since it allows for the understanding of various actors' perspectives in their collaborative effort in a growth context. Another one being the change process logic that sequentially aims to explain what is happening in the defined strategic action field, as well as dissect why.

Figure 2 outlines the proposed theoretical framework used to disentangle and further scrutinize the complexities and challenges of significant capability growth in the public sector. Consequently, we suggest conceptualizing the Swedish Defense Sector as a Strategic Action Field (Fligstein & McAdam, 2011). In this SAF, an exogenous shock hits the field which ultimately destabilizes the Swedish Defense Sector (I). The exogenous shock is collectively constructed as a threat (II) and results in ramifications that affect the field where core and peripheral actors participate, interact, and cooperate to maintain a stable field. This destabilizing environment calls for capability growth as an innovative action (III) to repel the exogenous shock. However, this induces an episode of contention since capability growth violates the austerity norms, practices and logics that have been molded in the field for decades. To facilitate growth and move from the extant frame to an emerging frame, a meso-level field frame shifting is required. However, the success of this field framing act depends on the underpinnings of the

framing strategy that takes place to alter the institutionalized default field frame. Hence, the purpose of theorizing in this manner is to delineate why it is difficult to proceed from austerity to capability growth, and to shed light on what role financial control plays in this field transition.

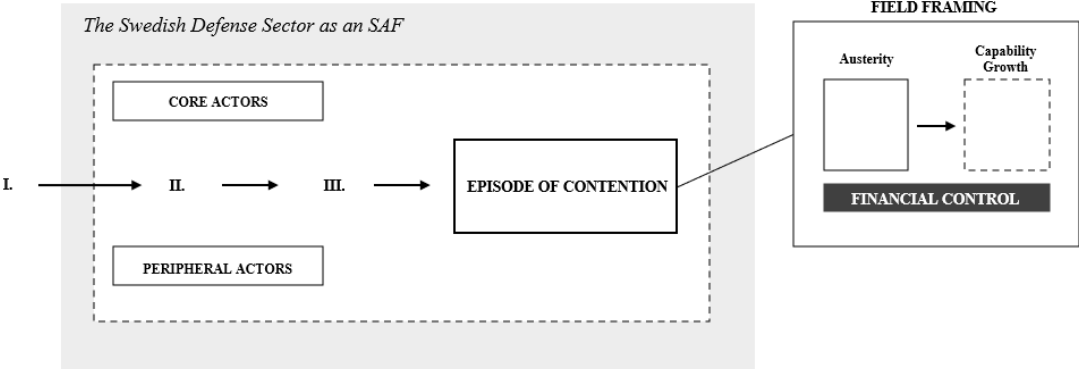


Figure 2: Illustration of the theoretical framework adapted from Fligstein & McAdam (2011)

3. Methodology

In this chapter, the research methodology is delineated. Section 3.1 outlines and motivates the choice of research design, section 3.2 presents the procedure of data collection, 3.3 continues with a description of the data analysis process, and section 3.4 closes with a discussion of the research quality.

3.1 Research Design

As presented in the previous part of the paper, we complement the Strategic Action Field theory (Fligstein & McAdam, 2011) with the concept of Field Framing (Lounsbury et al., 2003; Werner & Cornelissen, 2014; Modell, 2019) to guide the empirical inquiry. By doing so, we are taking a pragmatist stance. Hence, we argue that some clarifying accounts are deemed more reasonable than others, while at the same time recognize that multiple explanations may exist. Thus, in line with Lukka & Modell (2010), this study could be considered interpretive. Accordingly, a research approach that facilitates an investigation of social interactions and collective action was adopted.

A single case study was chosen to adequately approach the research question of ours. Considering other studies in PSAR, single case studies are a common course of action to address public sector phenomena (Carlsson-Wall et al., 2021; Skærbæk & Thorbjørnsen, 2007). To be more specific, an exploratory case study was utilized, which means that hypotheses and propositions are not taken for granted, but rather seen as purposely generated throughout the study (Streb, 2010). As described and elaborated on by Edmondson & McManus (2007), we followed a nascent approach. Nascent research is particularly recommended when previous research, and thus, a priori guidance is absent. Since the phenomenon of growth in the public sector has not been studied extensively before, the chosen research method was aimed to allow for a deep understanding of the phenomenon, and facilitate detailed, as well as ample data of actor behavior and social structures (Edmondson & McManus, 2007). Thus, the single case study was deemed appropriate.

3.2 Data Collection

In conducting this study, we compiled and analyzed multiple forms of empirics: introduction calls, interviews, documents used for internal presentations, material published by the organization, annual reports, reports from the Swedish Defense Research Agency, the Government Offices of Sweden, as well as from the Ministry of Defense. Since the study adopted a pragmatic approach, rich data that seized how the actors understood and interpreted the reality was of great importance. Furthermore, since interpretive research was conducted, numerous sources of data were vital to reduce subjectivity. Also, the documents offered validation of the data stemming from the interviews and provided contextual understanding of the complex milieu (Lapsley &

Skærbæk, 2012). Furthermore, the interviews served as the primary source for the study where we actively asked detailed questions to the organizational members regarding their roles, tasks and involvement in the capability growth journey. We used an abductive way of collecting and making sense of the data. In this process, we gradually came to understand the influential role that financial control had on the overall achievement of capability growth. To yield further understanding, we consulted the literature to make our questions sharper with regards to the subjects posed to interviewees, which over time made the interviews narrower in both scope and focus. Particularly, Carlsson-Wall et al.'s (2021) study on crisis growth in the public sector provided us with some ideas of what to look for, what questions to elaborate on and how to make sense of the somewhat complex institutional setting (Jones, 2000; Lapsley & Skærbæk, 2012).

The first round of data collection involved 28 structured interviews (labeled introduction calls) that lasted between 20-45 minutes each. Here, our aim was to holistically discover, and learn as much as possible about the phenomenon, why it had been initiated, and especially the challenges linked to its undertaking. Thus, even though structured in its nature, the first round of interviews was highly explorative, and the collected data was employed to guide the theoretical development, where we first elaborated on the challenges in relation to subjective time (Shipp & Jansen, 2012), neo-institutional logics (Covaeski et al., 1993) and Habermasian ideas (Laughlin, 1991). Furthermore, to facilitate a deeper understanding of the challenges, to ease the juxtaposing of different actors' perspectives of the challenges, and to construct a more robust interview guide for the second round of interviews, we conducted the introduction calls in three different clusters. Hence, we started out with employees in the Swedish Armed Forces, followed by personnel in the Defense Material Administration, and lastly workers in the Domestic Defense Industry. This heterogeneous population (e.g., civilian employees, military profession, engineers, managers) aided a nuanced, ample, and situational understanding of the phenomenon in question, in line with the nascent approach (Edmondson & McManus, 2007). Furthermore, this *modus operandi* was deemed beneficial since it later facilitated, and eased a phenomenon-based theorizing, which is stated to start with the identification, and understanding of a novel phenomenon (Fisher et al., 2021), such as capability growth in the public sector.

In this stage of the data collection process, we also examined a broad range of documents to guide our understanding of the research phenomenon (Glaser & Strauss, 1967). The multitude of secondary sources included internal presentations, documents and reports that provided us with in-depth knowledge into what was going on in the field, what organizational actors that were involved, and to what degree the different actors participated in collaborative efforts and collective action. Furthermore, the scrutinized documents also piloted what questions to ask in the second round of interviews, as well as guided in the decision of who should be interviewed (Goldstein & Reiboldt, 2004). Also, material used for internal purposes and presentations in the organizations were

actively used in the introduction calls to describe and illustrate how things had been done and why, to contrast what was about to change in the novel capability growth scenario. Thus, the documents, presentations and reports served as boundary objects which yielded understanding about the studied phenomenon. At the same time, the documents were used to detect how relationships, logics and norms had changed during the initiated capability growth journey to disentangle the various challenges that the actors faced, independently, as well as interdependently (Bowen, 2009).

In the second part of the data collection process, we conducted another 24 interviews with the same organizational members, as well as with individuals more directly involved with and tied to financial control. Our selection of interviewees in this stage was more focused given the acquired knowledge from the introduction calls. For example, we actively decided not to conduct a more extensive interview with employees that: 1) were unaffected by the growth journey, 2) had little or no insights about the growth journey or 3) had no ties to, or interaction with financial control in relation to the growth journey. This resulted in that six interviewees were excluded, and one was added. Also, some employees were interviewed more than once, which is common in an abductive research process as the theory development occurs in parallel with the collection of the data.

The 24 interviews were of semi-structured character and were held in the period September to November 2022. They all lasted 40-90 minutes. 21 were conducted online over Teams or Skype, three were conducted in person and all interviews were recorded and transcribed. The interviews are presented in Appendix 8.1.

The semi-structured interviews were also complemented with observational data. During mid-October, one of the researchers attended what can be defined as an informal workshop of a think-tank character. In this one-day session, our current findings were presented to the organizational members from the Swedish Armed Forces, the Defense Material Administration and the Domestic Defense Industry, which allowed us to validate our findings as well as participate in a large group discussion to further elaborate on the capability growth phenomenon. In addition, we also conducted one interview at the Swedish Armed Forces headquarters, where we were able to take part in informal talk between employees, and reflect about the environment, which further served as support to guide the empirical inquiry.

3.3 Data Analysis

In line with the pragmatist position, the analysis of the data followed an abductive approach as the process of theoretical development, data collection and analysis were highly iterative (Dubois & Gadde, 2002; Lukka & Modell, 2010). Additionally, we also engaged in “phenomenon-based theorizing” (Fisher et al., 2021). Phenomenon-based theorizing is close to abduction and entails the identification of a new or undertheorized phenomenon and connecting that phenomenon with existing theories to bridge research

and practice (Fisher et al., 2021). For research purposes, phenomena are “regularities that are unexpected, that challenge existing knowledge and that are relevant to scientific discourse” (Krogh et al., 2012, p. 278), and therefore can “provide the impetus to drive and shape a scholarly conversation” (Schwarz & Stensaker, 2016, p. 246). Contrasting inductive and deductive theorizing, this approach moves from the phenomenological observation to theory without drawing on the traditional analysis of the empirics, or theory, at first. When we initially iterated among the in-depth analysis of capability growth in the public sector, and connections to the literature, we wanted to understand the growth context. This steered us to the stage of institutional theory (Meyer & Rowan, 1977). Although helpful, the theory could not fully explain the dynamics we observed. Thus, we went back to the literature, as well as to the empirics, and paid attention to the emerging salience of multiple interpretations of uncertainty and contention among the organizational actors. This led us to draw on the theory of Strategic Action Fields (Fligstein & McAdam, 2011). Central to phenomenon-based theorizing is that more than one theory might be utilized to explain the research phenomenon (Fischer et al, 2021). This was true for our process and consequently, we once more went back to the literature. Here, the theorizing became a bit more grounded as we also consulted the empirics. This iterative process led us to Framing Theory (Goffman, 1974) as our complementary theory, where we elaborated on the role of Field Frames (Lounsbury et al., 2003; Werner & Cornelissen, 2014; Modell, 2019) to explain the challenges of capability growth in the public sector.

The data was manually coded and analyzed in NVivo with the help of the theoretical framework. Transcripts of the interviews were organized thematically through different nodes to ease the analytical process. This undertaking was highly iterative and involved two rounds of coding, as well as repeated reference to the literature as various themes emerged. Examples of themes are: 1) Tensions between actors in the field, 2) Capability growth as an innovative action, 3) Contention due to capability growth, 4) Institutionalized field frames, 5) Capability growth challenges, and 6) Field frame shifting.

To yield further richness to our study, in line with Ahrens & Dent (1998), we searched for patterns by synthesizing the observations from the conducted interviews into recurrent themes while systematically moving from the interviews through interpretation to explanation. This was mainly done by examining and re-examining transcripts while collecting more data through the complementary interview sessions to make sure that the patterns and nodes composed the observed world, and not just a product of our imagination. Consequently, the responses and reactions were discussed immediately after each interview to encapsulate thoughts, reflections, and impressions to support the coding process and add to the richness.

While analyzing, interpreting, and coding the collected data we became gradually convinced that the case study embodied a definite relationship between financial control

and the ability to grow. This suspicion increased our motivation to understand the dynamics and nature of the relationship. After a third round of coding, we noticed that one particular initiative related to the capability growth challenges was crucial: the financial control model FEM. The vast majority of the interviewees in the second round of data collection circled around the implementation and usage of this model, and the consequences for capability growth in the field. The FEM, and the "accountingization" that followed, had ramifications since defense capabilities became subordinate to financial output. When zooming in on the FEM, we commenced comparisons across documents and interview transcripts to elaborate and complement the theoretical framework to further guide the empirical inquiry.

In the final stage of the analysis, we wanted to comprehend how and why the FEM had affected the organizational capability growth abilities. We observed that the financial control model had established a particular way of thinking, being and acting, which obstructed and hindered the sought for growth.

3.4 Research Quality

Reliability and validity, in terms of research quality, is complicated when conducting interpretive research since the concepts stem from the assumption that the studied reality is stable. Lukka & Modell (2010) address this issue and propose that interpretive research should be validated according to the paper's ability to prove to the reader that the findings are authentic, as well as plausible. If the researcher with the study can uncover complexities of social interactions and bring forth rich pictures of the various actors to the extent that the reader perceives the research as credible, then authenticity surfaces. Also, if the researcher can render contextual explanations that make sense and are probable, then plausibility eventuates. Authenticity is assumed to enhance through the voices of the social actor's multiple realities. In contrast, plausibility is assumed to improve via focus on the most expected realities through the act of silencing others. Hence, both concepts are vital for facilitating research quality, and the balancing act that indeed follows has been managed by structuring the research process in an abductive way. Thus, with the aim to increase authenticity we have: 1) Described and put forward the social realities of many actors by incorporating quotes from a vast majority of the interviewees, and 2) tried to give the reader the opportunity to clearly face the interviewees through the paper to interpret their social worlds on their own. This is done by including numerous quotes that are closely related to the capability growth journey. Concurrently, we have attempted to improve plausibility, without compromising authenticity, by: 1) Narrowing the scope of the study to contain a reasonable number of organizational actors in order to meet key individuals to let their voices be shared throughout the paper. Thus, allowing for comparison between empirics and presented conclusions, and 2) structuring and presenting the quotes throughout the paper according to the central themes and patterns that iteratively emerged through the analysis.

4. Empirical Material

In this chapter, the empirical material is presented. In 4.1, the background is outlined. In section 4.2, an introduction to the episode of contention currently present in the field is made. In section 4.3, examples of how an austerity field frame has become institutionalized is described. Finally, section 4.3 closes with the presentation of the capability growth field frame, facilitated by a new financial control model.

4.1 Empirical Background

4.1.1 Actors in the Swedish Defense Sector

The Swedish Armed Forces (SwAF)

The organization under study is The Swedish Armed Forces, (henceforth referred to as the SwAF). The SwAF is the organization responsible for the defense of Sweden, ensuring the sovereignty and territorial integrity of the country and protecting its interests. (Försvarsmakten, 2022a). To fulfill its purpose, the SwAF are dependent on a number of other actors: The Defense Materiel Administration (henceforth, the DMA), the Domestic Defense Industry, and the Swedish Government.¹

The Defense Materiel Administration (DMA)

The DMA is the authority responsible for sourcing, acquiring and delivering the material and equipment that the SwAF requires to carry out its tasks. Although this is a separate organization, the two work closely together in this process. The work is largely centered around the investment plans of material to be acquired provided by the SwAF. Additional tasks include supporting the SwAF in the planning process and maintenance of the acquired material (FMV 2021).

The Domestic Defense Industry (SAAB among others)

The above-mentioned material is provided by several defense industry companies, the most central one in Sweden being SAAB which has a long history of working closely with SwAF to develop and produce the material and equipment used to defend Sweden. Two of the most central products being the fighter-jets (e.g., Gripen) and submarines.

The Government

Finally, the Swedish Government, as the operations are carried out based on the steering frame provided by the government. The parliament votes for a defense bill, this bill is converted by the government to more specific steering targets. I.e., it decides how much

¹ As no interviews have been conducted with representatives from the Fortification Agency, their role will not be covered in further detail in this paper. Nonetheless, the organization is well worth mentioning. There are also other supporting authorities involved in the mission of defending Sweden. However, they are left out for the sake of simplicity.

resources that will be allocated to the defense of Sweden in the annual budget, as well as influences how the resources should be allocated.

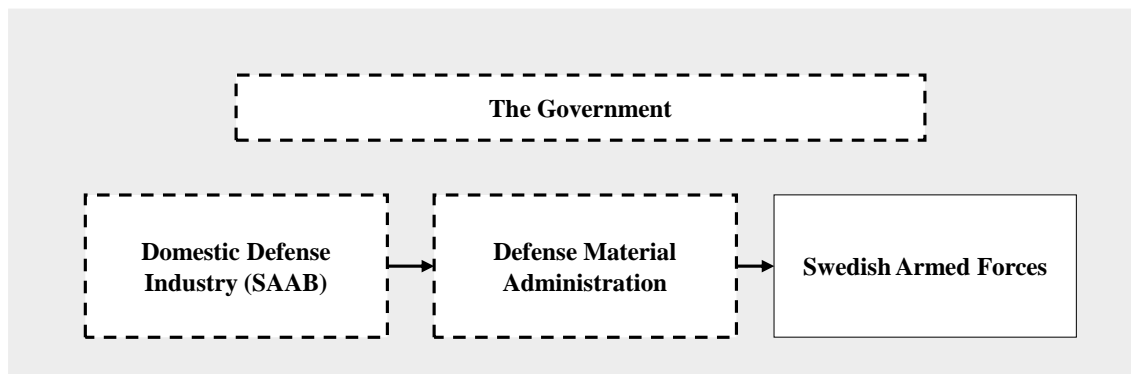


Figure 3: *Simplified overview of the actors in the Swedish Defense Sector*

The SwAF has a centralized structure and decision-making process. In short, the Government provides directives which the Supreme Commander (SC) of SwAF uses to lead the organization. The SC has the executive decision-making power within the SwAF. The controlling and decision-making body of the SwAF is the Headquarter, which comprises four separate parts: the Leading Unit, the Production Lead Unit, the Operational Lead Unit, and the Military Intelligence & Security Unit.² The Leading Unit is responsible for preparing steering documents and operational plans. The Production Lead Unit is responsible for the production of the SwAF which refers to development, training and maintaining the military units. The Operational Lead Unit is responsible for coordination and planning active operations. Finally, the Military Intelligence & Security Unit is responsible for providing intelligence and security services. Under the Headquarter, the defense branches are located, and they are the Navy, the Army and the Air Force.³

4.1.2 The History of the Swedish Armed Forces

The SwAF has a history going back over 500 years. However, throughout these 500 years the structure, size, funding and direction have varied significantly. The modern day SwAF started to come to form at the end of World War II, as the organization saw massive growth. In 1945/1946, 30% of the total public expenditure was allocated to defense (Hedin, 2011). However, since the end of the 60s, the spending on the SwAF as a percentage of GDP has decreased. An important milestone in the history of the SwAF was the fall of the Berlin Wall and the new geopolitical climate it carried with it, resulting in spending falling below 2% of GDP. Other contributing factors to this large decrease were the high level of public debt and the Swedish real-estate crisis (Catasús & Grönlund, 2005; Lundgren & Rova, 2020). At the same time, this coincided with the rise of NPM

² These are general translations made by the authors for understanding purposes and not official terms presented by the Swedish Armed Forces.

³ This is the organizational structure as of December 2022.

(Hood, 1991), calling for further efficiency and effectiveness within the public sector. Another important milestone was the defense bill of 2004 which changed the course of the SwAF, from a domestic defense to an international operations defense. The argument was that by participating in joint international peacekeeping operations the SwAF should defend Sweden by working internationally. This remained the case until the defense bill of 2015 where a return to a national defense was decided as a consequence of the annexation of the Crimean Peninsula and the deteriorated geopolitical climate it caused (Försvarsdepartementet, 2015).

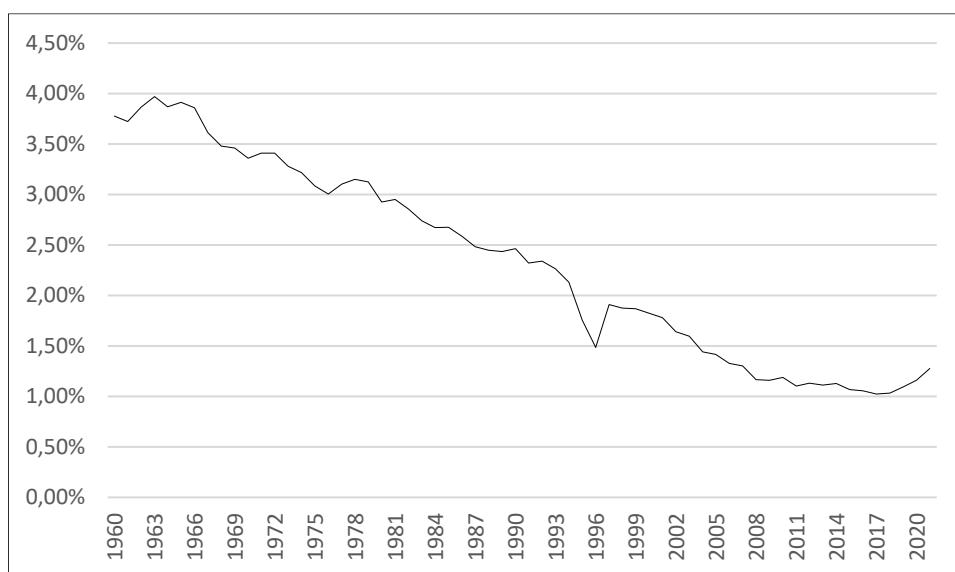


Figure 4: Swedish defense spending as % of GDP (SIPRI, 2022)

4.1.3 The Current Systems and Structures in the Swedish Defense Sector

In Sweden, we have civilian control of the military, which implies that the military is controlled by the Swedish Parliament and the Government. Within the Government, this role is largely assigned to the Department of Defense as it is responsible for the strategic planning of the “total defense” of Sweden. In the budget work, the SwAF submits a plan of the coming 3 years including funding needs for resources and priorities based on its operational goals. This is in combination with the annual report that the SwAF submits every year used as a foundation by the Government when they prepare the parts of the public budget that concerns the defense (Regeringen, 2022). Once the public budget is approved by parliament, the exact budget allocation is communicated to the SwAF via the “Letter of Regulation” (Regleringsbrev). This letter includes detailed budget allocations instructing the SwAF what the funds should be used for within the organization as well as goals and targets for the coming year. The letter is sent to the SwAF where it gets integrated in the operational plan by the Leading Unit which is approved by the SC. Following, the Production Lead Unit in the SwAF converts it to

operational assignments that are later communicated out to the different parts of the SwAF (Försvarsmakten, 2022b).

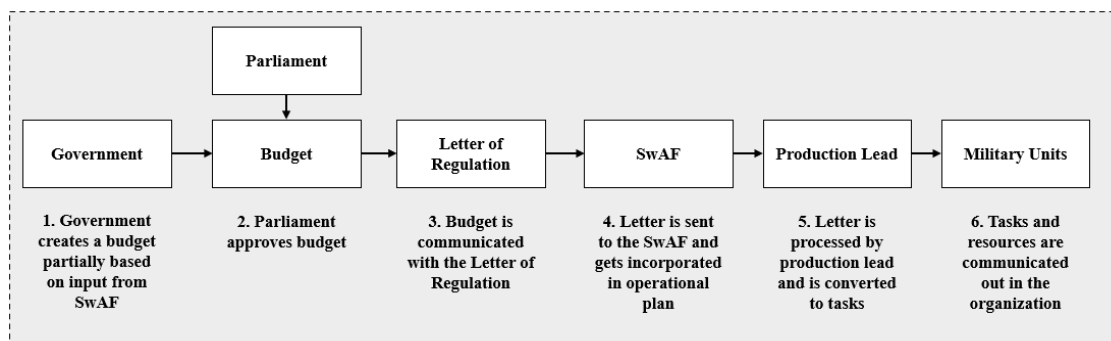


Figure 5: Simplified version of the budget process

As outlined above, the budget is one of the most central tools for financial control within the SwAF. Another financial control technique that has been utilized historically and shaped SwAF is Försvarsmaktens Ekonomimodell, henceforth the FEM. The initiation and evolution of the FEM started in 2003 by an initiative from the Department of Defense with the intention to better relate the accounting figures to the actual result of the organization. Furthermore, the FEM is a product-based model that is centered around the ability to assign costs and expenses to different products. In the case of the SwAF, these products are primarily military units, but can also be international operations. A military unit (förband) is a group of personnel within the organization that are distributed on different locations throughout the country with a specific task to carry out in times of peace or war. The overall aim with introducing the FEM was to create a clear input-output relationship in order to trace and measure the output of the organization in relation to the resources used to create the output. Furthermore, resources deployed to create the military units should also be assigned and viewed in relation to the “effect” the unit contributes with. Therefore, all costs and expenses are allocated to specific accounts that are supposed to be further placed on the military units. Each of these accounts are assigned budgeted amounts that are closely followed-up on a monthly basis in the financial control process to make sure that no general overspending takes place and budget compliance is maintained (FOI, 2014). The model is hence very focused on tracking the distribution of costs and expenses throughout the organization. Consequently, the intention was to create a coherent framework to both plan and follow up on cost in the SwAF, but also to better track expenses in order to better quantify the cost of a military unit and compare this cost to the effect (FOI, 2014). This framework was intended to be expanded to more than a strict financial control system. In the long term, it was supposed to achieve a high level of decentralization by leveraging a result-oriented steering. The enabling factor was supposed to be the ability to easily be able to compare the financial outcome with actual performance.

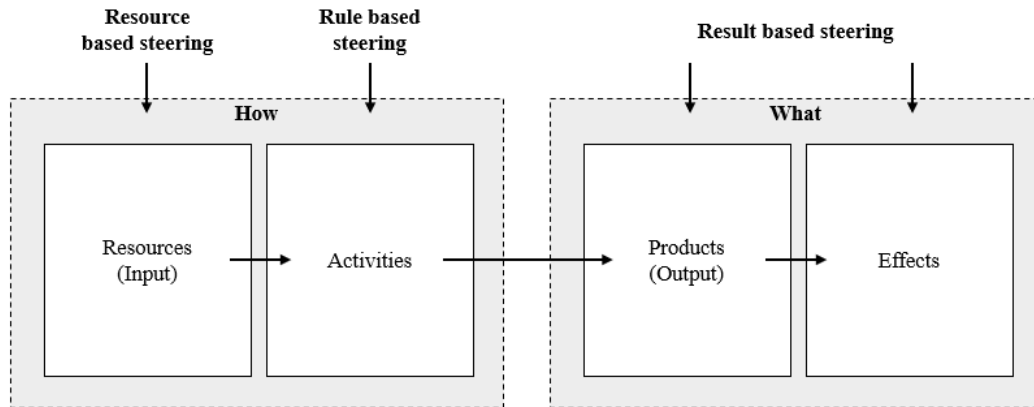


Figure 6: Originally intended implementation and effect of the FEM model by FOI (2011)

4.2 Episode of Contention in The Swedish Defense Sector

The Swedish Defense Sector was hit by an exogenous shock when Russia invaded Ukraine on the 24th of February 2022, an act of war that destabilized the strategic action field. In order to face this external threat, and to protect Sweden in the changed geopolitical climate, the decision was made that the SwAF significantly needs to grow in capabilities. The scope of the growth is massive as the intention is to grow from the current level of military spending of 1,3% of GDP (2021) to a level of 2% over a period of only 5 years. (Försvarsmakten 2022c). However, the innovative action that came in the form of the decision to grow in capabilities resulted in an episode of contention. An episode of contention is a period that is characterized by a high level of uncertainty amongst actors in a field due to the proposed innovative action that is contrasting old rules, norms and practices since the very action is not aligned with how things have been done in the field before. When asking representatives from the different organizations about what they saw as the biggest challenges connected to the growth journey, we learned that they did not share the same view. Instead, different challenges materialized dependent on the actor's respective role in the value creation process of a national defense.

The SwAF is considered the core actor in the field. This is because the organization is ultimately responsible for providing the defense of Sweden. One of SwAF's main challenges in the growth process was to meet the increased demand of personnel that is pivotal for the organization's ability to grow. However, the years of cutbacks had resulted in a large portion of the workforce leaving the SwAF, both on a voluntary basis due to the demotivating environment, but also due to the downscaling with the aim to increase efficiency. This was a theme that emerged in many of the conducted interviews, as stated by one SwAF representative:

“This (i.e., the challenges related to recruitment of personnel) is a consequence of the extensive layoffs related to the organizations prior aim to be more effective” – SwAF representative

Also, some representatives elaborated on the need to recruit a certain group of military personnel which is inherently difficult due to the many years of training and education before climbing the internal career ladder.

“During the cutbacks, many of the younger professionals left the organization. This now means that the age distribution is quite skewed, which is problematic when many senior militaries are close to retirement. We need lieutenant colonels and majors, but they can’t just be found and recruited like any civilian on the labor market” – SwAF representative

The domestic defense industry, in our case composed of SAAB, is considered to be a peripheral actor in the field. This stems from the fact that SAAB is also doing business with other organizations, both nationally and internationally, and thus doesn’t have its main focus in the field. This lower level of engagement resulted in another challenge that was mainly related to the relationship to, and communication with another peripheral actor in the field, namely the Government.

“(…) how should the Swedish Government look at the defense industry? Should it be state financed, or should we compete with international players when it comes to supply? This is really crucial for us” – SAAB representative

Indeed, SAAB is an important supplier of complex products to the SwAF and the organization’s main challenges are heavily related to the possibility to plan and calculate outcomes further ahead as they are accountable to both the SwAF and to their shareholders. This is important to take into account in the growth journey and was further elaborated on during the interviews.

“As a supplier to the SwAF, we really seek a conversation centered around commitment and interaction related to a longer time perspective in the planning process (...) We need to know if we are going to construct the next generation of equipment in Sweden, together with an international partner or outsource the process?” – SAAB representative

Furthermore, when elaborating on the growth challenges together with employees from the DMA, they related the challenges to the ability to cooperate in the field to the best possible extent. Furthermore, the DMA is also considered to be a peripheral actor within the field. They play a critical role in the process of creating defense capability, but they are not the main responsible part. Moreover, the relationship between the DMA and the SwAF had by many been described as “symbiotic” and as very well functioning but that the two organizations best could be seen as “nagging siblings”, where the SwAF was considered the older one. Also, that the austerity period had affected the collaboration between the two.

”One big challenge has to do with cooperation and the future collective efforts. We have to acknowledge that we are coming from a period where focus has been on what is best for oneself and the independent organization, because of the cutbacks over so many years. We must notice that we

are not building capabilities on a stand-alone basis. We are building a robust fortress to defend our country” – DMA representative

Furthermore, SwAF representatives also saw some challenges connected to the long processes of the DMA that could slow down the capability growth.

“Considering the old processes, the DMA has a big challenge ahead when it comes to translate and convert what we want them to purchase in a scenario of growth. Here, improvements are essential” – SwAF representative

During the interview process we also learned more about the role of the Government in the capability growth journey. However, as they are responsible for the society in general and not only the defense of Sweden, the Government is a peripheral actor in the field. This role is highly complex and several growth challenges can be illustrated. One that came out during the interview process was the balancing act between general politics and the best possible defense for Sweden. Hence, what sends the best “signal” might not always be what is most important for the overall capability.

“The politicians also want to send signals, either towards another country or to their voters that they are acting fast to improve the defense of Sweden. Then, it is much more exciting to show that new fighter-jets are being bought compared to acquiring 4600 new acres of training ground” - SwAF representative

4.3 The Austerity Field Frame

The reason for the above-mentioned episode of contention can be derived to, and understood from the molded and institutionalized austerity field frame. This field frame has led to uncertainty as it becomes clear that the actors within the SAF are not shaped, organized or structured to facilitate the growth they are now expected to achieve.

As a result of decades characterized by budget cuts, reduced public expenditure and economic cutbacks, an austerity field frame (Werner & Cornelissen, 2014) has been created and has become heavily institutionalized in the field. The meso-level field frame has become institutionalized through the alignment of various actor’s points of views into a common frame that is constructed around emphasizing costs and budget compliance over the concept of capability which is now hindering and obstructing growth. Throughout the interview process we spotted how this institutionalization had taken place in three different dimensions: 1) The structure and set up of financial control and processes, 2) The effect on cognition and mindset, and 3) The relationships between the actors within the SAF.

4.3.1 Financial Control & Processes

When conducting the interviews, the austerity frame quickly conceptualized in the empirical material via a clear trend of the dominance of financial targets among the actors within the field. The main example of this was that the Swedish Government mainly prioritized and followed up on financial metrics instead of the capability of defending Sweden, as long as the general capability existed to participate in the international operations (e.g., in Mali and Afghanistan).

“From the politicians we received the targets to participate in the international operations and maintain budget compliance (...) The main focus was to decrease the organization and maintain budget compliance, not how this act actually effected the core operations” - SwAF representative

The dominance of financial metrics was also visible in how the Government used the budget which is the key system for financial control. Rather than being a system primarily used to regulate input and distribute resources throughout the organization, the budget was used as a tool to shrink the organization by successively decreasing the allocations and subsequently as a tool to closely follow up, and monitor that the spending matched the new allocated amount. During the interviews it also became clear that this was not only the case for the SwAF but the entire field as representatives from the DMA agreed that the key metric in their line of work was a budget in balance. As the budget was reduced in this restrictive manner the interviewees stated that the general feeling was that how much you have spent was more important than exactly what it had been spent on and what capability that particular purchase or similar intended to contribute with.

“Since the top managers and their leadership has been so extensively centered around a balanced budget this has resulted in a gradual drift away from the core of the military profession” - SwAF representative

During the interviews we learned more about the effects of the financial control model implemented in the early 2000s. The FEM (described in 4.1) had a large influence on the overall organization of the SwAF and hence clearly contributed to molding the austerity field frame. The purpose of the model was to become more results oriented and measure the effect of the resources in a better way. However, we learned that the model was not successfully fully implemented. Both the interviewees and the documents we investigated (FOI, 2014) stated the conclusion that the “effect”, and “result emphasis” as methods for steering never rooted within the financial control, i.e., the intention to govern and oversee on output never materialized. However, the accounting and budgeting follow-up structure with highly specific cost accounts for each budget post that is followed up closely by the controllers still was successfully implemented and still remains today. Therefore, this model contributed to an increased cost focus in the field in general as well as having influenced the general structures as it was used as a central system in the overall organization. One participant described the impact of FEM as:

“It (i.e., the FEM) has been around for a long time but has not been maintained very well. It has remained idle to some degree but is still central in how the overall systems are set up” - SwAF representative

The complex account structure and high level of granularity in the model instead enabled the ability to track costs on an even more detailed level which resulted in additional detail orientation within the steering of the entire organization. This contributed to the so-called “activity-based steering” where specific tasks were communicated alongside with resources to perform said specific tasks but to some degree missing the bigger picture.

“The years of austerity have resulted in a high level of detailed steering in the financial control models. People have gotten used to doing as they are told” - SwAF representative

This illustrates the issues with the FEM model implementation in general as the original purpose was to steer on effect rather than inputs and activities which instead became the long-term result. Therefore, together with the budget cuts, it primarily became a contributing factor to more complex and centralized processes within the SwAF.

“During the years of continuous budget cuts people have constantly tried to find more and more trimmed ways of performing tasks. This has resulted in unwanted centralization of the entire organization” - SwAF representative

A clear example of centralization in the organization is the process of change propositions. This is an annualized decision-making process regarding larger changes and investments. A change proposition can concern everything from investments in equipment to hire more people or seek funding to develop a specific competence or similar. These propositions are written up all throughout the organization and are refined and qualified through the year after a decision finally being made by the SwAF top leadership. This process emphasizes economies of scale due to enabling large purchases being made together. However, due to it being an annual process, the time from a decision being requested to a decision having been made is very long, hence making it harder to spend money. The current processes were in general described as having a lot of “spill heat” as a result of the centralized and complex structures making it very hard to scale up as more input did not necessarily mean more output. The overall process was reflected on by a participant with:

“(…) at the moment we have a very constraining and inflexible financial control system that is built for a tight economic situation made to spend as little money as possible” - SwAF representative

During the discussions it became abundantly clear how well the processes and structures had been adapted to function in completing the operational organizational tasks in a climate of austerity. As these tasks to a large degree involved shutting down military units, implementing savings packages or decreasing the scope of operations in other ways,

this was what the organization became well versed in. An example being one interviewee describing how shutting down military units was something that had been integrated in the structures of the organization.

“We know how to close a military unit, we got the routine and know exactly what to do in the process of shutting down. But opening new military units? There are no manuals for that” - SwAF representative

Although the example above concerns the closing down of units we sensed that this concerned other types of cut downs as well since another participant expressed a similar point of view.

“We have an organization that has become very exceptional in closing itself down, cutting off parts of the organization with as little impact on the overall organization as possible” - SwAF representative

4.3.2 Cognition & Mindset

The second dimension of how the austerity frame has materialized regards the cognitive and mindset aspect of the organizational members in the field. When inquiring about how people's mindset had been affected by this period, we spotted two different perspectives among the employees. The first one being discontent related to the excessive emphasis on financial targets and the neglect of capability. While the second one being suggestive of a general adoption to a shared self-perception on an organizational level.

The first line, i.e., a frustration regarding the neglect of capability was expressed by one participant as:

“The cost emphasis has significantly hurt an entire generation of officers’ relation to the source of the profession. Being an officer has been like being a surgeon at a hospital where you are only evaluated on how many scalpels you use, how much electricity that is consumed or number of surgeries conducted, not if the patient actually survives” - SwAF representative

The process of emphasizing financials over capability, which is a central underpinning of the institutionalization of the field frame, was simplified by the practically hard task of measuring the output of the defense actors in times of peace. This contributed to the accountingization process that replaced the complex and difficult to measure concept of capability with tangible and measurable financial targets.

“Our position becomes very special as our core competence is warfare and is something we hope to never engage in. If we have the possibility to measure that effect, it basically means that war has already broken out” - SwAF representative

Another participant described and elaborated on the same theme:

“What could be measured was measured, not what should be measured” - SwAF representative

An interesting finding during this phase was that although there was a great deal of dissatisfaction with the neglect of the core military profession and capability, this did not halt or obstruct the institutionalization process of the austerity field frame. This finding became clear when the participants in the SwAF described how they viewed themselves in terms of an organization and collective action. This was also true for the employees that had previously expressed their discontent regarding the neglect and overall disregard of military capability.

“We are the best in the world at saving money and making cuts in our own organization. We have become an oiled machinery when it comes to scaling down. But growing (!), that is something completely different” - SwAF representative

As we further elaborated on this aspect it became clear that the employees were well aware of how the years of austerity, composed of an extreme budget focus supported by the FEM, had established a particular way of thinking, being and acting which now hindered and obstructed the possibility to grow. This cognition and mindset within the organizations was deeply molded in the austerity field frame because all actors on the meso-field level perceived themselves, as well as their respective main organizational tasks, to be of a scaling down nature. Consequently, the interviewees seemed to share the notion that escaping that same cognition and mindset by shifting the field frame would be extremely challenging.

“(…) the SwAF has been in an environment of budget cuts since before the 90s, now all of a sudden we are supposed to do a complete turnaround and start to grow. People have a very hard time understanding this, and in particular exactly what it means. There is a cognitive journey several people in the organizations need to do” - SwAF representative

Many employees continued to share this organizational cognitive dissonance between the period of austerity and the sudden need for growth, and the qualm that followed.

“One must take into consideration that the SwAF has been exposed to cutbacks since the late 80s. Growth as a concept is nearly impossible for me to grasp, it is hard for anyone in the organization to grasp. I mean, imagine working for a firm where downsizing occurs due to a bad economic outlook. After maybe two years, it will be quite obvious if you file for bankruptcy, close the business or have become the new Spotify. We on the other hand have just constantly been subject to reductions for so many years that no one knows what growth is or looks like” - SwAF representative

Further elaborating on the cognitive aspect, and in particular, how the perception of risk had changed during the years of austerity was another concept that was lifted during the interviews. Employees that reach the highest position within the SwAF have spent their entire life in the organization since there is a very specific career progression in order to reach the top management and those positions. These current managers have all been

affected by the years of austerity when taking risks was not rewarded, quite the opposite, which was argued to facilitate a high degree of “carefulness among the leaders of the organization”. This was further contributed to by how the promotion structure of the organization works for the officers. Each officer is moved around in the organization between different positions every 3-4 years. As significant change is often time consuming, this will not be completed in the 3-4 years that an officer has a specific position. Instead, there is a risk of leaving a failed or unfinished project to your successor which reflects negatively on yourself and your career. This situation is drastically different from the situation today where growth is needed, and the biggest risk now is not to act and start to build and construct the military capability too late.

“We have nourished a carefulness among the top management that results in a situation where it is better to just sit on your hands, and not really do anything as long as you comply with the budget targets and the day-to-day tasks, rather than being innovative and hence risk to face failure” - SwAF representative

The view of effectiveness and efficiency is another example of institutionalization of the austerity field frame. This became clear in the interviews with representatives from the DMA, as decreased budget allocation to personnel led to rationalization efforts where the organization had to choose between either maintaining the core profession or support functions, such as administrative personnel and assistants. Overall, the core profession was naturally prioritized but this also had the effect on the engineers in the organization having to spend more time on administrative tasks such as budget follow-ups and similar as opposed to focus on the core task of sourcing defense material. Consequently, less time was available to perform the core tasks as more time had to be allocated to administrative tasks previously handled by assistants which led to increased strain on the personnel. Efficiency was achieved in terms of spending but not in the actual operations as they slowed down instead. Similarly, problems were also present in the SwAF resulting in a recent extensive effort to rehire a large amount of administrative personnel.

4.3.3 Relationships

The austerity frame has also materialized in the field to the extent that central relationships and vital collaborations between the actors in the SAF have been affected. This became particularly evident when we asked about the relationship between the SwAF and the DMA. All the employees we talked to describe the relationship between the two organizations as very close and one that usually works very well.

“Although two different organizational bodies, the DMA and the SwAF are very tightly interlinked. One can't live without the other” - SwAF representative

However, the respective budgets for the DMA and the SwAF are assigned and followed up on by the Government on an individual organizational basis. The compartmentalized and strict financial control with the present budgeting systems thus resulted in a further

institutionalization of the austerity field frame as financial targets and costs were once again prioritized over capability.

“As both organizations respectively are measured on how well they are hitting their budget targets, I believe this financial focus is sometimes prioritized over delivering the actual capability. If you work at the DMA for example, and the SwAF says that they do not want to accept and receive a delivery due to that their financials won’t add up for that particular time period, then the DMA will be billing less. Hence it looks like you are the one not doing your job and hitting your budget targets” - SAAB representative

This implied that each organization emphasized and prioritized hitting their own budget targets over the overall progress in collaborative projects and a quick delivery. Consequently, the prognosis of how much invoicing (conducted by the DMA) that was expected became increasingly important to use as a benchmark in order to hit the individual budget at the end of the year. An employee with close ties to the DMA explained:

“The billing process of the military products have become more important than quick deliveries as this keeps the budget under control, and this is what is mainly prioritized”- SwAF representative

As the abundant resource was time, while funding was heavily constrained, dragging out on time in the deliveries became a way of managing costs as these time delays were not looked upon as seriously as overspending or budget deviations.

“Delays are a way of managing costs as it results in less cost per year” - SAAB representative

Hence, the budget focus has prolonged the time it takes to produce and deliver the material. Now, when time is no longer an abundant resource the emphasis on “taking care of your own house”, rather than taking the bigger picture perspective makes it troublesome to initiate growth.

During our research process, it also became very clear that the specific part played by the Government over the austerity years is closely connected to uncertainty that is prominent within the field and that this uncertainty results in some inherent challenges when collaborative action is required to achieve growth. When we asked further about the relationship to the Government, we learned there existed a history of financial mismanagement, something that has shaped the SwAF of today. Additionally, in 1997, the National Audit Office heavily criticized the SwAF for having insufficient financial planning and inadequate control systems. This resulted in a credibility gap between the current SwAF and the Department of Defense, hurting the relationship between the SwAF and the Government. Further problems occurred during the 2000s, as “black holes” appeared in the budget (Försvarsmakten, 2009). This was a result of the SwAF costing more money to maintain than what was allocated in the annual budget. However, we also learned that the relationship has improved massively today, as the SwAF have adequately

and sufficiently maneuvered the financial control and budget compliance. Furthermore, several of the interviewees stressed that this is one reason why growth is even deemed possible. However, these events have functioned as grim reminders of the consequences of losing the financial control in the organization. Since the operations of the SwAF and the DMA are financed by tax means, the credibility damage of losing financial control is exceptionally high. Hence, each actor needs to be able to account for exactly what the taxpayer's money is used for in order to validate its existence. However, as a result, this prior distrust further strengthened and molded the austerity field frame as it became a concrete example of why the cost emphasis was so central in the financial control structures.

As discussed, the relationship between the two actors has been a complex issue throughout the austerity years. Furthermore, there has been a perceived uncertainty regarding the exact reason why the allocated budget has decreased in size over the years, as argued by one representative. To describe this problem, the analogy of a parent and a child was used:

“The SwAF is almost like a child receiving its weekly allowance by its parents (i.e., the Government) that know it will receive a certain amount of money each time... but all of a sudden, the child loses the allowance... and there is no direct correlation between how much that was lost or exactly why it happened” - SwAF representative

Continuing on the same line of reasoning, the interview findings indicate that there is a disconnection between the Government and SwAF. In the media, politicians speak about how much the SwAF is going to grow but since the growth has not started yet and in the military units there are still supply shortages and similar resulting in a mixed message of the future. And in addition to this, the memories of the austerity years are still very fresh.

“Just because they speak about the increased budget and the growth journey this year, it does not mean that the money will actually arrive in 2022, not even in 2023 since that will be the year when the decision is made. As a consequence, out in the organization people are still receiving instructions to save money and hold off on purchases” - SwAF representative

The decision that the organization shall once again grow has been welcomed by the employees in the organization but the enthusiasm cannot yet be fully mobilized to start the growth as the additional funding has not been allocated yet which complicates the process. Why this is the case can be explained by the role of the budget. As funding has been limited the concept of being provided resources for a new initiative has become synonymous with the initiative being of very high importance compared to general plans or ideas for the future that have not yet received any funding. Hence the fact that no money has yet been allocated undermines the importance of the growth throughout the field.

“(…) my view is that the financials and the budget become the most concrete techniques to steer and manage the organization. Then, if you are supposed to grow in a specific direction and thus receive money, it means that this is highly prioritized. And if no money is received, the priority is low”- SwAF representative

To summarize, it becomes abundantly clear that the financial control systems have contributed heavily to institutionalizing the frame in the field. The mindset and cognition, as well as the relationships between core and peripheral actors have adapted to the rules set up by the financial control systems emphasizing costs and budget compliance. This process was simplified by the inherent complexity of objectively measuring output of the organization. The intention is to grow in capability, but the current financial control system has systematically neglected capability, hence removing the concept of capability to a large degree from the overall strategic action field, complicating this objective. In summary, the current heavily institutionalized austerity field frame is the core growth challenge for all actors within the Swedish Defense Sector.

“We are steering and controlling the SwAF with old methods, we have to put in more and more effort to get the product (i.e., capability) we need as our methods no longer support us to steer the SwAF of today, they (i.e., the systems) are constructed for a SwAF from another time” - SwAF representative

Hence, as long as financial control is not adapted in a way facilitating capability growth rather than cost savings and budget compliance the growth is highly likely to become exceptionally hard as the austerity frame then remains institutionalized in the field.

4.4 The Capability Growth Field Frame

The clear problem with the previously mentioned environment of budget use and financial control systems is that they do not emphasize or take capability into consideration in a plausible way. As a result, the above-mentioned austerity field frame makes it really difficult to achieve growth. In order for the Swedish Defense Sector to leave the current episode of contention, which is required for the field to be stable again and to achieve the capability growth decided on by the Government, the tactic of frame shifting is attempted by the core actor of the field, the SwAF. The intention is to achieve this field frame shifting by implementing a new model for financial control that better suits the growth scenario.

In response to the new environment, the SwAF is currently developing and planning the implementation of the new financial control model. The intention of this financial control model is to decentralize the decision-making of the organization as well as to rethink planning, budgeting and follow-up on results by better connecting these aspects to capability.

“It was probably 15 years ago, in the early 2000s when we last switched steering model, the current models was made for an operations defense or a shrinking organization” - SwAF representative

The decentralizing aspects of the financial control model is visible in the Production Lead Unit being merged with the Leading Unit in the Headquarters, and the tasks of producing military units will be moved to the defense branches (the Army, the Airforce and the Navy). The intended benefits of this are that employees closer to the core operations are argued to better know what is required as well as speeding up the decision-making progress significantly by allowing the branches to take their own decisions. An example of the decentralization in action is that the defense branches themselves will now be allowed to source material directly from the DMA rather than having to go via the Production Lead Unit.

“In the future, decisions shall be made closer to the operations and hence support faster decisions from the managers. You are not supposed to be dependent on sending in change proposals once a year that need a long period of processing (...)” - SwAF representative

The defense branches are also more visible in the new financial control model. Rather than focusing on costs and activities as in the current model, emphasis will be placed on controlling and planning based on capability. The intention is that this will be done by communicating goals in terms of capabilities (e.g., what a defense branch is supposed to be able to accomplish) as well as providing a detailed description of how much personnel, financing and material they have at their disposal. Then it is up to the individual defense branch to decide independently how this capability is achieved in the best way possible. This process is also intended to be simplified by providing the defense branches with a clear prognosis of their future budget allocations to plan its own operations. The intention with this way of control is to move away from the complex processes as well as the high level of detail in the steering that have come as a result of the previous cost focus. However, this is also contingent on a high level of trust throughout the entire organization as it leads to more freedom.

“The defense branches will receive a much clearer mandate. The tasks will change. Today they are focusing on activities, tomorrow they will be focusing on the level of capability that is expected to be achieved”- SwAF representative

The function of the budget will also be different as it will be used in an enabling way. Rather than being primarily a tool for “surveillance”, i.e., used for strict monitoring and following up on spending, it is intended to be used to facilitate and maintain the capability goals. This means that the budgetary outcomes will be viewed from a capability lens. The intention is that when a discrepancy in a budget is spotted, the next question to ask is how it affects capability and based on this make the decision of any corrective action is required to solve the issue.

“As of now, if an issue such as a delay or other problems occur in the production, the focus is only on how this issue affects the budgetary outcome. Now instead, the focus will be on what effects this has on the overall organization, more specifically does it have an effect on the capability here and now?” - SwAF representative

This will be achieved by overhauling the way that budgetary outcomes are followed up on. This will be done by having quarterly follow-ups of the results rather than the current monthly basis to allow the defense branches to analyze their own outcomes and determine if this has any effect on the capability target they have and if they need any support in correcting the issue at hand rather than only viewing it from a strict financial point of view as previously. However, the financial targets will still be followed up on a monthly basis as it is required by law. Consequently, this new holistic financial control system will better contrast the financial measures, by complementing more focus on non-financial measures to achieve a better and more comprehensive view of the organization.

“Control in our organization is achieved when we can quantify and measure (...) We discuss if we actually have control or it is just an illusion. We would get a deeper understanding if we extended the view and studied the bigger picture instead” - SwAF representative

The new financial control model will be centered around clearer allocation of resources and the interplay between both financial and non-financial targets rather than activities details and costs. This is a clear step away from the traditional view of efficiency and cost effectiveness within the SwAF that was heavily centralized around cost savings and budget compliance. The new financial control model instead stresses the efficiency gains from more decision-making power and freedom allowing the defense branches to act, and in the mid to longer term facilitate the growth, which is in line with the overall objective.

“It is easy to believe that efficiency is a task being performed by fewer people, we need to move away from this line of thought” - SwAF representative

To complement this new structure, there will also be a general financial system making sure that no overspending takes place but it will not be used as a tool for steering and managing as is the case currently. As the requirements of broader financial controls are regulated externally they will always be present. In addition to this the overhaul and redistribution of decision-making power also have a clear symbolic function as it breaks up the culture heavily affected by and centralized around the austerity period.

“The most important aspect with this new system is to break the cultural patterns, and thus the cognitions. By distributing power, authority and mandate to the defense branches, you’ll break up the very fixed and established mindset” - SwAF representative

5. Discussion

In this chapter, our empirical findings are discussed in relation to previous research within the domain. In section 5.1, we discuss how financial control contributed to the institutionalization of an austerity field frame that restricts capability growth. In section 5.2, we consider how financial control in fact has the possibility to enable capability growth in the long run.

5.1 Financial Control as a Curse

A great deal of research in PSAR has been conducted recently to cover the effects and implications of more than three decades of NPM-emphasis. These articles have studied the effects NPM-implementation has had on public organizations in terms of quality of products, efficiency and mindsets (Simonet, 2014; 2021; Diefenbach, 2009; Lapsely, 2009; Arnaboldi et al., 2015). The concept of “the accountingization of the public sector” summarizes to a large degree the findings of the previous studies (Power & Laughlin, 1992). However, these studies have primarily taken place in an environment of a shrinking, or stagnant public sector, and therefore not been able to investigate the effects of NPMs’ history on public organizations when the same organizations instead face scenarios of growth. As there currently is a great deal of uncertainty regarding the future direction of PSAR (Bruns et al., 2020; Steccolini, 2019) growth is arguably an interesting phenomenon to zoom in on in order to enrich, enlarge and contribute to the domain. Consequently, our aim has been to contribute to the same domain by investigating what role financial control plays in a scenario of significant capability growth in the Swedish Defense Sector.

We first conclude that achieving growth in the Swedish Defense Sector is in fact very difficult. This difficulty, and the related challenges, are to some extent explained by the inherently complex nature and context of the public sector (Jones, 2000; Lapsley & Skærbæk, 2012) as presented throughout the paper. In order to produce the public service of a national defense, many actors are involved. Although some actors face similar growth challenges, such as personnel shortages and complex processes, there are several key differences as growth affects each actor differently. To better make sense of the field, the relationships, and the collective action needed to facilitate growth, we followed the definition of Grondal (2018) and divided the organizations into core and peripheral actors. The core actor in the field (the SwAF) is responsible for delivering the national defense. In order to do so, the SwAF are dependent on other actors in the field (i.e., the Government, the DMA, and the domestic defense industry). This cooperation has become complex as the years of cutdowns, economic austerity and reduced public expenditure has made the peripheral actors even more peripheral (apart from the Government, that could be argued more or less peripheral dependent on the political sentiment) since the

main focus and large emphasis in the field has been on the financial focus rather than on improving and facilitate collaboration. This is something that now materializes as growth is initiated when collective action is deemed crucial.

We find at first sight that financial control plays a *restrictive role* as it has contributed to the institutionalization of an austerity field frame over the last decades of budget cuts which has led to a neglect of capability in the field in favor of financial targets. Now, when growth in capability is a must, the very same field frame becomes a clear obstacle. These findings further validate and elaborate the previous research of Power & Laughlin (1992) as the neglect of capability measures in favor of financial targets is a clear example of accountingization which have, via financial control systems such as the budget, become institutionalized in the field over time. Hence indicating that the accountingization of the public sector is a clear growth challenge in itself. How accountingization takes place has been studied previously by Kurunmäki et al. (2003) who argues that outside pressure on accounting targets, duration of implementation and strength of the management accounting profession are the key determining factors for accountingization to emerge. Our findings primarily strengthen the importance of outside pressure on accounting data targets as the government's prioritization of financial targets over capability was a key reason for the institutionalization of the austerity field frame. We also contribute by adding an additional category that determines accountingization to the original three factors established and discussed by Kurunmäki et al. (2003). The addition, and complementary findings relates to the measurability of output. The problem regarding measurement of the output in an Armed Forces at peace (Hofstede, 1981) became clear in the case of the SwAF as the purpose is to protect a country that has been at peace for more than 200 years (Almqvist et al., 2011) and the actual output of the organization could only be measured in a scenario of open warfare. Therefore, during the austerity period this resulted in a clear imbalance as there existed few alternatives for the financial targets to measure and evaluate the organization (Catasús & Grönlund, 2005). Consequently, the accountingization became much more seamless, compared to for example a hospital (Sjögren & Fernler, 2019) where a strong outside pressure on accounting targets could be contrasted with the observable metric of patient health. This indicates that the restrictive role financial control systems play in capability growth might be more intense in public organizations, such as the SwAF, where the connection between input and output is very complicated.

5.2 Financial Control as a Blessing

However, by contrasting the conclusion of financial control systems being restrictive in a scenario of capability growth to the findings of Carlsson-Wall et al. (2021), additional nuances can be added to the discussion. Carlsson-Wall et al. (2021) studies an organization in a crisis where behavioral management control systems, such as the budget, appeared not useful, as the control systems did not reflect the situation at hand.

Instead, other control systems had to be prioritized that could better reflect the needs during the crisis. However, when the crisis had faded, a return to a balance between the control systems was apparent. At first sight, our conclusion in the scenario of growth indicates a similar line of argument, i.e., that strictly restrictive financial control systems (such as budget control) should be disregarded and ignored to facilitate growth. However, a different story materializes when growth is viewed as a heterogeneous concept instead. That is, by differentiating and contrasting our case of capability growth in the Swedish Defense Sector to the case of crisis growth, as in the case of the Swedish Migration Agency (Carlsson-Wall et al., 2021) the differences between the two, and the respective link to financial control becomes clear. Since crisis growth is lasting over a short period of time, financial control systems, such as budgets, can be ignored temporarily. This is not possible nor plausible in a scenario of capability growth, since the growth needs to be sustained over a longer period of time, while also involving several different actors that require collective action and collaboration, where the budget does become a very central tool to gather around and interact with. This implies that central financial control systems, such as the budget, cannot be neglected or paused as this would compromise sustained growth, and make the collaborative effort between the actors in the field problematic. This becomes especially clear in the case of the SwAF as the budget, after all, is the core instrument that all actors within the field base their operational decisions on, and thus need to couple with. In addition, financial control systems such as budgets also fulfill an important function of maintaining trust and credibility (Kurunmäki et al., 2003) which have been a problem historically in the field due to financial mismanagement (Catasús & Grönlund, 2005). Hence, arguing that financial control systems play an entirely restrictive role in public sector capability growth is an oversimplification as the very reason for the SwAF having the possibility to grow is that they have financial control systems that closely monitor the finances of the organization.

As a result, public sector organizations that intend to grow in terms of capability need to maintain a balance between structuring their financial control systems to both enable growth and maintain organizational financial control long term. Therefore, over time financial control systems, such as budgets, have a role of enabling capability growth by ensuring the feasibility of the growth while also ensuring that growth can persist for an extensive period of time. Almquist et al. (2011) studied the management control systems in the SwAF during a different phase where the organization faced the challenge to answer the question of “why do we exist” as a result of the long period of peace. The management control systems at that time could not answer this question in a good way leading to a mismatch between the environment and the control systems. Thus, the authors argue that sensebreaking activities are necessary for organizations that operate in rapidly changing environments in order to maintain a reflective point of view and question the fit of the current control structures. Although different in context as the role of the SwAF of today is more relevant than ever, we argue that the general problem is the same. In both scenarios, the current financial control structures do not match the demands stated by the

rapidly changing environment. In the SwAF today they are all configured for the austerity period which complicates growth. Our findings show how deeply the financial control system has affected the cognitions, mindsets and relationships within the field to be heavily focused around costs and budget compliance which now require different inferences. We are also showing that what is needed to facilitate the capability growth is an act of frame shifting. Frame shifting and sensebreaking are interlinked since the shift to a novel frame requires a process of sensebreaking (Werner & Cornelissen, 2014). Hence, the new financial control system that supports growth by emphasizing decentralization and a focus on non-financial metrics, could be argued to be the sensebreaking activity needed to shift frame and facilitate capability growth. However, at the same time our findings shows that the way the financial controls are set up also fills critical purposes such as stability of the organization's operations (Hedberg & Jönsson, 1978; Cyert & March, 1992) but also to maintain the trust from the general public and government that was hurt due to financial mismanagement historically.

This leads to a balancing act for the SwAF as they soon will implement the new financial control system in an attempt to achieve the frame shifting to the capability growth frame. On the one hand, the field frame shift needs to be extensive and radical enough to break up the old cognitive position related to processes, mindsets and relationships. On the other hand, if not done properly and well-balanced, i.e., putting too much weight on the capabilities and neglecting the financial aspect, the new system might become externally questioned which in turn would initiate further financial control that could obstruct future growth.

Therefore, public organizations need to consider the full perspective of their operations when their environment is rapidly changing and sensebreaking activities are necessary as argued by Almqvist et al. (2011). Efforts and framing strategies such as field frame shifting might be required to achieve growth in general but must be done with caution. Hence, the argument could be made that in some situations the strategy of frame blending might be more appropriate. However, as argued by Modell (2019), frame blending also makes field change (capability growth in our case) harder as two opposing frames will still remain and might therefore not be enough to leave the episode of contention in a growth scenario.

This becomes relevant in the overall NPM and PSAR literature as the concept of NPM is deeply criticized for among other things its negative effect on motivation (Skærbæk & Thorbjørnsen, 2007). However, in a situation of capability growth, NPM might still have a role to play as many of the models that lie at the foundation of public sector organizations today (the FEM model in the case of the SwAF) are based on the original ideas and philosophies of NPM. Although complicated, and not well suited for initiating capability growth, they are necessary to retain balance and control in the organizations. What is instead needed in order to achieve both longevity and capability growth is a balance likely in the line with the notion of reciprocal colonization (Camponale &

Cinquini, 2016). This draws on the colonizing nature of accounting (Power & Laughlin, 1992) but instead views this colonization process as bidirectional i.e., accounting colonizes the profession and the profession the accounting. This is achieved when the control systems are jointly developed by accountants and the profession, hence making sure that the requirements of both parties (financial control and capability) are fulfilled in the new system. Our findings indicate that the new financial control system of the SwAF is very similar to the concept of reciprocal colonization. The profession has been allowed to influence the new financial control systems in terms of how it is used in the operations. This is done by the much closer connection between financial control systems, such as the budget and capability. However, the influence of accounting over the last 30 years is not removed either as it is still central for how the operations of the actors in the field are carried out in a long-term sustainable way.

6. Conclusion

6.1 The Role of Financial Control

The aim with this study has been to explore the phenomenon of capability growth in the public sector to disentangle the challenges that various meso-level actors face and to capture the implicit role of financial control. We have done this by studying the case of the Swedish Armed Forces while conceptualizing the Swedish Defense Sector as a Strategic Action Field (Fligstein & McAdam, 2011). To add further depth, we have complemented the SAF theory with the concept of field frames (Werner & Cornelissen, 2014; Modell, 2019). The purpose of theorizing in this manner is to delineate why it is difficult to proceed from austerity to capability growth, and to shed light on what role financial control plays in this field transition. This has been accomplished by answering the research question:

What role does financial control play in a scenario of significant capability growth in the public sector?

We contribute to the literature of PSAR and NPM by adding to the rather limited amount of research that has been conducted on the phenomenon of growth within the public sector. Our findings make it very clear that achieving capability growth is difficult and troublesome as several actors are involved with different perspectives on the challenges related to the sought for growth. The cause for this obstruction is to a great extent derived from, and explained by the decades of budget cuts, reduced public expenditure and economic austerity within the public sector. This period has resulted in the molding of an austerity field frame that has later been institutionalized by strict financial control systems in the spirit of NPM. The financial control systems, with the above-mentioned FEM as the underlying vehicle, has affected the processes, the relationships, as well as the cognitions and mindsets of the actors within the field, which have further formed and established the austerity field frame. As a result, it becomes very demanding for the organizational actors on a meso-level to shift to a capability growth field frame which is needed to facilitate the capability growth. Therefore, our findings indicate at first sight that the financial control systems implemented and introduced in the SwAF have a restrictive role in the scenario of significant capability growth.

However, our findings also indicate that the role of financial control may play an enabling role. As highlighted in the case of the SwAF, the introduction and implementation of a new financial control model is intended to facilitate frame shifting, from the extant austerity field frame to an emerging capability growth field frame. The molded austerity field frame is what obstructs and hinders growth at the moment, since it affects processes, mindsets and relationships. Thus, a frame shifting has the possibility and likelihood to enable growth. However, the frame shifting must be done in moderation so that control

is not lost in the organization as this would compromise the capability growth in the long run. This is where the heterogeneous view of growth becomes relevant, since financial control (and especially budget control) is not relevant in crisis growth since it only takes place during a limited period of time to tackle a specific crisis (Martin Carlsson-Wall et al., 2021). In contrast, a balancing act between an enabling, and controlling financial system becomes especially important for the SwAF, we argue. In the newly initiated growth scenario, the organization needs to shift the field frame to be able to grow, but this should not be accomplished to the extent that control is lost. I.e., financial control is still important in order to grow responsibly, to retain the trust of the government and the public and to maintain sustainable growth for an extended period of time.

6.2 Practical Implications

There are a few potential practical implications of our findings. These implications mainly concern public organizations that are supposed to achieve capability growth. Our findings show that financial control systems both play a restrictive and enabling role in scenarios of capability growth. Therefore, public sector managers need to both understand how periods of austerity may have shaped their financial control systems and how these control systems have shaped the processes, mindsets and relationships of their organizations. Failure to do so could lead to the risk of significantly impairing growth efforts. In addition to this, our findings also bring up the importance for public sector managers to understand if the challenges in their environments calls for sudden temporary crisis growth or continuous capability growth as financial control systems need to be adjusted and used accordingly.

6.3 Limitations of the Study

There are a couple of limitations in relation to this study that need to be encountered and highlighted. First of all, the time frame needs to be considered. Due to the fact that our study covers events over a time period of more than 30 years, there is a risk that we might have overlooked specific milestones or missed some nuances in the empirical material. The reason for this is that we have not had the opportunity to delve deeper into all concepts and themes we have encountered in the empirical material. As many researchers before us, we have prioritized the general trends deemed most interesting and adequate throughout the interview process to elaborate further on to answer the research question of ours. As a result, some empirical descriptions might have been simplified. Another aspect is related to the growth journey recently initiated by the SwAF, since it is still in its preparatory phases. This means that, as the growth journey gradually continues in the future, additional factors that have not been brought up in this thesis might come to light which ultimately could affect the role that the financial control plays. In addition, the scope of this study has been extremely broad from the start resulting in lacking depth in some parts as a lot of effort has been put into understanding the general structures,

interactions and processes of the organizations in the focal field. Due to this reason, there is a risk that we might have missed or overlooked specific details. However, we have to the best of our abilities attempted to mitigate the above-mentioned risks by combining interviews with other data sources such as documents used for internal presentations, material published by the organization, annual reports and reports from the Swedish Defense Research Agency to name a few. In addition, we have also asked interviewees in different positions similar questions to look for inconsistencies in the answers. By doing this we have tried to ensure that our view of the organizations is as comprehensive, correct and adequate as possible.

6.4 Suggestions for Future Research

For future research, we suggest conducting a follow-up study on the Swedish Armed Forces in order to study the effects of the complete implementation of the new financial control model in the organization and how it affected the capability growth. The findings from such a study would likely be very valuable in the construction of general financial control systems in the public sector. Another suggested avenue for future research is to direct the focus of the field of PSAR towards growth. Events such as climate change and pandemics are likely to require stronger public organizations to face such challenges. Academia may fill an important role here in studying how financial control should be used in public organizations to facilitate this capability growth. A final path for future exploration is to further investigate and contrast the concept of capability growth with crisis growth, since (as concluded in this study) growth in the public sector is not a homogeneous notion. By doing so, further understanding could be yielded in relation to how organizational characteristics change the role that financial control systems play in achieving and enabling capability or crisis growth. Our study indicates and states that the roles are different, but more research is called for in the area to add further nuance to the domain.

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8. Appendix

8.1 List of Interviews

Nr	Date	Location	Duration	Organization	Role/Task
1	2022-09-28	Online	84 min	SwAF	Finance Function
2	2022-10-05	Physical	46 min	SwAF	Planning and Strategy
3	2022-10-05	Online	63 min	SwAF	Technology
4	2022-10-07	Online	70 min	SwAF	Finance Function
5	2022-10-10	Online	54 min	SwAF	Technical Officer
6	2022-10-11	Online	60 min	SwAF	HR
7	2022-10-13	Physical	44 min	SwAF	Planning and Strategy
8	2022-10-14	Physical	50 min	SwAF	Planning and Strategy
9	2022-10-13	Online	60 min	SwAF	Officer
10	2022-10-17	Online	50 min	SwAF	Planning and Strategy
11	2022-10-18	Online	52 min	SwAF	Finance Function
12	2022-10-20	Online	96 min	SwAF	Technology
13	2022-10-20	Online	47 min	SwAF	Communications
14	2022-10-20	Online	49 min	SwAF	Officer
15	2022-10-20	Online	54 min	SwAF	Officer
16	2022-10-21	Online	38 min	SwAF	Finance Function
17	2022-10-31	Online	54 min	DMA	Production Manager
18	2022-10-31	Online	44 min	DMA	Planning and Strategy
19	2022-10-31	Online	43 min	SwAF	Officer
20	2022-11-01	Online	50 min	SAAB	Technology
21	2022-11-01	Online	52 min	SAAB	Department Manager
22	2022-11-02	Online	60 min	DMA	Department Manager
23	2022-11-14	Online	43 min	SwAF	Finance Function
24	2022-11-25	Online	40 min	SwAF	Finance Function

8.2 Interview Guide Example

Background

- Please tell us a bit about your role? What are your main tasks? Can you please elaborate on how your organization/function/unit is structured?
- How has your role evolved over time? How are you interacting with figures and financial metrics in your everyday tasks?
- What processes, financial control tools, documents would you say are most vital and important in your role in order to manage the tasks?
- How much of your time is spent on helping and coordinating others?
- What is your take on the balancing act in the public sector between, on the one hand have a balanced budget, and on the other being flexible?

Management Accounting and Financial Control

- How are you measuring input/output/effect today?
- Who sets the internal goals in the organization/function/unit?
- How and when are you following up on the results?

Organizational Change/The Novel Financial Control Technique

- As we have heard, you will soon implement a new financial control system that implies more mandate to the Defense Branches in a more decentralized organization:
 - How are you managing this in the most adequate and effective way? How are you best controlling for this in the public sector?
 - What tools/systems/techniques are in place today?
 - What exact tools will be in place after the implementation?
- Can you elaborate on the pros and cons of a more decentralized organization?
- What are the main challenges in relation to the implementation of the new system?
- What is your view on responsibility, accountability, and follow-up in the organization today?
- Will you experience any change in your day-to-day tasks after the implementation?

The Capability Growth Journey

- What is your role in the growth journey?
- Does the work on the growth journey affect your everyday tasks?
- In your opinion, what are the three main challenges related to the growth journey?
 - Can you connect them to your role?

Other

- How are you today working with organizational learning?
- Investigations in different shapes are common in the public sector, can you please elaborate on the concept?