MANAGING MULTIPLE INSTITUTIONAL LOGICS IN PUBLIC BUDGETING

A QUALITATIVE STUDY AT TWO MINISTRIES OF FOREIGN AFFAIRS

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Abstract

The purpose of this study is to create an understanding of how Ministries of Foreign Affairs (MFAs) manage institutional complexity in their internal budgeting processes. By looking at public budgeting through an institutional theory lens, we study organizational behavior driven by institutional logics. These are broad and abstract sets of values, beliefs and principles that influence the interpretation of social situations. We employ an abductive research methodology, supported by interviews conducted at two North-European MFAs. The main findings are twofold. Firstly, we re-conceptualize the compromise tactic from Carlsson-Wall et al. (2021) into what we call *situational dominance*. We define this as the dominance of one logic and suppression of the other due to pressures extremifying the underlying hierarchical ordering of logics. Secondly, we integrate budgeting literature with institutional theory to conceptualize observed behavior we call *institutionally acceptable gaming*. This tactic is conceptualized as behavior deviating from intended budgeting processes, but still in accordance with institutional logics and thus tacitly tolerated throughout the organization. We contribute to institutional theory and public budgeting literature by further conceptualizing responses to institutional complexity in budgeting processes.

Keywords:

Institutional theory, Institutional logics, Managing institutional complexity, Public sector budgeting, Tactics

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Master Thesis
Master Program in Accounting, Valuation and Financial Management
Stockholm School of Economics
Alfred Sjunnesson and Koen van Bleek, 2023

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1. Introduction

"Because we are in so many areas of the world affected by local situations due to crises, national catastrophes and different infrastructural phases that (these regions) are in. (…) There are these factors that are very difficult to foresee at the central level which will interrupt and tear down the budget planning we have made (…) we have to bear in mind it is difficult circumstances that we work under." [budgeting department manager MFA 1]

Despite the plentitude of criticism, budgeting is a ubiquitous phenomenon present in households, private companies, non-profit and public institutions alike (Waal et al., 2011). In fact, the budget is a central tool for the management of taxpayer money in the public sector (OECD, 2014). Public budgeting is a complex concept and has attracted an abundance of research attention focusing on the various characteristics of the system and contexts in which it is deployed. Besides using the budget as a performance management-, strategic planning- or accountability system (Anessi-Pessina et al., 2016; Covaleski et al., 2003), it can be used to gain organizational legitimacy by symbolizing strategic direction (Czarniawska-Joerges & Jacobsson, 1989).

One might wonder why there are so many different use cases. We potentially find an answer in institutional theory, where organizational behavior is driven by institutional logics (Ezzamel et al., 2012). These institutional logics are conceptualized as the sets of values, beliefs and principles that influence the interpretation of social situations and therefore shape behavior of individuals within the organization (Amans et al., 2015; Carlsson-Wall et al., 2016; Ezzamel et al., 2012; Greenwood et al., 2011). Several researchers have discussed the multitude of logics in public budgeting before, including financial- and political logics (Aranda et al., 2023; Ezzamel et al., 2012; Gebreiter & Hidayah, 2019; Goddard, 2004).

Yet, these logics do not always harmoniously coexist, but rather drive contradicting behavior. When some of these institutional logics have incompatible prescriptions and thus drive contrasting behavior, organizations face *institutional complexity* (Greenwood et al., 2011; Kraatz & Block, 2008).

What is more, the increasing tension in today's globalized world puts pressure on the traditional budgeting system oftentimes described as rigid (Hope & Fraser, 2003). These rising uncertainties for operations increase the need for flexibility to keep the finances balanced. Moreover, the mounting pressures extremify tensions throughout public organizations, igniting the quest for intricate ways of managing this institutional complexity (Carlsson-Wall et al., 2021).

Considering these developments, we respond to future research suggestions in the field of institutional logics and public budgeting. For example, Carlsson-Wall et al., (2016) call for 'studies investigating whether, and to what extent, multiple institutional logics do indeed compete in specific decision-making situations within organizations' (p. 59) and Christiansen & Skaerbaek (1997) who suggest to research 'how various forms of budget games may emerge in different settings' (p. 434).

In this paper we explore responses to institutional complexity within the internal budgeting process in two North-European Ministries of Foreign Affairs (MFA). In particular, we consider MFAs to be fitting research subjects as they provide a rich tapestry of organizational objectives, geographically spread-out stakeholders, and experience in dealing with crisis situations, which inherently entail institutional complexity. Moreover, the geographical dispersion of operations and exposure to external events creates uncertainty in the planning conditions and operations of political work. Add to this that there is pressure to ensure all allocated budgets are neither underspent nor surpassed. Thus, MFAs lend themselves to be excellent research subjects.

Our qualitative study employs multiple interviews and an abductive research methodology, allowing us to grapple with the complex reality and diverse perspectives surrounding internal budgeting processes. The aim is to explore and bring clarity to the tactics employed in managing tensions between competing logics. This inquiry leads us to the central research question:

How do Ministries of Foreign Affairs manage institutional complexity in their internal budgeting processes?

Our results include two particularly salient institutional logics in both cases, a *political logic,* and a *financial logic.* These logics permeate both cases in all observed hierarchical levels and were found to be in conflict in various ways. In these moments of conflict, five different tactics were utilized to manage the ensuing tension: *structural differentiation, decoupling, compromise, situational dominance, and institutionally acceptable gaming*.

The findings add to the research domains of budgeting and institutional logics by furthering the understanding of how institutional complexity is managed. Firstly, we contribute to the field of institutional logics by finding more evidence for previously developed tactics *structural differentiation*, *decoupling* and *compromise* (Carlsson-Wall et al., 2016). Secondly, we re-conceptualize the compromise tactic from Carlsson-Wall et al. (2021) with regards to the concept of dominance, and name it *situational dominance*. This new tactic is conceptualized as dominance of one logic and suppression of the other due to pressures extremifying the underlying hierarchical ordering of logics. Thirdly, we integrate budgeting literature with institutional theory and provide a novel interpretation and perspective by theorizing specific behavior tangential to traditional gaming behaviors as an organizational response to institutional complexity (Christiansen & Skaerbaek, 1997; Hopwood, 1972; Jensen, 2002). Thus, we re-interpret a term that traditionally has had a negative connotation in a less negative light by arguing for institutional acceptance and view it as a fifth tactic called *institutionally acceptable gaming*. This tactic is conceptualized as behavior deviating from intended budgeting processes but still in accordance with the institutional logics and thus tacitly tolerated throughout the organization. Lastly, by finding additional tactics we open the discussion and show that there are more possible tactics public organizations can employ to manage institutional complexity than the ones identified in Carlsson-Wall et al. (2016).

Further implications of our findings for the public budgeting domain are threefold. Firstly, budgeting is a widely institutionalized practice across both private and public sector organizations (Waal et al., 2011). Understanding how institutional logics inform the

behavior within these processes increase comprehension of the complex intricacies of budgeting. The public budget is not only about numbers, but also about the social behavior surrounding the budget. It can therefore accommodate tactics to manage institutional complexity. Secondly, we study two North-European MFAs, which are at the forefront of international relations and deal with crises on a regular basis. This provides unique insights in the workings of public organizations during crises when the central budgeting system is as rigid as it generally is within these organizations. Lastly, organizations might become more aware of IAG and situational dominance. This builds a deeper understanding of organizational behavior which allows for a more conscious management of institutional complexity.

In the subsequent sections we start by presenting a review of previous literature and building the theoretical framework. Next, we discuss the research methodology, data gathering, and coding procedures. We then detail the research setting and present the empirical analysis, followed by a discussion of the empirical findings. Lastly in the conclusion, we summarize key findings, addresses limitations, and suggest avenues for future research.

2. Literature Review

In this chapter we commence with conceptualizing institutional logics; secondly, we discuss the interaction between multiple institutional logics: and we end by looking into the tactics of managing institutional complexity.

2.1.   Institutional Logics

An MFA serves as an arena for a diverse set of stakeholders including politicians, financial experts, managers, and face pressures such as the scrutiny of parliament and public opinion. Stakeholders come from different backgrounds and contribute to the pursuit of shared organizational objectives in their own way. For instance, where politicians seek to serve their constituency through resource allocation decisions, public servants are tasked to implement these decisions, and managers are concerned with optimizing efficiency and effectiveness in the processes. These different stakeholders in the context of a MFA can employ different lines of reasoning, or *logics*, to achieve objectives.

Empirical research has pinpointed a multitude of logics in diverse contexts. For example, a commercial logic at a UK business school (Gebreiter & Hidayah, 2019) following a private sector rationale of accountability and performance measurement to achieve efficiency and effectiveness in a non-profit school; an artistic logic at two French theaters (Amans et al., 2015) striving for artistic excellence through autonomy; and a market logic in integrated reporting practices of listed companies on the Johannesburg Stock Exchange (Cerbone & Maroun, 2020) determined to accumulate and maintain financial wealth.

The above logics have in common that they are broad, abstract ideas that drive behavior of actors in the field or organization and when these abstract ideas are accepted by many in the organization over time, they become *institutionalized* as a formal line of rationalizing throughout the organization (Pache & Santos, 2010). Based on previous research, we conceptualize an institutional logic as a set of values, beliefs and principles that influences the interpretation of social situations and therefore shapes behavior of individuals within the organization (Amans et al., 2015; Carlsson-Wall et al., 2016; Ezzamel et al., 2012; Greenwood et al., 2011). Because logics shape behavior, studying the logics allows us to analyze when actors act out specific logics and in what way, which will help in understanding how organizations deal with potentially competing prescriptions of institutional logics.

2.2. Multiple Logics

2.2.1. Interacting Multiple Logics

As previous research shows, multiple institutional logics can exist within an organization (Amans et al., 2015; Carlsson-Wall et al., 2016; Cerbone & Maroun, 2020; Ezzamel et al., 2012; Gebreiter & Hidayah, 2019). When some of these institutional logics have incompatible prescriptions and thus drive contrasting behavior, organizations face *institutional complexity* (Greenwood et al., 2011; Kraatz & Block, 2008). Institutional complexity is problematic because the contrasting understanding of the social world and resulting behavior of organizational players can result in tension and even conflict if not managed properly. However, institutional logics do not necessarily result in tension all the time, as they might co-exist in certain contexts (Carlsson-Wall et al., 2016; Goodrick & Reay, 2011; Smets & Jarzabkowski, 2013). Following the argument of co-existence, (Goodrick & Reay, 2011) suggest the view of a constellation of logics, rather than a focus on two. While we acknowledge the potential presence of more logics that may co-exist, we set our scope on the situations in which two institutional logics become salient through their tension and resulting conflicting behavior, allowing us to do a more in-depth analysis.

To begin our analysis, we discuss three important characteristics of logics, namely compatibility, centrality, and dominance (Besharov & Smith, 2014; Carlsson-Wall et al., 2021). First, compatibility. Within the literature on public budgeting, previous research sheds light on instances of institutional complexity, considering the demands of various stakeholders according to their logics in public organizations and that these demands are sometimes, but not always compatible (e.g. Amans et al., 2015; Ezzamel et al., 2012; Gebreiter & Hidayah, 2019). A notable example is the study conducted by Ezzamel et al., who investigated the implementation of budgeting practices in UK schools. Their findings reveal a tension between the professional logic, which seeks to enhance educational quality, and the business logic, which prioritizes financial success. In certain situations, school managers make decisions that favor financial outcomes, potentially compromising educational quality. Yet the business, governance and professional logic do not always conflict, where in some cases better educational quality allows the schools to achieve better financial results. Thus, when institutional logics have incompatible prescriptions it can lead to institutional complexity, but in some cases the prescriptions can be compatible, and this allows the institutional logics to coexist harmoniously.

In addition to the compatibility of multiple logics, Besharov & Smith (2014) add the element of *centrality* to better operationalize heterogeneity between logics. High centrality of a logic implies that it is equally valid and important for the organization's core operations as other central logics. The difference in centrality of logics being especially salient in situations with a high level of professionalism, where few individuals have authority and influence on how the business should be organized due to the importance of their work to the core operations of the organization (Cerbone & Maroun,

2020). Thus, both the compatibility between – and the level of centrality of institutional logics can influence the degree of tension.

Next, we discuss *dominance*. Research finds an underlying hierarchical ordering of institutional logics, where there is an implicit preference to a certain logic in the organization (Carlsson-Wall et al., 2021; Iredahl & Wiklund, 2016). This ordering could be related to the centrality, where a logic with high centrality has a higher hierarchical ordering. The researchers further find that when time to act is limited and consequences have high impact, one logic can prevail, and individuals rely increasingly on one dominant logic. The pressures from time and impact thus extremify the underlying hierarchical ordering, causing some form of compartmentalization, where one purposefully segments compliance with competing logics and where the alternative logic is suppressed (Gebreiter & Hidayah, 2019).

The factors driving compatibility, centrality, and dominance, and therefore the extent of tension in the interplay of institutional logics are filtered by not only field-level and organization-level factors (Greenwood et al., 2011), but also specific situations within organizations (Carlsson-Wall et al., 2016). To exemplify, Greenwood et al. argue that the field-level factor 'maturity' generally implies stable priorities between logics because stakeholder demands are more predictable, and the organization has experience in dealing with incompatibility. Oppositely, emerging fields generally imply that logics have not fully been clarified and built into routines. Therefore, institutional complexity might be relatively more dynamic. On an organizational level, characteristics such as governance, identity, structure, and ownership determine the organization's exposure to certain logics. Greenwood et al. give the example of how organizations with high status and visibility may be targeted by stakeholders to advance certain logics, which could renew the dynamic between existing institutional logics. Lastly, when organizations find themselves in different situations, contextual factors determine if logics coexist in harmony or in tension. Carlsson-Wall et al. illustrate in their case where the sports organization finds its institutional logics either coexisting or contrasting depending on the position of the sports team in the scoreboard.

We believe compatibility, centrality, and dominance to be important characteristics for our study, because MFAs operate in a mature field and therefore should present salient logics and elements of tension management in their processes. As organizational and situational context, frequent crises and situational extremes constantly change contextual factors in the organization and thus impact the compatibility, centrality, and dominance of institutional logics – and therefore the interplay of the multiple logics.

2.2.2.   Institutional Complexity in Public Sector Budgeting

In the realm of public organizations, the budget serves diverse purposes, reflecting various logics and their prescribed behaviors. To exemplify, the budget can further a political logic, gaining an individual or group of individuals political prestige, status, and authority (Goddard, 2004). The political logic is underscored by the findings of Aranda

et al. (2023), who find that budget increases are more pronounced before political elections. More conventional uses of the budget point to financial or management logics, where it functions as a tool for organizational planning, resource allocation, employee motivation, and a declaration of conformity with societal norms to legitimize the organization (Anessi-Pessina et al., 2016; Covaleski et al., 2003). In addition, the budget facilitates information flows both top down and bottom up, where for example budget holders can communicate their needs and motivations up to strategic management. In this sense, the budgeting processes become a communication tool, where information and tactics are communicated between organizational actors (Czarniawska-Joerges & Jacobsson, 1989). The communicative use of budgeting is especially powerful during times of uncertainty, where the budget can be used symbolically to signal that there is a plan and therefore provide purpose and guidance to individuals. The budget then becomes a forum for competing logics to come together and interact (Ezzamel et al., 2012). Hence, institutional logics shape diverse applications of the budget, facilitating a forum for the interaction among multiple institutional logics.

A classic example of tensions between institutional logics is the 'clash of cultures' between professional and bureaucratic logics (Abernethy & Stoelwinder, 1991, 1995). Abernethy & Stoelwinder (1995) refer to professionals as individuals socialized according to models of social and self-control and trained to use their experience and expertise to perform complex tasks independently and solve problems arising during the performance of these tasks. By using the budget according to the bureaucratic logic for performance management as a monitoring and follow-up tool, organizations gain legitimacy as they measure effectiveness, efficiency and hold managers accountable, implying tighter control. On the one hand, the professional logic dictates a strive to increase and maintain autonomy while simultaneously the bureaucratic controls attempt to control that behavior. Especially output forms of control limit the desired professionals' autonomy because this puts pressure on professionals to produce certain results, while rarely capturing all relevant aspects of the complex situations the professionals must deal with. The question of the right level and form of bureaucratic control is especially relevant for organizations that provide complex services or must deal with much uncertainty because these factors generally imply a more central role to the professional logic.

When facing uncertainty, organizations tend to increase tightness of control, despite this not always being the optimal thing to do (Bedford et al., 2022). Only when organizations use the budgeting system to provide managers with a better understanding of their tasks and responsibilities, does tighter control help mitigate the negative effects uncertainty. In addition, when individuals have low orientation towards bureaucratic logic, they fail to understand the purpose and are uncertain how to behave within the bureaucratic system. This uncertainty leads professionals to become increasingly dependent on those units that do understand how to operate, which not only increases institutional complexity but also increases coordination costs and reduces professionals' ability to codify best practices (Verbeeten & Speklé, 2015). In addition, uncertainty relating to what tasks are necessary

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to reach the organizational objectives increases resistance to tight controls (Abernethy & Stoelwinder, 1991). This point can be related to crisis situations like in the work of Carlsson-Wall et al. (2021), either through domination or some other way, all objectives are temporarily aligned, and institutional complexity is reduced. Thus, if organizations manage to properly orient their employees to the organizational objectives while also ensuring that professionals understand the budgeting system, professionals experience less task uncertainty and are less likely to resist tighter controls. In this way, the overall tension between the professional and bureaucratic logic is reduced.

Moreover, Abernethy & Stoelwinder (1991) reason that the optimal level of control is dependent on task uncertainty, and that this relation between level of control and task uncertainty is moderated by orientation towards the bureaucratic logic. This orientation considers whether individuals confronted with budgeting systems behave in an administratively rational manner, that individuals "orient" themselves towards the organizational objectives as formalized through budgeting practices. More orientation of professionals towards the bureaucratic logic reduces the negative consequences of task uncertainty on performance. In other words, more control through rules and regulation is the way to go when professionals have a good sense of administrative rationality. So, to effectively tighten control, strong system goal orientation is important, but organizations need to be careful with or avoid the use of output forms of control, as it can cause the conflict Bedford et al. (2022) warned about.

Research has identified two ways in which organizations can encourage orientation to administrative rationality, or in other words, the bureaucratic/budgeting logic (Abernethy & Stoelwinder, 1995). The first option is to compromise by encouraging professionals to forego part of their professional orientation and accept some level of bureaucracy, more on this in the next chapter. The second solution is to encourage professional role orientation and rely on informal control systems, such as social control or more informal steering. However, reliance on informal systems might prove problematic if the professionals who the organization intends to control are a vital part of the operations. Abernethy & Stoelwinder (1995) display this problem by example of doctors in a public hospital. The doctors are considered as professionals in this case while they are simultaneously key contributors to reaching the organizational objectives. Doctors are thus the primary interest of organizational control, because if you would not control the doctors in a hospital, what control do you have over the operations? Simultaneously doctors are the professionals that strive for autonomy to make professional judgements and do what is best for each situation according to their experience and expertise. This conflict of bureaucratic and professional logics exemplifies the intricate balancing act organizations must pursue when designing and using the budgeting system.

2.3.   Managing Institutional Complexity

Research on how to deal with the tensions between competing logics has identified and classified responses of organizations and individuals. Where organizational responses pertain to official or formal organizational or higher management's responses (Carlsson-Wall et al., 2016; Oliver, 1991), individual responses include the behavior of rank-and-file organizational members (Gebreiter & Hidayah, 2019). For the scope of this study, we view logics as abstract and broad and therefore take a holistic perspective on responses, merging research on the organizational and individual level.

When talking about organizational responses to institutional complexity Carlsson-Wall et al. (2016) provide three organizational tactics in which competing logics can be managed: (1) decoupling, (2) structural differentiation and (3) compromising. Although salient in previous studies, the list of tactics is not exhaustive, as is implied by the varied set of responses in typologies and models that aim to describe the tactics to manage institutional complexity (Carlsson-Wall et al., 2016; Gebreiter & Hidayah, 2019; Oliver, 1991; A. Pache & Santos, 2013). We will briefly describe the three tactics below and then discuss literature that provides the theoretical basis for the additional tactics we further argue for in the empirics and discussion (Carlsson-Wall et al., 2021; Hopwood, 1972).

The first tactic is *decoupling* and represents the empirical observation that observed behavior differs – is decoupled – from formalized processes (Brunsson, 1989; Carlsson-Wall et al., 2016). Actors might find formalized processes incompatible with their logic and choose to follow these processes only symbolically while behaving in a different way. In the example of budgeting in two Finnish cities, Rautiainen (2010) found examples of decoupling where individuals symbolically adhere to performance measurement and budget rules according to a financial logic, but in reality behaved according to a professional logic in their operational routines.

Decoupling can be a solution to specific situations but can also be deployed on a structural basis. An organization decouples by making statements and formulating operations in a certain way in official documents, while in reality standard organizational practice is different and follows an alternative competing logic (Carlsson-Wall et al., 2016). Alternatively, one could respond with *compliance*, which is defined as full adherence to one logic, irrespective of its compatibility with the alternative logic (Gebreiter & Hidayah, 2019). When one is compliant with logic X, they behave independent of logic Y, but by simply symbolically adhering to the other logic, they manage the tension between the two. Note that decoupling might only be effective under the assumption that symbolically adhering to the demands of stakeholders is sufficient, which may not be the case if the alternative logic has high centrality, so that the stakeholders in question are powerful and have much influence over the internal processes (Besharov & Smith, 2014). In this scenario, the responding individual may have the false perception that the tension is managed, while others may have a different view on this.

Secondly, *structural differentiation* is a tactic where the organization is divided into subunits so that actors can each follow one logic within their subunit independent of the

other (Carlsson-Wall et al., 2016; Greenwood et al., 2011; Kraatz & Block, 2008). This way, situations in which individuals must draw upon multiple competing logics at the same time are structurally avoided. In a way, the tension is managed by shifting it from inside the unit to the periphery of the unit. This tactic comes with the challenge of interdepartmental communication, which is especially problematic when issues require collaboration across departments. An example of this tactic is given by Carlsson-Wall et al. (2016) in their research on a sports club. The organization was split between a sports unit and headquarters, where in the sports unit predominantly sports-related matters were discussed instead of financial affairs, which was opposite at the headquarters. In this way, the sports unit could focus on sports while the headquarters concerned themselves with the finances, and institutional complexity was avoided within units.

The third tactic is *compromising* and concerns an approach where one forgoes part of one logic to adhere to elements of other logics simultaneously (Abernethy & Stoelwinder, 1995; Carlsson-Wall et al., 2016; Kraatz & Block, 2008). The resulting outcome of compromising is agreed upon by all parties. Just like decoupling, compromising can be deployed situationally or structurally. Compromises can take the form of procedures that include aspects of both logics, without full compliance to one institutional logic. These procedures could be structural, as a long-term tactic. However, compromises could also be made situationally as the organizational context constantly changes. Related to this, is the *combination* response (Gebreiter & Hidayah, 2019), which is about blending elements of competing logics to bring the competing closer together. Individuals make a compromise when working within a certain procedure to focus structurally more on one logic, or situationally compromise when there is normally no tension in a certain procedure but due to external pressures the tension becomes problematic. To exemplify, Abernethy & Stoelwinder (1995) discuss that organizations can reduce conflicts by socialization and training policies so that professionals are more willing to forgo part of their logic and orient themselves towards a bureaucratic logic.

Besides the three tactics above and considering that the list of tactics is not exhaustive, we explore a theoretical inclination for a fourth and fifth tactic; situational dominance and a tactic based on gaming literature. The *situational dominance* tactic combines notions of dominance (Carlsson-Wall et al., 2021) and compartmentalization (Gebreiter & Hidayah, 2019), and is alluded to in the findings of Carlsson-Wall et al. (2016) when the authors discuss a nuance to what they link to compromising that "manager prioritize between different logics depending on the particular situation" (pp. 46). Carlsson-Wall et al. (2021) describe dominance of one logic occurs under the assumption that there is a hierarchical ordering of logics inherent within the organization at one time. During times of high uncertainty, external pressure causes the organization to seek alternatives to compromise, as the compromising process takes time, and the optimal compromises are context dependent. One such alternative is to fall back on the underlying ordering of logics, and let one logic dominate, by suppressing the other. On an individual level, the tactic of compartmentalization, described as the organizational member being aware of both logics but selectively complies or rejects the logic depending on the situational

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context (Gebreiter & Hidayah, 2019), allows individuals to comply to one logic best suited for that specific situation. We refer to this tactic as situational dominance.

Additionally, one can analyze responses to institutional complexity through a *gaming* lens. Despite the wide institutionalization, budgeting has received its share of criticism (Waal et al., 2011), with some criticism focusing in particular at the suboptimizations within the budgeting processes due to some form of manipulation (Hopwood, 1972). When one is evaluated upon output forms of controls, while the work is complex and requires professional judgement, one might experience conflicting tendencies. Due to the high pressure, one turns to manipulations in their budget, including passing on expenses to other departments, playing with the cut-off timing of expenses to stay within the budget or lowballing targets and inflating results. In this way, one manipulates the budget in various ways to make sure they comply to the financial expectation of their management. In this paper we conceptualize *gaming behavior* as actions in budgetary processes which are not against any rules, but seen as somewhat manipulative or exploitive, for personal gain or to achieve specific objectives (Christiansen & Skaerbaek, 1997; Jensen, 2002; Libby & Lindsay, 2010). Although our research takes an institutional logics perspective, we explore the possibility that gaming theory could add value to the analysis of tactics that manage institutional complexity. In a way, individuals must constantly work with potentially competing institutional logics and when the budgeting system enforces adherence one such logic, one must find and employ a tactic that allows them to manage the incompatibility between institutional logics (Ezzamel et al., 2012). To exemplify, Christiansen & Skaerbaek (1997) show in a Danish Theater that organizational actors attempt to solve various issues by playing games, and thereby start a bargaining process where positions of individuals are guided by an artistic and business logic. Thus, *gaming* theory could be a lens to view behavior aimed at managing institutional complexity.

In summation, we conceptualized logics as a set of values, beliefs and principles that influences the interpretation of social situations and therefore shapes behavior of individuals within the organization (Amans et al., 2015; Carlsson-Wall et al., 2016; Ezzamel et al., 2012; Greenwood et al., 2011). These logics become institutionalized when permeated through the entire organization (Pache & Santos, 2010). Then we discussed the institutional complexity as the competing prescriptions causing contrasting behavior of organizational actors. Yet, competing institutional logics are not always in tension, they might also coexist when for instance their objectives and prescribed behavior are aligned in certain contexts. Moreover, in the case of competing prescriptions, compatibility, centrality, and dominance of institutional logics affect the degree of tension in institutional complexity. Lastly, we summarized a typology of responses to manage tensions in three previously researched tactics – compromise, decoupling, structural differentiation – and theorize two additional tactics one called situational dominance and the other relating to gaming behavior. In the next sections we will identify institutional logics in our empirics, search for further evidence of the existing three tactics and build an empirical foundation for two additional tactics.

3. Methodology and data

The intellectual and philosophical underpinnings of this paper, also referred to as the methodology (Pratt, 2009) are rooted in a qualitative interpretivist research method. We deem this research method suitable to further the understanding of the complexity and intricacy of the behavior guided by institutional logics. Furthermore, the epistemological view in qualitative research dictates that to understand how actors assign meaning to things or events, the social reality is best studied at proximity, and data does not speak for itself, but must be interpreted by the researcher (Neuman, 2000, p71). For the argument of proximity, we deem a qualitative study of budgeting practices in two MFAs appropriate, where insights from two different settings add nuance to our hypothesized framework, and therefore help abstract and generalize our findings. Investigating two cases allows us to test the findings directly in different organizational contexts and therefore allows us to build a stronger empirical foundation for our research contributions. To ensure two different contexts and considering access limitations, we picked two North-European MFAs. Following this philosophy, we formulate our research questions in a suitable how- and why-format.

In line with qualitative interpretivist research, we follow an abductive research process (Bell et al., 2022). This approach implies that we started with a broad general question based on the observed tension in the public sector surrounding the (sometimes referred to as "rigid") budgeting practices and highly uncertain context, which came to light during an initial meeting with MFA 1 and initial contact with MFA 2. Following further inquiry, interviews, and data analysis, the research topic continued to develop into the direction of institutional logics, where specific phenomena dictated the interview focus on the different case organizations. Furthermore, thinking through institutional logics the choice of a theoretical framework further developed the research direction and focused the attention of the study towards managing institutional complexity. Important to note is that although the focal point changed continuously throughout the process the epistemological view did not change.

We have during this academical undertaking set out to create something with as high reliability and validity as possible but also something trustworthy and authentic. Continuously working to uphold good research practice through things like punctilious logbook keeping of pivots and research development to ensure credibility. Furthermore, confirmability has been carefully considered and both authors has worked to not be overtly biased both in terms of personal values but also theoretical inclinations. Moreover, authenticity has been a guiding principle throughout the process by doing our utmost to represent every participant's views fairly and to the best of our abilities to provide a better understanding of the social milieu and the participants role in it.

3.1. Data Collection, Analysis and Coding

Our primary data collection method is interviews, which is supported by a secondary method of document analysis. This data collection method is in line with interpretive social science because interviews allow us to get first-hand accounts of individuals' perspective and understanding of phenomena playing out in the case organizations. The supporting document analysis gives insights into formalized intentions of the organizations. This provides context to the behavior and thinking of individuals and lets us to triangulate the findings. In addition, document analysis allows us to ask in-depth questions during the interviews.

To select appropriate participants, we use a combination of purposive- and snowball sampling (Bell et al., 2022). In MFA 1, we initially reached out to budgeting professionals to get an idea about the internal processes and challenges faced in the budgeting processes. After an initial focus group discussion and continuing email correspondence, we reached an agreement to plan 8 interviews. In MFA 2, we started with an interview of a budgeting manager and then snowballed by asking for suggestions of other individuals to interview. We made sure to interview approximately similar roles and departments. To get a complete picture, we performed 19 interviews, 8 interviews and 1 focus group in MFA 1 and 10 interviews in MFA 2, on a variety of hierarchical levels and in different departments (see Table 2 in the Appendix).

Interviews are held in a semi-structured format; and are recorded and transcribed to allow detailed analysis at a later point. A semi-structured format makes the interviews more flexible to allow for interviewees to present their perspectives in full and go in depth with topics they are specialized in (Bell et al., 2022). The recordings happen with consent of the interviewee, individuals are anonymized, and data is stored according to the General Data Protection Regulation. Anonymity makes participants more comfortable to speak from the heart, while allowing us to use quotes to enrich our empirical analysis. While some interviews were conducted in person, most took place online via videoconferences due to geographical limitations.

To support the semi-structure of the interview, we prepared an interview guide according to Bell et al. (2022). By formulating specific research questions to our general research area, we entered a process of revision and reformulation until we ended up with a final guide. A general version of the interview guide is attached in the Appendix.

Our interviews started with a short personal introduction to make the participant comfortable. Before we got into the interview topics, we explained our research interest and intentions. Then, we started by asking a general question relating to our interview topic, so that the participant could present their perspective and what they consider important. We followed up on the points made to get an in-depth understanding. To end the interviews, we allowed participants to reflect by encouraging them to make additions to complete the picture.

The data coding was performed using Microsoft Excel and consisted of categorizing quotes into both predetermined themes and continuously added themes throughout the

coding process. The main themes were designed to identify logics, tensions between logics and management of these tensions, but also other 'particular empirical accounts of interest' (Messner et al., 2017, p. 435). This structure was designed to impartially analyze the gathered data ensuring that participants' views got reflected accurately while also ensuring that no empirical data was neglected.

More specifically the process was practically guided by a set of questions developed by (Bell et al., 2022). Firstly, 'Of what general category is this data an instance?' By asking this question we initially divided data points to the predetermined categories. Which consisted of identifying logics, tensions between logics, and managing logics. Data points outside of these categories where initially either categorized into a new general category or in a broad one designed to collect perceived interesting instances for later classification. Secondly questions such as 'what is happening here', 'what are people doing', 'What do people say that they are doing' were used to further delimit the data points to more specified concept within the general categories. For instance, which specific logic, tensions, or tactic the situation exemplifies. In the coding process comments to each data point was given by the authors to provide context important for the interpretation.

Concluding the data collection, analysis, and coding part, we move on to the research setting where we give the necessary background information on our case organizations.

3.2. Research Setting

The MFA generally serves as the key instrument through which a country engages with the rest of the world, protects its interests, and contributes to global stability and cooperation. Furthermore, due to the presence in several geographical regions and the variety of policy topics, the MFA has both centralized policy departments and decentralized foreign missions. At the start of the electoral cycle, the MFA receives their mandate from the government. The operational work is performed by apolitical civil servants while the tactic is set in the political realm and decisions are to be approved at the apex level, the minister. The electoral cycle implies some degree of variability in the strategic direction. Moreover, the MFA is operating in diverse and oftentimes uncertain environments and is continuously affected by the behavior of others worldwide. This volatile context contrasts the rigid nature of the budget.

To steer and manage the ministry, the budget plays a central role. The budget takes the form of a cycle and represents the circular progression of budgeting processes that repeats itself on a yearly basis. In both MFAs there is both an internal as well as an external budgeting cycle. The external budgeting cycle considers the MFA as a budget holder and the Ministry of Finance together with parliament as the allocative powers and all the interaction between the two parties leading up to the budget allocation decision and evaluation of performance. The internal budgeting cycle concerns a similar process but between the budgeting department and minister as allocative powers and the different central departments and foreign missions as budget holders. Internally, there are two types

of budget holders: central departments and foreign missions. The central departments are departments such as the housing department and the foreign missions include the embassy and consulate in a certain region. In general, performance is evaluated by parliament among others by analyzing aggregate budget utilization. A central question is whether all the allocated resources were spent as indicator for performance.

3.2.1. Budgeting at MFA 1

The external budget cycle in MFA 1 has two main moments where in September the government presents a budget proposal to parliament for the upcoming calendar year, and the final confirmation of the budget for the upcoming year in December. The internal budgeting process runs at the same time, so that when the final budget allocation is given in December, the ministry can finalize its delegation of funds internally as well. Then, in addition to the two main moments, there is one moment for adjustments in spring, where any adjustments or further specifications of allocation decisions can be presented to parliament. The internal budgeting cycle follows the external budgeting cycle, as plans are presented in budgetary dialogues in the fall, final approval for next year's budget is given in December and Spring offers a moment of adjustment.

Allocation of funds in MFA 1 follows a bureaucratic and structured approval process where at the apex the minister is end responsible and reports to parliament. In general, both central units and decentral foreign missions report financial performance to the central budgeting department and operational performance to the different Director Generals (DGs), who act as the higher civil servant management layer within the ministry. If a foreign mission wants to submit a financial claim, it will first go to a contact person within the budgeting department. All contact persons discuss the list of needs together and compare it with the allocated budget. They will then construct budgetary advice which flows through higher managers of the budgeting department to a top-level discussion between the DGs, whereafter the minister signs off.

Since MFA 1 provides services rather than products, the budget consists largely of salary and other expenditures with limited short-term flexibility. Despite, there are also central expenditures, such as contributions to different international organizations or special expenditures for occasions such as the EU chairmanship.

The formal accounting method within MFA 1 is accrual accounting, where periodization of the expenditures is a key characteristic of influence in the budgeting practices.

3.2.2. Budgeting at MFA 2

Like MFA 1's external budgeting cycle, the government of MFA 2 submits the budget proposal for the next year to parliament in September. A final allocation decision is made by parliament and the ministry of finance in December. The internal budgeting cycle consists of four key moments, where in August budget holders send in their adjustments to the current budget. In October the decision on adjustments is made and also the yearly

plan process is started, where claims for supplementary budget for the coming year can be send in. The final decision for these claims follows in January.

Though similar to MFA 1 that the minister has the final say, the approval process differs with MFA 2 due to MFA 2's thematic structure. Foreign missions report financially and operationally to the different central 'thematic units'. These thematic units then report operationally to the DGs, but financially also to the central budgeting department. The budgeting department has a coordinating role to manage the budget together with the central and decentral budget holders. In addition to a central budgeting department, both central units and foreign missions, have a control unit. These control units are tasked to support the political organizational members with financial expertise. Thus, if a foreign mission sends in a financial claim, it will flow via the Budget Adjustment System (BAS) to the thematic department, which will aggregate all decentral claims and add any central claims which are sent to the central budgeting department. The central budgeting department then prepares advice for the DGs, whereafter the minister signs off.

In addition to the types of expenses of MFA 1, MFA 2 has internalized official development assistance (ODA) expenditures. Where MFA 1 has delegated ODA expenses to a separate agency. ODA expenses include funding for local and regional projects to support economic development and welfare of developing countries. This means that there are central budget holders making central ODA expenses and foreign missions making local ODA expenses. The addition of ODA expenses significantly increases the responsible budget of MFA 2 and therefore adds a layer of complexity to the budget.

The formal accounting method within MFA 2 is cash accounting, where recognition of expenses takes place upon payment, thus implying a financial position based on cash movements.

4. Empirical analysis

This chapter provides a rich account and detailed analysis of tensions arising from competing institutional logics within the MFAs' internal budgeting processes and explores the tactics employed to manage these tensions. We begin by identifying and characterizing two institutional logics in both case organizations, followed by a sequential discussion of each tactic, accompanied by illustrative quotes.

4.1.   Identifying Institutional Logics

As discussed before, we follow the conceptualization of an institutional logic as a set of values, beliefs and principles that influences the interpretation of social situations and therefore shapes behavior of individuals within the organization (Amans et al., 2015; Carlsson-Wall et al., 2016; Ezzamel et al., 2012; Greenwood et al., 2011). Within this conceptualization we identify two logics that are particularly salient in both cases: a *political logic* and a *financial logic.* Although we acknowledge the potential existence of a constellation of logics in the ministry (Goodrick & Reay, 2011), we focus on those causing most of the institutional complexity and therefore most salient.

The empirical findings suggests that both the political and financial logic are present and often co-exist within observed units and functions. For instance, a controller in MFA 2 explains that one should consider the political ideas of the minister while simultaneously make sure that there is enough money to cover these ideas.

> "You always have to take into account the ideas of the minister we have, from political point of view, what is important for them. And then you also have to make sure that we have some money available to cover their wishes."

Another interviewee in MFA 2 highlights the perception that sometimes there are situations where those tasked with balancing the budget feel like policy officers do not consider the financials enough, while they themselves understand that actions according to a financial logic are practical for those tasked with political work. One can deduct from this quote that despite individuals are tasked with specific financial or political work, they take both logics into account.

> "I always look at myself as somebody part of a team in the engine room, we are actually trying to fix whatever mess is being made above us. With the policy officer we're trying to make it work. (…) (To make sure that financial decisions are) legal and sound, but also that it remains practical for the implementing parties."

The financial and political logics are institutionalized throughout the whole organization. The political logic is characterized by the drive to achieve the political ambitions such as diplomacy, international trade, and development. For simplicity, we will refer to this as 'political work'. The financial logic on the other hand is characterized by the concern for keeping the budget balanced. We will begin by discussing the political logic further and afterwards the financial logic.

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4.1.1. Political logic

In this part, we will focus on the political logic that becomes salient within both MFAs. The logic is concerned with the work towards political ambitions. The notion of political ambitions is rather abstract but is more concretized for instance through a set of policy objectives. Both on the public websites and internal tactic documents, we find statements that the ministries work to implement policies decided on by the government.

For instance, internal strategic documents for MFA 1 notes that their mandate is to represent, promote and safeguard national interests and to contribute to the implementation and international impact of the government's policies, in line with the government's priorities. These interests may be of a *political*, overarching, and strategic nature, or more operational and immediate.

The political interests are drilled down further in MFA 1's strategy formulation documents, where the interests are translated into policy directives. One such policy directive is the focused efforts to defend the multilateral trade system, negotiate additional modern free trade agreements, streamline the single market, and counter or eliminate trade barriers. Thus, we find a political logic shining through in the formal strategy documentation.

Next, a budgeting department manager at MFA 1 beams the formal statements about the presence of a political logic. When asked about the objective of their department, the manager mentions the rather tangible political signals. This example displays that the political interests are being drilled top down from the political to the operational levels.

> "There is a declaration that the government did when they took office, and then we have the yearly declaration on foreign policy. When I am talking about political signals, it is not that there are these intangible signals flying there and there. (…) And then our task (is) to create an organization and resourcing that reflects those priorities."

The documents and interviewee responses indicate that the political logic is institutional and that it permeates the entire organization. To further illustrate this, we look at the perspectives from different organizational levels. Beginning with a general example, we proceed with a quote from the central budgeting department, then from a central policy unit and lastly about an individual policy officer.

We start with a general statement that was shared by many at MFA 1. An interviewee explicates the dynamic of the ministry operationalizing the government's policies. This showcases the institutionalization of the political logic in the MFA in general.

> "The government has a policy for foreign relations, and we need to operationalize that in our ministry."

Then, within the budgeting department, when asked about the main objective of the department from the perspective of a contact person, the interviewee highlights specifically maximizing the political objectives of the organization. This represents the importance of the political logic in the budgeting department.

> "I would say within my team, the main objective is a fair distribution of the budget, of the resources, between the missions and the units to maximize the (political) objectives of the organization."

Thirdly, a controller at a central department in MFA 2 exemplifies the political logic from their perspective by talking about a politically set target. At a budget holder level, they then must find ways to implement the political ambitions which is further elucidated by the controller saying that they really work for the politicians.

> "We have a small percentage that we would like to spend on official development aid, that is point seven percent. (…) And that is an aim and that's totally dependent on the politicians on our government, whether or not that will be a goal. So, we really work for the politicians."

Last but not least, it is also possible to observe the political logic among policy officers in MFA 2. One interviewee who often works with policy officers describes that young policy officers are above all else interested in doing diplomatic work and exerting influence in all kinds of panels.

> "If you were a young policy officer, then it's very interesting to be writing notes for the Minister or to be writing speeches or to go to policy dialogues, etcetera. That's very interesting. And to do diplomatic work and to try to exert your influence in all kinds of kinds of panels, that's very interesting."

In conclusion, the empirics above suggest that there is a political logic, and it is institutionalized and salient in both cases. Though, it is not the only one observed, and we will therefore now move on to the financial logic.

4.1.2. Financial Logic

In addition to the political logic, we find a financial logic in both MFAs. This logic is concerned with fitting all operational activities within the ministry's financial capacity. Though, there is simultaneously also a pressure to utilize all monetary resources supplied by the government in collaboration with the Ministry of Finance. Consequently, the financial logic concerns itself with using 100 percent of the budget, or in other words, with balancing the budget.

Within the same strategic document for MFA 1 where the vision and specific policy objectives are laid out, the financial logic shines through the statement that the objectives must be pursued while keeping the budget balanced:

> "It (the strategic document) is a multi- year strategic vision that lays the foundations for the organization to work towards common goals within specified budget frameworks."

Furthermore, the pressure to not exceed the allocated resources is also observed in MFA 2, as seen in the following statement from a thematic department controller. The interviewee talks about the strict rule that even though they may overcommit with certain plans, in the end their expenditures must not exceed their allocated funds.

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> "But in at the end it has to come from somewhere because the cash budget is really strict. We cannot overspend, we can overcommit, but we cannot overspend."

Recently the pressure to keep at balanced budget has increased at MFA 1. Previously MFA 1 and all its internal budget holders were allowed by the Ministry of Finance to save and carry forward a small percentage of the budget to the next year. One could end slightly below 100 percent utilization and would be able to bring the funds to the next period, which would incentivize conservative budget planning. However, now this practice has been scrapped. In addition, one will receive a credit in the next year if they surpass their budget. This means that the pressure to utilize the full budget has increased. An interviewee discusses this change, its effects, and the will to use 100 percent of the budget.

> "It really means that we have no incentives of not spending our budget, but we have quite strong negative incentives to overpass our budget. So that means basically you want to hit 100 percent. And that is the whole point of the new planning condition."

Another manager in the central budgeting displayed a similar sentiment, but accentuating that it also is undesirable to not spend the entirety of the budget, in the following sentence:

> "The next worst thing compared to coming in over budget is coming in under budget."

One might ask why it is such a bad thing to end up below budget. Especially since in MFA 2, there still is a small margin that a budget holder may bring forward to the next year. However, the pressure to spend the full allocated budget is also present in MFA 2. The first argument for spending the full budget is exemplified by one interviewee who articulated that one cannot bring many funds over to the next year.

> "So, we have to ensure that, well, the money actually runs out at the end of the year and that always sounds a bit (strange). Our primary goal is not to make sure we spend. It is the most important thing, of course, to do it the right way, but at the same time there is pressure to spend. Because at the end of the year you can only carry over to the next year to a limited extent what you have not spent."

The second argument for spending the full budget relates to the performance evaluation. A controller in MFA 2 shows that the ministry's results are measured based on expenditures. Not spending the full budget of the MFA or specific departments is equated to not achieving the planned results.

> "Our government, what our Parliament (evaluates, is) what we have achieved, and this is usually not done in the results, but in figures. (…) They will say, oh, then it means you haven't reached your results because you haven't spent the budget."

Having established that budget holders must end at 100 percent utilization; we now turn to the institutionalization of this logic. To start we will discuss the financial logic at the budgeting department, then at a central policy department and lastly at a foreign mission. A manager in the budgeting department of MFA 2 displays a prime example of the financial logics while also acknowledging the presence of a political logic as a contrast to the financial logic they identify more with. They mention that they are knowledgeable

in the budgeting and budgetary problems which in this context refers to the balancing of the budget. They also mention that the thematic departments focus instead is on the themes which refers to specific policy objectives divided to the different thematic departments.

> "I have limited understanding of the (political work). I understand budgeting, solving budgetary problems, negotiating finances, but the thematic departments understand the (political work)."

Moreover, the manager continues by giving an example of receiving a financial claim from a head of mission and says that the first thing they look at is if the claim fits within the budget, and then how it aligns with the objectives and results they want to achieve on a political level.

> "Sometimes I get an email from an ambassador like: 'we would like more and we have limited space here or we would like to do this and that' and then I say 'I get it, but first the central budget holder must first see if it fits in their theme of what they want to achieve within the budgetary framework, and then if it also contributes to the objectives and results we want to achieve."

Secondly, we find evidence of the financial logic at a central policy department, where a thematic department controller describes the procedure of checking if a project fits in the budget space and first, afterwards considering the policy dimension.

> "And I was always there (a foreign mission) the controller as well. So, for every contract we signed for a project in the fields to finance, I mean. (…) I will see, OK, the budget is fine, and it fits in our policy, and we go for it."

Lastly, we observe a financial logic at foreign missions. When asking one interviewee in MFA 2 about the importance of balancing the budget and dealing with uncertainties, their response included the statement that they are always reflecting on budgetary issues throughout the year, thereby making sure that it will balance at the end of the year.

> "It's always in your mind, how is the budget going? How is the budgeting going?"

In sum, we identify a financial and a political logic within both cases. The logics are institutionalized throughout the entire organization and shape the behavior of organizational members. The financial logic concerns balancing the budget ensure that there is no over- and no underutilization of the allocated funds. The political logic concerns the implementation of political ambitions for instance through a set of policy objectives. In the next part we will discuss situations in which these institutional logics conflict and cause a tension that is managed in various ways.

4.2. Managing Institutional Complexity

This section discusses situations in which the two institutional logics' prescriptions are competing and thus cause institutional complexity, and how the organization employs five different tactics to manage these tensions. The first three tactics are already theoretically established – structural differentiation, decoupling and compromise. The fourth and fifth tactic we add are situational dominance and institutionally acceptable gaming respectively.

4.2.1. Structural Differentiation

The first tactic to manage institutional complexity is structural differentiation. This tactic concerns the separation of logics into different organizational units to avoid conflict between competing institutional logics (Carlsson-Wall et al., 2016). In both ministries we find some form of structural differentiation. The most salient example is that in both cases the budgeting departments are a separate unit from the rest of the organization. Since these departments are tasked with coordinating and planning the budget, one could assume that they largely exhibit a financial logic. In contrast, central policy departments and foreign missions are likely to show more adherence to a political logic, as they have more prolixity to implemented policies. Important to note is that we still view institutional logics as abstract ideas permeating the organizations, meaning that both are omnipresent.

So, structural differentiation commonly results in departments with specific functions, requiring the use of a particular logic, being separated. This way an organization attempts to avoid conflicts by assigning specific expectations to certain departments and roles such as the coordinating task for the budgeting department. One budgeting manager in MFA 2 notes that they specialize in budgeting, bottlenecks and negotiating with finances, and opposes these tasks with thematic, or rather political work.

> I don't understand the theme (political work). I understand budgeting, solving bottlenecks, negotiating with finances, but this theme is management who understands the theme.

In this sense, the financial logic might be premiered in the budgeting department, but this does not equal an absence of the political logic. One controller in the budgeting department notes that they say 'no' to some claim according to the financial logic, as the claim would affect the budget balance. At the same time, they feel conflicted because they know that all budget holders are likely to end up under budget and that saying 'yes' to this claim would likely lead to more political work.

> "Sometimes you have to say no to some projects (political work), especially knowing that you will have some money left at the end of the year."

However, as discussed in the literature review, structural differentiation may not manage the tension entirely, but rather move it to the periphery. For instance, structurally

differentiating the financial logic in the budgeting department can cause issues when they interact with other departments. In MFA 2, each budget holder gets assigned a controller, who supports the budget holder with their budget and communication with the central budgeting department. One such controller describes that the communication between the central unit and the budgeting department can be rather difficult, implying a tension. However, by being present as a controller for that specific unit, the interviewee can form the bridge between the two departments and provide a more nuanced view, because these controllers actively work with both financial and political logic on a daily basis.

> It becomes hard when the budgeting department is speaking to the thematic departments themselves without including us as a control, because then you know that the conversation goes all kinds (of ways). In my experience, it works best if there is three of us in the conversation, the budgeting department, the person in charge of the specific theme and also somebody from the control side.

Even though MFA 1 also has a structurally differentiated budgeting department, communication between the budgeting department and other units are formalized through operational and budgetary dialogues. In this sense, there is constant communication between different departments. The continuous dialogue enables the budgeting department to coordinate the budgets in a balanced manner. One controller in the budgeting department who previously worked at a foreign mission explains how through the operational dialogues the bridge between the budgeting department and foreign mission is managed. It is not easy for the central budgeting department to understand the local context. On the one hand, the budgeting department listens to the needs and context of the mission, and on the other hand the mission understands the financial situation of the organization as a whole. Moreover, on the formal dialogues later in the compromise part and discussion.

> My experience was that we received what we needed, so my experience was good. We felt that we were listened to, and our need was understood and met. (…) It helps to have a dialogue throughout the year and make sure that this (budgeting) department also understands the mission abroad their needs. It is not always easy for (HQ) to really understand what the issue is all the time. Because certain things are locally connected that is not always easy to understand if you have not been there, just to see the complexity of certain things.

To summarize, there is structural differentiation in both cases where the budgeting department mainly tasked with coordinating the budget is separated from policy departments, which moves the tension to the interdepartmental interaction.

4.2.2. Decoupling

The second tactic to manage institutional complexity is decoupling. Here, one manages competing prescriptions of institutional logics by only symbolically adhering to logic x while behaving in adherence – compliance – to logic y (Brunsson, 1989; Carlsson-Wall et al., 2016; Gebreiter & Hidayah, 2019). Within both case organizations we find evidence for this tactic being used. For example, MFA 2 has formal documentation regarding the reallocation budgeting procedure stating that giving back budget will not have

consequences for future budgets. This signals adherence of the central budgeting department to the political logic, by giving those following the political logic some degree of flexibility within their budget. This reduces the pressure from the financial logic and allows budget holders to focus more on the political work.

> "Giving back budget will not have consequences for budget allocations in future years."

Despite this formal position of adhering to the political logic, there is situational decoupling, where the budgeting department still reduces the budget allocation for the coming years, in accordance with the financial logic. Therefore, adherence to the political logic is situationally symbolic. In some scenarios, the budgeting department sees a budget holder consistently end up under budget, and to prevent further suboptimization they reduce the budget overtly, while in some cases covertly. In the below example, an interviewee from the budgeting department of MFA 2 notes that by assuming budget holders will not spend all their budget, they can allocate more than they have. This is covert decoupling because in reality the budgeting department already has a different purpose for the funds allocated to budget holders that are often below budget.

> "If it's (the budget holders) not giving back the money, we cannot use it. Although this is not fully true, when we give the budget we always make sure that the budget is a little bit higher than the real budgets are. I already take into account that some money will come back throughout the year. (…) These are a not huge amounts."

Moreover, budget holders experience pressure from the budgeting department to overtly take budget if the budget holders are not using it. One interviewee at a central policy department note that when they show that they have to "fight" to get the allocation back in the next annual plan. They further describe that it is not easy to secure the future allocation when you have recently ended under budget.

> "Oh, and (if) there is (a) delay in in a project so we cannot pay this amount this year. So, we give it back to the Budgets Department, how will it go next year. Well, that, that is of course (what) we are fighting for in the next annual plan. We reapplied for these payments. We have to pay because it's based on agreement. So that is always a good basis to apply for it with our budget department. Of course, you know, it is always work. I mean, you really have to invest in it."

The tension between the political and financial logics here lies in the future operations. On the one hand the political logic wants to have access to as much resources as possible and flexibility to adjust if necessary, so one can achieve their political ambitions. However, the financial logic dictates that the budget must balance. If one is not able to fully spend the budget this period, what guarantee is there that one is able to do so the next period? The financial logic then dictates that one should be "realistic", so that actual expenditure equals planned expenditures. A budgeting department controller at MFA 2 illustrates that budget holders ask for as much funds as possible in the budget plans, therefore showing ambition in the figures. Simultaneously, the budgeting department wants the budget holders to be realistic so that the planning is realistic and the budget balances.

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> "That is always getting the right balance into the figures. There is always some ambition in the figures and what is realistic that balance is always difficult to find."

Within MFA 1 we find examples of decoupling as well. One salient example of decoupling is illustrated by one interviewee who mentions that budget holders still have the mindset that they do not want to use 100 percent of their budget, but rather end up a bit below. This shows decoupling on the side of the budget holders, where the formal directives dictate that one should use the full budget, but in reality, the budget holders end up under-utilizing their budget. Thus, the budget holders only symbolically adhere to the financial logic. As a budget department manager describes:

> "A challenge that we have is that the (budget holders) still have the mindset that you do not want to use 100 percent of your budget. You rather end up with 97 percent of the outcome than 103 percent."

Important to note here is that similarly to MFA 2, part of this underbudgeting likely comes from ambitious planning, understood form the same manager's statement.

> "But there is also a perspective (…) which is rather classic, that has to do with budgeting, you always think that you will be able to do more in a year than you are actually able to do."

In summation, there is evidence of decoupling in both cases. First, the central budgeting department in MFA 2 shows decoupling where one claims that giving back budget has no consequences for future allocations, while in reality the budgeting department tries to reallocate the unused funds to other budget holders in need of funds. Secondly, budget holders decouple by symbolically saying they will use the full budget, while in reality most end up under budget, unable to execute all their plans and spend all the budget due to uncertainty in the work.

4.2.3. Compromising

The next tactic, compromising, occurs when you forego part of one logic in favor of another (Abernethy & Stoelwinder, 1995; Carlsson-Wall et al., 2016; Kraatz & Block, 2008). Compromising as a tactic to manage institutional complexity is used throughout the organization and comes in different shapes and forms. In this part we will focus on one specific example of compromise in the funding allocation process and three organizational elements seemingly encouraging compromise: the rotation of staff, formal and informal dialogue, and education.

The example of compromising with foreign missions recurringly coming in under budget. Since there is often some hesitance to give back budget for fear of not getting it back. A common response from the budget holder is to claim that they still need the funds. In this scenario the budgeting department would compromise by proposing a partial budget cut. In this way, the budgeting department compromises between the financial and political logic by allowing some budgetary slack in the service of the budget holder fulfilling their objectives. A controller in MFA 1 describes this compromise process by exemplifying

one budget holder who is systematically under budget with 10 percent, where the budgeting department suggests a cut of only seven percent, so that they still keep some of their flexibility, but at least the budget is not as imbalanced as before.

> "Sometimes what we see is that okay this mission maybe will use 90 percent of their budget for several years. Then I would say the budget is too big and propose to cut the budget for the 7 percent, not the full 10 percent. But I think they would probably argue no I need it because of something, then I would still cut it. Unless they have a really good argument, and they have used the full budget for several years. Okay, then I know, now you can have this, maybe."

Another example is given by a budgeting department manager of MFA 1, where they highlight that no one ever gets exactly what they want, implying the partly foregoing of the political logic and financial logic, so that both get part of what they want. When one claims more funds, they get allocated only partly what they ask, and are required to find the rest themselves through reprioritization.

> "Nobody ever gets exactly what they want. So, there is very, very high pressure. And then the reply they give us is: 'we know you wanted x million, but you are just going to get a fraction of that and the remainder you need to find through reprioritization in your own envelope."

Compromising does not only happen when budget holders end up under budget, but also when the budget is exceeded. The budgeting department permits expenditures exceeding the budget if the reason is legitimate, and they are notified in a timely manner before the end of the calendar year. In MFA 1, a budgeting manager explains the compromising mechanism through which they allow flexibility for the budget holder while balancing the budget at the end of the year. There is a risk of an imbalanced budget here if the budgeting department has incomplete information, and therefore they put pressure on budget holders to provide timely and realistic information.

> "We need to know which embassies are at the risks of surpassing 100 percent and which embassies are going below 100 percent. Because we need to keep track on this during the year. So, we have this huge Excel spreadsheet where we put in these risks, it might not yet be a realized risk, but a risk for overpassing. We then have a mechanism, (..) allowed surpassing or allowed underpassing of the budget. We do not punish them for that, if they have a good reason for it. But we want to know, if they say, they can't end up on the 31st of December at 103 percent without having told us early on, they should know that."

In the above instances the budgeting department compromises by temporarily foregoing parts of the financial logic. They then try to manage the situation of an unbalanced individual budget by re-allocating the funds to make the aggregate budget balance.

In MFA 2, the budgeting department work in a similar manner, but instead of allowed exceedance of the budget, they work with 'soft landings', meaning that foreign missions have the discretion to overspend, if they can rationalize it according to the political logic afterwards. An interviewee in the budgeting department explained how this is feasible due to there not being any formal payment stop in place.

> "Because we don't have a cut or a budget stop once (the budget holders) reach their budget, they can continue, there is no payment stop being there."

This could be interpreted as a compromise between the financial and political logic. The financial logic would state that you do not want to exceed the budget while the political logic would be concerned with the political interests being realized. By allowing budgets to be exceeded, one foregoes part of the financial logic to further the political. Apart from clear, direct compromises, the case organizations also adopt tactics to encourage compromise which will be discussed below.

The first form of encouraging compromise by design, is the tactic of rotating staff across departments and roles every few years. One interpretation of this practice is to avoid employees becoming entrenched in a particular role specific thought pattern which might limit perspectives and ability to cooperate effectively with others in the ministry. One example of this is given by a controller who recently transferred from a foreign mission to MFA 1's HQ as part of the rotation tactic. The controller mentions that HQ is not always capable of seeing the true needs of the foreign mission, and vice versa they at the foreign mission sometimes had trouble understanding decisions taken by HQ. They further explain that having experience from both sides is helpful to understand the different perspectives.

> "For me I have not worked in HQ for the MFA, so understanding HQ and the set-up and organizations of course helps to drive forward and to get the decisionmakers to realize and to understand the situation to why we need this kind of resource now. (…) Of course, it is much new information and more understanding of HQ's point of view on why things happen in a certain way or why certain decisions are denied or approved. This is much easier to understand of course. So having both points of view is very important. I wish that more have that also. Not all are rotating out."

The political logic here implies that HQ understands the needs of the foreign mission so they can perform the political work they think best suits their situation and is in line with the political ambitions. The financial logic influence here is that the missions might not always get all requested funds, as the budget must balance. The tension is therefore between balancing the budget and realizing the foreign mission desired projects. The rotation practice could in this scenario aid in the understanding between the different parties because employees understand the other sides perspective, which later can create a forum for compromises.

Similarly, to MFA 1, we observe rotation of staff in MFA 2 where a foreign mission controller has worked at HQ before. They state that having worked there previously, increased their empathy and understanding of HQ's position, even in situations where they don't necessarily get their requests fulfilled. The controller put in the following way:

> "You realize that you can't do everything (sending in all types of claims as budget holder), but on the other hand, I've been working for seven years in HQ, so I know how the procedures work and how the way of thinking is. So, I do have understanding for their position as well."

The second forum for compromise materializes through dialogue. Dialogue forms the basis for organizational management within the MFAs and is the playing ground where the political and financial logics come together and offers room for compromise.

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In MFA 1, there are formal operational and budgetary dialogues in which different parties, such as the central budgeting department and the foreign mission, come together to discuss the situation at the foreign mission in question. According to the political logic, the needs of the foreign mission must be met, as they know best what is happening operationally in their regions. According to the financial logic the budget must balance. The tension here is that foreign missions need more funds to perform their political work which HQ might not be aware of before the dialogue. This tension is managed by dialogue between different parties, where the foreign mission gets to list their plans and needs while the budgeting department explains the budgetary situation. In the example of a controller who used to work for a foreign mission, a contact person from HQ visited the foreign mission, where the mission got to show why they had the needs that they had, and thereby felt like they properly informed the contact person, who then understood better how the political ambitions come to life for the specific foreign mission.

> "It (getting approval for a new investment) takes time, that is why it is important to have the continuous dialogue throughout the year, and not wait for the main dialogue in September. This way you prepare (HQ) for the issue and hopefully, maybe you have been here also in (HQ) for training or visit or whatever it is, and then it is easier to meet or like our focal point, she came to visit (the foreign mission), which makes it easier to communicate and show certain this that we could not show or talk about all the time, by phone or so. And then it gets much easier, so dialogue throughout the year is the, I think best way to deal with this."

Similarly, in MFA 2, there is dialogue between the foreign missions and HQ. However, here the dialogue is more informal, as formal communication about financial claims flows through the BAS system. According to the political logic the foreign mission wants to share their political situation and HQ wants to know this, but according to the financial logic the budget must balance. The central budgeting department is not fully aware of the political logic, which is then solved by the informal contact. The foreign mission gets the central department to compromise and forego part of their financial logic to give more funds, even though the budget then does not balance anymore.

> "It's not so much contact because it's, yeah, it's a system (...) but if I have a question about a budget that's for a thematic department (...) I will just contact someone from the control unit there and say, well, I have a problem, I need more money (...) Can we discuss it? (...) it's up to the each individual if they want to contact the thematic department, there is no formal process as such. (…) the more contacts you have, the better it is. Then you can say: give me some more money. We need it. Remember, I did you a favor last time."

The third form of building towards compromise is through trainings, manuals, and other forms of education. In some cases, one does not understand the other logic and therefore has trouble adhering to it. The MFAs use education on certain topics to let organizational members understand what following a political or financial logic means in certain situations. The end goal then is that most individuals have the knowledge to adhere at least partly to each important logic. One controller of a thematic department in MFA 2 describes how they knew a colleague that is good at compromising between the two logics and could both deliver good political work while staying in control of the budget. This

shows that to effectively find compromises, one requires understanding. However, not everyone shows this skill to internally compromise and manage the tension between the two.

> "There was a guy who was doing the water program, he was always top notch. He understood that yeah, that he had to be in control. (…) So, you see various degrees."

Moreover, in MFA 1 a controller who used to work at the foreign mission explains that they were inclined towards the financial logic and was not aware of all aspects of the managerial aspects of political work at the foreign mission. Through education, they find understanding towards the political logic, and this allows them to compromise in their daily work. Also, the trainings and manuals this individual presented to others in the MFA helped them to spread understanding of the budgetary procedures, so they stay in control.

> "Yeah, of course. This is why we have the trainings, and this is why we have manuals. For me it was the first mission, I did not have any managerial experience, for example. So that area was new for me. My knowledge was more in the finance. Many other have it the other way around, they do not have the knowledge in the finance and that is why we need to have these trainings and make sure that all are doing it in the same way."

In short, compromises are showcased in both cases through partial allocations or allowed under- or surpassing of the budget. Additionally, through dialogue, rotation of staff and education of individuals, the organization has created forums for compromise. In these ways, the organizations find a workable way to handle competing prescriptions of logics.

4.2.4. Situational Dominance

The fourth tactic to manage institutional complexity is *situational dominance*. This tactic entails compliance with one specific logic due to situational pressures extremifying the underlying hierarchical ordering of institutional logics (Carlsson-Wall et al., 2021). This tactic differs from compromise because there is compliance to a dominant logic, instead of a combination of logics. Additionally, it differs from decoupling because there is no symbolic adherence to the alternative logic, it is openly suppressed. The situational pressures we will discuss refer to a lack of time and the significance of political consequences of a decision taken or not taken. With the knowledge that an MFA is prone to face crises and exhibits bureaucratic pressures in the form of procedural deadlines, situational dominance is a relevant tactic to deal with institutional complexity. Two examples will be given below where first the political logic dominates in the situation of a crisis in Country S, and the second example showcases a dominant financial logic in the situation of budgetary deadlines.

A first instance of situational dominance is observed when a manager in the budgeting department of MFA 2 provides the example of repatriation flights from Country S. As explained by the interviewee, a repatriation flight is an exceptional flight organized by a government to bring its citizens back to their home country during emergencies or crises.

The presence of national citizens of MFA 2 at the conflict in Country S caused a high-pressure situation where decisions needed to be taken in a short time frame that could have significant political consequences. The extra expenditures require a comprehensive financial solution to make it fit in the tight budgets. This consideration is temporarily sidelined due to the importance of the political situation. Thus, this shows dominance of the political logic. Because the repatriation was executed in coordination with the Ministry of Defense, and without the budgeting department's involvement, an uncertainty arose regarding who pays the bill. The absence budgeting department in the crisis talks signifies the suppression of the financial logic.

> "During the crisis in Country S, we sent repatriation flights to retrieve our citizens. (…) Budgeting professionals were not present during meetings where the operational decisions were taken (…) Often the budgeting department is contacted only after the decision is made that a certain amount of budget needs to appear. In the case of Country S, the budgeting manager and his team found budgetary space in other areas and used it to cover the costs of this crisis. However, the lack of clarity and exclusion of the budgeting professionals in the meeting where the decision was made caused the bills to remain unpaid for a long time."[1]

Furthermore, the budgeting department at MFA 2's internal documentation concerning crisis situations explicates that the budgeting department has the responsibility to take over the financial concerns of the crisis response so that the other involved parties can comply fully to the political logic and make the best decisions in the given situation.

> "The budgeting department has the responsibility to relieve the involved directorates and foreign missions with regard to the finances of the crisis response."[2]

The combination of assigning the financial logic to the budgeting department and then sometimes excluding them from the important decision-making moments shows that the political logic had a higher hierarchical ordering at the time of the crisis in Country S. One can find financial space later, however one cannot deal with the crisis later. The time and political pressures resulting from the crisis strengthened this ordering and resulted in the temporary suppression of the financial logic.

An additional example at MFA 1 displays the situational dominance tactic in use where the political logic is strengthened in its hierarchical ordering. A manager in the budgeting department of MFA 1 discussed a similar situation to that in MFA 2, where an embassy had to be relocated back home on extremely short notice, due to a deterioration of the political context. In this situation, the costs of relocation are significant and difficult to predict, and the pressures are high to deliver a prompt and appropriate response, as the embassy housed two other countries as well. These pressures result in dominance of the political logic and the priority becomes to ensure the safety of staff, rather than balancing the budget. Although the budgeting department was present at the meeting, budgetary

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[1] Accuracy disclaimer: this quote rests upon notes taken during the interview as there was no opportunity for recording.
[2] Accuracy disclaimer: this quote is translated from its original language which might influence wording.

considerations became a secondary concern, instead of being a source for decision making.

> "We have the situation we had in Capital B in the summer where we had to relocate our embassy from one day to another to (Capital at home) and that was also an embassy that housed two other countries in the embassy. All of a sudden, we cannot provide them with the chancellery for their embassies. And the security costs, which are extremely costly with the security challenges. And it happens so quickly, it is difficult to plan for."

The number one priority is ensuring the safety of staff, however, there does not appear to be full suppression of the financial logic. Instead, the budgeting department is involved in the process, ensuring that the budgetary considerations are met. When talking about these kinds of situation an interviewee in the budgeting department stated:

> "I think the budget needs to be definitely in all of these situations because (…) you need to have the space to take these actions."

Besides situations in which the political logic dominates, we find situations in which the financial logics can dominate. This shows that the tactic of situational dominance depends very much on contextual factors to decide which logic will dominate. The context when the financial logic dominates tends to depend on a temporal aspect as introduced by the budgeting cycle. The cycle is a formal process where in both cases there are multiple moments upon which budget holders within the MFAs are held accountable. Especially when the deadlines approach, the pressure to have a balanced budget dominates. For instance, near the end of the year, when next year's budget is finalized. A manager in the budgeting department of MFA 1 shows that the cycle is a very tight process. The budgeting department does not get to hear their final allocation until, and until that moment they are reluctant to allocate the resources they are not certain to get. According to the financial logics, the allocations must result in a balanced budget, and therefore they wait with giving information.

> "We are trying to not give answers before because it's quite last year it was a very tight process, because we didn't our numbers on how the big foreign ministry budget was until just a few days before we are to decide on their budget so it's also walking in the dark."

Next to being careful in giving off signals, the financial logic dominates when close to a budgetary deadline. For instance, a manager in the budgeting department of MFA 1 explains that they do not wish to be surprised with any changes to the budget. The budgeting department will be extra strict during these deadlines and push back on all claims.

> "But we are very strict, we do not want to be surprised December 31st. We want to know both the (budgets) that are going beyond and the ones that are going below. That is how we balance the budget at the end of the year."

To further exemplify the dominance of the financial logic during these moments, we hear from a controller to a central department in MFA 2 that they will be rather strict to any claims by the budget holder in the last few weeks of December. She acknowledges that the project might be worth it according to a political logic, however the financial logic dominates due to the pressure to balance the budget at year-end. The controller then says

that the claimant is too late and will have to wait for the next calendar year. The political logic is thus suppressed, while the financial logic dominates when close to budgetary deadlines.

> "But (close to a budgetary deadline) some will come with: 'oh, I do have a very nice proposal or two million'. I said: 'Well, thank you, but too late!' (…) If it's fits in the policy (according to political logic), I would say it's a condition, I mean that that must be clear. But I have to apply in advance for money. (…) So, if you really know how it works, well, then a lot of things are possible. But (..) I really had to disappoint him. I said: 'if I do not apply for it, then I do not have it here. There's not a bucket of money here next to my, next to my desk.'"

In contrast to having too little funds for more political projects, the opposite is not uncommon. One controller of a foreign mission explains that they had a lot of money left unspent. In MFA 2 there is a payment stop in December, whereafter no more payments will be made until the year end closure has been completed. Budget holders must thus spend all their allocated funds before this date. The controller and head of mission feel the pressure to spend 22 million leftover funds within six weeks. Here the payment stop deadline in December exerts pressure and promotes a financial logic.

> "We stop paying, let's say in the first week of December. So, from now till the 1st week of December, it's around 6-7 weeks. So, we have to expense for Embassy C of an amount of 22 million in the last six weeks, so that gives pressure that it gives pressure."

Summarizing, high pressure, explicitly time and impact pressure extremify the underlying hierarchical ordering of institutional logics and thereby cause one logic to dominate and the other to be suppressed. Additionally, we found that depending on the situation, the political logic dominates during crises situations while the financial logic dominates when budgetary deadlines in line with the budgeting cycle are near.

4.2.5.   Institutionally Acceptable Gaming

This final part of the empirical analysis discusses gaming like behavior from an institutional logic's perspective. Gaming behavior originates from the budgeting literature and has often been conceptualized as actions in budgetary processes which are not against any rules, but seen as somewhat manipulative or exploitive, for personal gain or to achieve specific objectives (Christiansen & Skaerbaek, 1997; Jensen, 2002; Libby & Lindsay, 2010). Typically, the concept has had a negative connotation in budgeting literature (Christiansen & Skaerbaek, 1997; Hopwood, 1972). We however posit a more positive interpretation under specific circumstances. Rather it can be interpreted as a way to manage organizational complexity. The behavior is acceptable because everyone acknowledges that it meets certain requirements, those being that it serves a purpose for the organization as a whole by allowing objectives to be put forward by both institutional logics to be satisfied, at least to some degree. The tactic, *institutionally acceptable gaming* (IAG) differs from the others as it is described as behavior deviating from intended budgeting processes but still in accordance with the institutional logics and thus tacitly tolerated throughout the organization. The tactic seems similar to decoupling, due to the behavior's tacit nature, but differs as one does not necessarily behave only in accordance

with one logic. Rather, the organization finds a balance between the competing logics through the set of compliant and combinatory efforts of individuals. We argue for IAG by first setting the scene for the games to be played, and then by giving seven specific examples.

In both organizations, receiving a higher resource allocation allows one to make more progress towards political ambitions and stay in the budget. In addition, having more resources available allows you to work with a safety margin, or buffer. This safety margin is especially helpful for budget holders that operate with significant uncertainty in their operations. This indicates an objective related to political logic, where it competes with the financial logic if the safety margin leads to underutilization of the budget.

To exemplify one type of uncertainty, a controller of foreign mission X in MFA 2 brings up that there has been a coup d'état in Country N. The coup means that some diplomatic relations with the government are temporarily suspended, implying that the foreign mission cannot spend all their allocated budget. In spite of this uncertainty, the head of mission is optimistic about their ability to spend 34 million and decides to not give back budget. According to the political logic, the political work takes precedence over the risk of underspending the budget, which results in tension with the financial logic.

> "For instance, Country N, we had the coup d'état. (…) We don't have contact with that government. (…) if they (head of mission) say no, we will commit new programs (political work) in 2024 and we need that cash money, the 34 million then I cannot say I don't agree. (…) It's very uncertain when a transition government will be installed. So, it is also very uncertain that we will spend all those 34 million and I think we don't spend that money, but he is the boss."

The head of mission's reluctance to give back allocated funds is not uncommon among budget holders at both cases. This reluctance becomes problematic from an organizational standpoint, as giving more funds to every claimant result in suboptimizations in the total budget, which one interviewee in MFA 1 highlights.

> "I think a challenge in a decentralized organization is that there tends to be a suboptimization in the resource process. Because everybody always asks for more money, everybody wants more of a safety margin in their budget, (…) everybody says: 'of course we are going to do a 100% budget fallout this year'. (…) … if 106 entities play it safe "yeah we are going to need our whole budget this year", at the end of the year you end up with a part of the budget which is not used and could have been used for other..."

As one controller in the budgeting department of MFA 2 describes, it is not a problem for budget holders to get more funding, while receiving less is a no-go for them. The tension between the institutional logics that is caused by the reluctance of budget holders to give back budget results in what the interviewee calls 'the game we have to play'.

> "Having additional money is never an issue, but if you have to get if you get less money, it's getting really an issue then people always think that their project is something very important. It cannot be lowered. That that's always the game we have to play."

At the same time, some foreign missions rationalize according to a political logic that one does not like to give back budget, because one wants to promote the MFAs policies to the best ability.

> "Don't get me wrong, but it is also a game what you play all together (…) concerning the money and as (..) the ambassador in (Country N) as a budget holder, it doesn't feel good that you that you give your money back because you are there, and you want to promote (Home Country) into (Country N)."

The ensuing tension between always trying to maintain or increase your budget allocation and having the budget balance results in a set of behaviors resembling IAG from different parties. All parties within the respective cases are aware of most behaviors we will describe in the following parts. Following this line of reasoning, we posit that the IAG behavior that follows below is institutionally accepted and results in the management of tensions between the political and financial logic. We will now highlight seven examples of gaming behavior: *No-saying*, *Previously successful arguments*, *Cost framing, Covert signaling, Voluntary contributions, Timing of payments* and *Adjusting project length.*

The first tactic is *no-saying*. According to a financial logic, the standard game is to always say 'no' to any financial claim. Additionally, saying 'no' as a standard answer is also rational according to the political logic. By always saying no, you create a precedent where individuals do not come knocking with just any claims. The MFAs have limited resources and there are specific political priorities. As a manager in the budgeting department of MFA 1 argues, they want to ensure that resources are spent most effectively for political projects, while also keeping the budget balanced. Prioritizing one budget creates the challenge of having to down-prioritize another budget.

> "If we are to prioritize certain question (…) we need to downsize here and also see the consequences, so we need to give them more often the whole view of the situation both the political and the budgetary situation to be able to make a correct decision and to know what the cost what the costs are for certain decisions."

Another reason for always saying 'no', is that the budgeting department has uncertainty regarding the aggregate budget, as it depends on the external budgeting cycle. A contact person at MFA 1 explains that because they do not have certainty to the level of the aggregate budget, they always say no to any financial claims.

> "In general, the answer is just no. There is no extra money. But that is how it is. We still have uncertainty about the size of the budget so clearly, I cannot promise anything."

From a political logic, the idea of saying 'no' is that if one really needs the funding, they will try harder than just ask once to get the funds. This way, the initial wave of "wishes" and "fantasy" asks are filtered out. A contact person in MFA 1 continues by providing nuance to their 'no'-reaction, where if there is a real need for an extra allocation, they can find a solution.

> "But I do a judgement call if something is really, really needed (…) For instance, someone quit, and they have the right for severance pay, I mean they cannot avoid it. (…) But if it is more like a wish, then I would just say like no there is no such possibility. If they have a reasonable

argument let us say and it makes sense, I will say okay we will have to see how for example the solution can be."

So, the game that is being played here is that the standard answer to a financial claim is no, there will be no additional allocation of resources. Yet, if claimants show persistence and can pull the right strings, by balancing both the financial and the political logic, one might find more success.

However, another manager in the budgeting department of MFA 1 illuminates a downside to using the 'no'-saying argument. If the one always declines the claims, claimants might refrain from bringing new claims in the future. This is problematic because claims carry signals from the budget holders as to their future plans. Being too restrictive might reduce signaling, and thus the MFA could be missing out on political opportunities or preventable political risks. So, the manager highlights the balance that must be struck within the no-saying game. The manager mentions that they may not make the best decision, which refers to the potential political opportunity or risk.

> "It is important to not be too restrictive because my team does not want to end up that we have been so restrictive that at the last days we can say ok we have budget space because then we do not make the best decision (and) we do not build any trust. (…) And make sure that they can share information with us and say due to a, b, and c this year we are not able to fulfill the forecast we had for our budget, but next year we are planning this, this, and this and then we will need that space to be able to proceed in those matters."

In reaction to the 'no'-saying tactic, budget holders engage gaming behavior as well by trying different gaming tactics to get extra funds. One example of gaming behavior budget holders employ is using *previously successful arguments* and specifically those relating to events outside of their influence sphere with significant impact. A contact person at MFA 1 highlights on such example where the budget holder continues to use the argument of increased costs due to COVID19, even though most direct effects on the budget have been over for two years. We find the reaction of the contact person that they 'could give me something better' strengthen our argument that all are aware that a game is being played and that it is accepted.

> "For example, now I have heard a lot last year and then I hear it again this year because of the COVID effect they could not spend their budget, but this year they will! And then you know if I heard it last year and I hear it again now I'm like, hmm, really? (…) it was a valid argument, but now they could give me something better."

Another example is observed by a controller in the budgeting department of MFA 2. The controller mentions that budget holders might optimistically expect to fill open staffing positions and will budget for it, even though the scenario that they will not fill the position this year is significant. Both parties are aware of what is happening and still play along.

> "Yeah, but now we have the annual process, they don't give back any money because everyone expects the people to arrive during next year or the year after that. In practice, they don't. They will not have the right people in place, but OK, in theory we have to accept expectations that the people will come."

The third gaming behavior we notice is *cost framing* across different expense categories. One example, described by a budgeting department manager in MFA 1 illustrates how a foreign mission seeks to secure additional funds by associating their expenses with a designated priority situation. In this scenario, projects linked to a specific international organization hold a prioritized status. Consequently, the foreign mission seeks to align their projects with this priority, even if it requires a stretch, to secure additional funds.

> "There are missions in (Continent A) who thinks that ok but this is (International Organization X)-related so they are reading it in sort of biased and trying to be creative."

Similar patterns emerge within MFA 2. When presenting a case for a project, an embassy controller detailed their approach of framing the project under a specific theme, aligning it with a thematic department that typically addresses different issues. This cost framing arises from the absence of a dedicated thematic budget for the specified area. Consequently, they argued that the project's benefits extend to the other thematic department, justifying its inclusion. The subsequent quote from an embassy controller illustrates the scenario where an economic project is argued to also have a social aspect and therefore the economic department attempts to shift the costs to the social department.

> "They say, 'well, it's for (Department Economy), so economic, but it has a strong social aspect, which is more related to (Department Social) so they (Department Social) should be the ones to pay'."

The fourth observed tactic is organizational members attempting to use the financial claim system to do *covert signaling*. In MFA 2, where operational dialogues between foreign missions and central departments flow formally only through the Budget Adjustment System (BAS). Budget holders deploy a tactic where they send in a claim during the budget adjustments in August with the knowledge that there is no way it will be approved due to a lack of budgetary space. The idea is that the claim signals to both the budgeting department as coordinator and the central department as main budget holder that there is an upcoming project which the foreign mission would like to engage in. Because the project adds significant value to the political ambitions, the foreign mission wants to prime the others about their upcoming plans.

> "So sometimes if we do claims with the knowledge, it will be disapproved. But we do it just to (…) prepare the persons who will decide on budgets that this is coming up. So, (…) it will not be a surprise if we really do have to claim. Which really needs to be approved."

We see less situations of covert signaling in MFA 1 likely due to the difference in formal systems, where the operational dialogue is the forum where these signals are given. We do not notice a covert element to the signaling in the operational dialogues.

Besides the tactics described above, there are more institutionally acceptable gaming behaviors relating to the cash accounting within MFA 2 specifically. MFA 1 uses accrual accounting and thus these types of games impossible.

One of these behaviors is related to making *voluntary contributions*. Most projects that MFA 2 does are supported by signed contracts and are therefore rather fixed commitments of certain amounts of funds. There is a high willingness to keep the trustworthiness of MFA 2 high, and therefore little appetite to come back to these arrangements, as one interviewee makes clear.

> "An arrangement you signed, so there is an obligation for us. (…) But we, as the (Home Country) government. We always stand for our signature. So even though the other party cannot go to court, we would really like. To see that the last euro is paid. If they are entitled to do it based on the signed arrangement."

Therefore, managing uncertainty leaves little room for flexibility. In order to avoid situations where revisiting signed contracts becomes necessary, some budget holders in MFA 2 resort to utilizing voluntary contributions. The intentional inclusion of these contributions serves as a mechanism, allowing for adjustments to achieve full budget utilization, while maintaining the trustworthiness of MFA 2. Thus, the active choice to work with voluntary contributions is one gaming behavior budget holders can employ to manage the institutional complexity.

> "Then I go back to the United Nations again. We do have the contribution we have to pay. Of course, we are not going to change that. But sometimes for organizations we also do a voluntarily contribution. (…) We decide: 'OK, for this year we finance UNICEF, for example, for an extra 5,000,000.' As it is voluntarily, it's only what we wish. (...) It does not depend on a project proposal. Then we would guess there we had to make some cuts."

The sixth acceptable gaming behavior is steering through the *timing of payments*. If a payment is done in December year T, then the payment will count to the budget of that year. And if the payment is made in January year T+1, then the payment counts towards next year's budget. A controller in MFA 2 describes how one must be keen on this and use it to steer the budget towards full utilization.

> "You have to be keen on that and not asking. Let's say the call for. At the beginning of the year, then you have. Then you have no steering wheel in your hands, but asking to call for funds, let's say in August of September or October in every year."

Another controller in MFA 2 continues saying that they can bring forward payments that initially were planned for next year to the current year, to ensure that all this year's allocated funds are spent.

> "For instance, our budgeting departments from the financial side, they will say OK, please already give me a few big payments that we can leave as a last resource that if we see that our Development Corporation spending is not enough for this year that we actually have a few payments that we can already do in December for instance rather than in the in January."

Adjusting payments schedules is not the only way that cash budgeting allows one to balance the budget. This brings us to the last gaming tactic, which concerns *adjusting contract length*. By extending the program length the annual expenditure will decrease and therefore you will stay within your budget frames for the current year. An interviewee in a thematic department at MFA 2 mentioned it when asked if there is any flexibility in the budget.

> "And there's always a fantastic trick, you can extend the duration of a program, meaning that you lower your annual contribution."

All the above "tricks" exemplify institutionally accepted gaming employed to navigate tensions. Initially, to maximize political efficacy, one aims to commit to as many commendable projects within the allocated budget as possible. Nevertheless, as the financial year draws to a close, institutional complexities emerge. The financial logic demands a balanced budget of 100 percent, exerting pressure. Simultaneously, the political logic encourages generating maximum value in alignment with political directives. Consequently, spending the remaining capital on superfluous items is not a viable option. Cancelling programs and projects is also undesirable, as it would compromise their impact. Instead, to manage this tension, employees' resort to institutionally accepted gaming behaviors such as adjusting payment schedules or project durations.

The budgeting department at MFA 2 is aware that the above games are being played by budget holders. They devise a way to address this, ensuring that the collective budget remains balanced. This involves allocating more budget to the holders than the department technically possesses, based on the understanding that, in practice, most will underspend, thereby balancing the budget.

> "When we give the budget, we always make sure that the budget is a little bit higher than the real budgets are. (...) I already take into account that some money will come back throughout the year. These are not huge amounts, but there is some."

As previously discussed in the decoupling section MFA 1 faces the same complexity. Firstly, in the context of planning the foreign missions face great uncertainty while planning and generally it is difficult to realize all planned expenditures due to external circumstances. Secondly foreign mission prefers to be slightly conservative to avoid overspending. Something that the budgeting department acknowledges and consider responsible management. This practice does however lead to the secondary issue that if all budget holders' budgets conservatively the outcome will be below 100 percent of the allocated funds. Towards the end of the year this would likely create tension between the financial and political logic. According to the financial logic one must make the budget balance, however allocating large amounts of funds without sufficient time could lead to suboptimized allocation decision, meaning that you would likely have to forego part of the political logic. A budgeting problematized the situation in the following way:

> "A challenge that we have is that the organization still has the mindset that you do not want to use 100% of your budget. You rather end up with 97% of the outcome than 103%. That is because we have very responsible heads of missions out there. They do not want to come back to the ministry and say I could not make my budget, I surpassed it. (…) If you have that mindset on 106 embassies, all of a sudden that is a lot of money. We understand that because that is a responsible management thing to do. We do not want them to change this behavior, that is a good thing.

In order to avoid this tension and still allow the managers autonomy to plan in a responsible manner the budgeting department centrally allocates more funds to the budget holders, offsetting the budget holder's conservatism and potentially overambitious view on how much of the plans they will be able to realize. Another consequence of this is that the financial risk is moved to the budgeting department. The manager put it in the following way:

> Of course, what we would want is everybody to hit 100% but within the uncertainties that they are facing out there that is impossible to ask of every embassy worldwide. What we do, and we do not talk about this a lot externally, but when we say we put out the budget we say yeah, let's put out, say (a little) more than we actually have because we know that there will be an under, the outcome will be below 100%. That allows us to put out more money, more funding into the system, but still being short. That is a way to make sure we are landing on 100% as a total. (…) What it means is that my department is taking the risk. I am taking the risk. I am basically taking a risk that if everybody would hit their budget on 100%, we would be in trouble. But looking at 10 and 20 years back, that does not happen."

An interesting dimension of this is that the budget holders are largely unaware of this practice. In fact, one could argue that it almost relies on it considering that knowledge of this could result in them acting differently than anticipated which could have unforeseen consequences. Furthermore, from the budgeting departments view this knowledge is also not necessary to have as a budget holder. Higher organizational instances are however aware of the practice indicating an institutional acceptance. The budgeting department manager said it in the following way:

> "Very few people are aware of our overbudgeting. Of course, I am very open about it to the senior management team and our department, but it is not something that we talk about in the organization because there is simply no value in the information to the others. The value for them is just "what budget do I have". For them it does not matter if we have done an overbudgeting as a whole."

A potential interpretation could be from an institutionally acceptable gaming lens. Higher level management are aware of the situation suggesting institutional acceptance. Furthermore, the act of consciously not telling budget holders about situation could potentially be viewed from a gaming lens. In order to achieve the objective of a balanced budget the central budgeting department refrains from telling the budget holders about the extra allocated resources. In essence the practice is a type of financial management.

In sum, we conceptualize institutionally acceptable gaming as behavior deviating from intended budgeting processes but still in accordance with the institutional logics and thus tacitly tolerated throughout the organization. Then, we discussed seven examples of IAG in practice. In the next part, we will relate the main findings from the empirics to the previously discussed literature.

5. Discussion

The empirical findings presented in the previous section allow us to build and expand upon previous research on responses to institutional complexity: *structural differentiation, decoupling and compromise* (Abernethy & Stoelwinder, 1995; Brunsson, 1989; Carlsson-Wall et al., 2016; Greenwood et al., 2011; Kraatz & Block, 2008). The empirical data also suggests two additional strategies that we call *situational dominance and institutionally acceptable gaming.* In the table below, we present a summary of all the empirically identified tactics.

Table 1. Empirically identified tactics that manage institutional complexity

Tactic	Description	Examples
Structural differentiation	Avoidance of conflict through organizational separation.	- Separate budgeting department tasked to coordinate the balanced budget throughout the organization.
Decoupling	Merely symbolically adhering to one logic while complying with another.	- No consequences for giving back budget, but still reducing next year's budget. - Saying one uses the full budget, while ending consistently below.
Compromising	Foregoing part of one logic to adhere to another, thereby combining multiple logics.	- Partially cutting the budget. - Allowing some under- and overpassing of the budget.
Situational dominance	Dominance of one logic and suppression of the other due to pressures extremifying the underlying hierarchical ordering of logics.	- Political logic dominates during political crises, such as repatriation flights. - Financial logic dominating when budgetary deadlines are near.
Institutionally acceptable Gaming	Behavior deviating from intended budgeting processes but still in accordance with the institutional logics and thus tacitly tolerated throughout the organization.	*No-saying, Previously successful arguments, Cost framing, Covert signaling, Voluntary contributions, Timing of payments* and *Adjusting project length.*

In the rest of this chapter, we individually discuss the theorization of situational dominance and institutionally acceptable gaming in more detail, and end with discussing the reason for the multiplicity of tactics.

5.1. Situational Dominance

The first additional tactic we find is *situational dominance*. Extant literature indicates that in high-pressure situations the underlying hierarchical ordering of extant logics is extremified, implying that one logic dominates, and the other is suppressed (Carlsson-Wall et al., 2021; Iredahl & Wiklund, 2016). We conceptualize situational dominance as dominance of one logic and suppression of the other due to pressures extremifying the underlying hierarchical ordering of logics.

Where Carlsson-Wall et al. (2021) find that social controls filter the dominance of the particular logic, we emphasize different pressures from the context that drive dominance and suppression of the logics. Situational dominance is observed in two situations: a political crisis and upcoming budgetary deadlines. In the first situation, we observe dominance of the political logic during a political crisis. In one specific example, a repatriation was necessary. Because the situation required an immediate response, there was significant time pressure. Additionally, it would be politically problematic if the repatriation would fail, indicating the consequence of decision-making. These pressures extremify the underlying hierarchical logic, where the political logic is ordered higher than the financial logic. Consequently, the financial logic is suppressed, indicated by for instance that it was unclear how big the bill for the repatriation was and who should pay. More or less the opposite is true when looking at the second situation as budgetary deadlines approach. Because of the legalities and expectations from parliament, the impact of not making a deadline is significant. This pressures the organization to draw upon the hierarchical ordering, resulting in dominance of the financial logic and suppression of the political logic. In this context, the financial logic is ordered hierarchically higher. While according to a political logic one would start the project, this is not happening because proposals for projects or financial claims are disapproved when a budgetary deadline is approaching. This shows the dominance of the financial logic and suppression of the political logic.

Moreover, in MFA 2 we observed one instance of complete suppression of the financial logic as the budgeting department was not participating in decision-making processes for the repatriation flights. In MFA 1 however, budget matters were still included in the process. One potential explanation for the difference in suppression could relate to the centrality of the logic, considering that centrality has been seen affecting tensions between logics (Besharov & Smith, 2014). MFA 1 has more formal structures, such as the operational dialogues, to include and integrate the financial logic in the operations. This might indicate that the financial logic has a higher centrality in MFA 1 compared to MFA 2, which could pose as an explanation for why it was suppressed less in comparison.

Another factor influencing the tension between logics pointed out by Besharov & Smith (2014) is compatibility. Compatibility is something that Carlsson-Wall et al. (2016) concluded was situational. The question thus becomes, how the situational compatibility affects the situational dominance. Because the situations our case organizations have to deal with are multifaceted and complex, there could be situations where the institutional

logics are compatible and thus prescribe similar behavior. However, the pressure might cause organizations to not take the time to employ alternative tactics or respond in a way that complies to both logics, and therefore fall back on the underlying hierarchical ordering by complying to the dominant logic. Alternative responses like compromise and IAG might require more deliberation or time to play out respectively. Also decoupling is not always a possibility considering that the high pressure requires all organizational actors to be aligned to the organizational objective. Clear and direct communication might work better, for instance by stating that when a budget deadline approaches, all must focus on the financials. One final reason why the organization might employ situational dominance is that most know that the dominance and suppression are temporary, and therefore are more likely to accept the compliance to one logic.

This brings us to the temporal questions of at what point does the pressure reach a critical point where one logic can be called dominant and the other suppressed and when does this situation end. In the case of a political crisis, there is a moment before the crisis when there is still time to employ other tactics however at some point, sometimes unforeseen, the political situation can escalate and therefore create a sudden need for action. So, one could hypothesize that the dominance begins after some trigger and an ensuing escalation. It might be difficult to be more concrete, as institutional theory is abstract by nature. Then, the situation ending is also highly dependent on context. Yet one could assume that there is generally a grey area after a crisis where individuals slowly start seeing the effects of the crisis on their budgets and thus begin behavior aimed at balancing the budget again.

Financial deadlines on the other hand are often planned, which provides a foreseeable situation where the financial logic will likely dominate. During this time, there is a critical point where individuals tasked with balancing the budget stop taking on claims and spend time making sure that the budget balances. Once the budget has been sent in, the dominance passes. Thus, the specific situation where one logic dominates can take the form of crises or deadlines and carries with it a grey area were depending on the context, the length of dominance is determined.

Having established a conceptualization for situational dominance and discussed important characteristics of the tactic, we now briefly juxtapose it to other strategies. One-way situational dominance differs from structural differentiation is that the former is situational by nature while the latter is structural. Then, compared to decoupling, there is no symbolic adherence to the suppressed logic in situational dominance. Thirdly, although closely related to compromise, the tactics are different because in compromises one forgoes part of one logic to adhere to another, while in situational dominance one is suppressed, and the other is compiled to. The organization accepts dominance of one logic and therefore is different from compromising. Lastly, situational dominance differs from IAG as with dominance the communication and behavior is clearly supporting one dominant logic, while IAG is more tacit by nature.

In sum, situational dominance is an empirically observed response to institutional complexity. Different pressures may cause dominance of one logic where the exact timing of the situations and underlying hierarchical ordering is context dependent.

5.2. Institutionally Acceptable Gaming

The second tactic we find and add to the list of tactics to manage institutional complexity is *Institutionally Acceptable Gaming* (IAG). The denotation of gaming behavior has generally brought with it a rather negative connotation, where manipulations of individuals in the budgeting system lead to suboptimizations in the total budget (Hopwood, 1972; Jensen, 2002; Libby & Lindsay, 2010). Despite this, research has also shown that gaming behavior can allow individuals to work in structures that one might not resonate with (Christiansen & Skaerbaek, 1997). With these thoughts in mind, we analyze the behavior in the two case organizations, and find organizational responses to complexities that resembled the gaming behavior as previously researched. However, the absence of monetary incentives and the high awareness of the behavior in the organization, warrant a conceptualization different from traditional gaming behavior. Thus, we coin the term *Institutionally Acceptable Gaming*. Through the synthesis of the concept of gaming (Christiansen & Skaerbaek, 1997; Hopwood, 1972; Jensen, 2002; Libby & Lindsay, 2010) with institutional theory, (Carlsson-Wall et al., 2016; Gebreiter & Hidayah, 2019; Greenwood et al., 2011) we conceptualize IAG as behavior deviating from intended budgeting processes but still in accordance with the institutional logics and thus tacitly tolerated throughout the organization. In the following sections, we will discuss why IAG occurs and its implications.

In extant budgeting literature, gaming generally occurs when organizational objectives are misaligned. Especially if there are incentives for organizational actors to behave in accordance with a misaligned objective, their behavior might result in suboptimization for the organization (Hopwood, 1972). However, despite that there is no monetary or strong individual incentive systems in place to promote this type of deviating behavior, we still observe behavior in the budgeting processes deviating from the organizational intent. The important distinction is that although behavior deviating from the intended budgeting process occurs, the actors in the case organizations exhibit sufficient orientation towards the overall organizational objectives for it to not create any significant budget suboptimization (Abernethy & Stoelwinder, 1995). Another essential consideration to this is that no heavy data manipulation was found, which is likely due to the lack of individual incentives to perform such acts. However, the question why we still observe IAG then remains.

One reason for this can be found in the concept of organizational filters described in Greenwood et al. (2011). Organizations filter institutional logics based on various factors. One reason why we still observe gaming behavior could be that budget holders are so decentralized causing their organizational filters to differ. Then different filters cause varying interpretations of the institutional logics and organizational objectives. For example, we see in the empirics that foreign missions express more concern for the operations within their specific region, as opposed to other operations of the ministry.

Despite the absence of monetary individual incentive systems, foreign missions seem to stay committed to the organizational objectives of political work and financial stability.

Thus, due to the decentralized organization, deviating perspectives on organizational purposes can arise, but the orientation towards organizational objectives and the absence of monetary incentive systems limits the severity of the gaming behaviors. The alignment to organizational objectives could be the reason to why, in both cases, there is widespread awareness of the behavior occurring and tolerance suggested by interviewees expressing sentiments that it is the way things are. The question then arises why the organizations tolerate this behavior. We will discuss three arguments for this.

Firstly, the gaming behavior appears to be a response to institutional complexity. That the institutional logics drive different behavior causes organizational actors to start showing IAG behavior. For instance, while building buffers within the budget may result in some suboptimization of the budget, it does allow the budget holders to balance the budget from their perspective while not risking having to cancel political projects due to a lack of funds. This then leaves the budgeting department with unspent funds, which they deal with by for example overcommitting on the central level. The budgeting department thus recognizes the buffering as a deviation from the financial logic but tolerates it as they can solve it centrally in addition to not limiting the political work of foreign missions.

Secondly, through some IAG behavior the budget holders communicate their needs to the central department. This gives a nuance to the traditional budget use cases. Such as it for instance being a top-down planning tool as well as a performance management tool (Anessi-Pessina et al., 2016; Covaleski et al., 2003). Through IAG and in line with Czarniawska-Joerges & Jacobsson (1989), we show that there is also bottom-up communication about the situation on the ground and how this would affect the planning and inform new decision-making. For instance, the example of sending in claims even though it is clear that it would get denied, is a way through which organizational members at the operational level attempt to communicate with HQ through the budget.

Lastly, because of the widespread awareness of IAG in the organization, actors can identify and control this type of behavior. The identifiability and feeling of control of IAG behavior could result in tolerance by the organization. For example, in both our cases the budgeting department knows that budget holders use previously successful arguments in attempts to gain more funds. Because of the awareness, budget holders can decide to disapprove some attempts, and accept others. This way, the budgeting department is able to limit the buffers and therefore suboptimization. So, because the organization can identify and control the IAG behavior, it can be used to find a workable solution between balancing the budget and allocating extra funding towards certain political work. By tolerating and using IAG as a tool, organizations manage institutional complexity.

To finalize the discussion about IAG, we briefly highlight the difference with the other tactics. At first glance it seems similar to decoupling considering one maintains one's perspective on the logics. However, in decoupling one symbolically adheres to an opposing logic, while in IAG one actively advocates for one's own logic. Furthermore, compared to compromise, the IAG behavior does not necessarily imply that one forgoes part of their stance to adhere to another. Thus, IAG behavior is a distinct tactic that organizations can employ to respond to institutional complexity.

5.3.   Multiple Tactics?

In this last part of the discussion, we examine the multiplicity of tactics. One might wonder why organizations employ such a variety tactics, and not just one. From a contingency perspective, it could be considered situationally dependent. To analyze this, we turn to organizational filtering (Greenwood et al., 2011). Organizational filters influence institutional complexity and therefore also likely the employed tactics. For instance, cash accounting could be argued to increase IAG behavior. Cash accounting allows one to influence periodization of expenses by carefully scheduling payments, which would not be possible with accrual accounting. Other contingencies could be the exposure to crises or strict deadlines which might lead to the situational dominance tactic being more prevalent (Carlsson-Wall et al., 2021).

From a theoretical perspective, one could argue for the presence of multiple tactics due to the high level of abstractness of the tactics and institutional logics. Since the tactics and their conceptualizations are rather abstract, one might experience difficulty in the delimitation between tactics in complex situations. To add to the difficulty of delimitation, we found that multiple tactics can be employed as response to the same tension. Tactics might flow over into each other, where for instance a compromise might lead to one party decoupling after the fact, claiming compromise while in fact decoupling. Another example of this is structural differentiation, where the institutional complexity is moved to the periphery of the department, where eventually an alternative tactic such as compromise or situational dominance is employed to align the differing logics.

Besides the contingencies and abstract nature of the theory, we found organizational decisions that can impact the filtering of institutional logics and consequently the institutional complexity. This includes operational and budgetary dialogues, rotation of staff and education. These attempts to change the organizational filter, in a way, expand the orientation of different organizational actors to one or both of the political and financial logic. This additional perspective helps align the organizational objectives (Abernethy & Stoelwinder, 1995).

Our empirics indicate that the aforementioned organizational decisions reduce institutional complexity and facilitate compromise, suggesting an organizational preference for compromising. Secondly, the decisions can be interpreted as attempts to decrease structural differentiation, given integration efforts of the financial logic in parts of the organization where a political logic is more salient. A third interpretation is that because many interviewees express a want for more trust between organizational actors, and for these members to also acquire a more holistic view of the organization, the decision aim to limit IAG behavior. Although the findings indicate a preference for compromise, it remains questionable if a preference for one tactic is realistic. In reality we find evidence for five different tactics. There are potentially even more tactics which are not yet conceptualized. Thus, despite the preference for compromise, organizations are likely to employ a set of varying tactics to accommodate the contingencies.

6. Conclusion

In conclusion, we set out on an abductive qualitative research process where we worked iteratively, alternating previous literature studies and interpretations of empirics collected via interviews in two case organizations. From starting at the budgeting and institutional logic theory, we develop the main research question.

How do Ministries of Foreign Affairs manage institutional complexity and uncertainty in their internal budgeting processes?

The main findings include the identification of two institutional logics – *political* and *financial logic* – in two MFAs and confirmation of three tactics discussed by (Carlsson-Wall et al., 2016) – *structural differentiation*, *decoupling* and *compromise*. In addition, we find empirical evidence for two additional tactics *situational dominance* – based on the concepts of dominance and centrality (Besharov & Smith, 2014; Carlsson-Wall et al., 2021) – and *institutionally acceptable gaming* (IAG) – based on the concept of gaming from the budgeting literature (Christiansen & Skaerbaek, 1997; Hopwood, 1972). These two additional tactics form the central contribution to the institutional theory literature.

First, situational dominance is conceptualized as dominance of one logic and suppression of the other due to pressures extremifying the underlying hierarchical ordering of logics. Specific situations in which we find empirical evidence for this strategy are a political crisis and a budgetary deadline. The pressure originates from a lack of time and significance of political consequences of decisions taken during the respective situation. In contrast to Carlsson-Wall et al. (2021), who discusses a form of compromise where one logic dominates, we separate dominance from compromise. In our study, compromise rather follows a conceptualization where one forgoes part of a logic to adhere to another (Abernethy & Stoelwinder, 1995; Carlsson-Wall et al., 2016; Kraatz & Block, 2008). In this sense, situational dominance differs from compromise because one logic dominates and another is suppressed, while in compromise there is a form of combination (Gebreiter & Hidayah, 2019).

Then, IAG is conceptualized as behavior deviating from intended budgeting processes, but still in accordance with the institutional logics, and thus tacitly tolerated throughout the organization. Due to the awareness and toleration of the deviating behavior it finds institutional acceptance. This behavior is found to permeate the case organizations and provides a response to the incompatible prescriptions of the financial and political logic. At first glance IAG seems similar to decoupling considering one maintains their perspective on the logics. However, in decoupling one symbolically adheres to an opposing logic, while in IAG one actively advocates for their own logic. Furthermore, compared to compromise, the IAG behavior does not necessarily imply that one forgoes part of their stance to adhere to another.

These findings have several implications for institutional theory. Firstly, we contribute to the field by finding more evidence for the previously developed tactics *structural differentiation*, *decoupling* and *compromise* (Carlsson-Wall et al., 2016). Secondly, we

re-conceptualize the compromise tactic from Carlsson-Wall et al. (2021) into a new tactic we call *situational dominance*. Thirdly, we integrate gaming from budgeting literature with institutional theory and provide a novel interpretation of behavior tangential to traditional gaming behaviors as an organizational response to institutional complexity. Thus, re-interpreting a term that traditionally has had a negative connotation in a less negative light by arguing for institutional acceptance and naming it *institutionally acceptable gaming*. We conceptualize this tactic as behavior deviating from intended budgeting processes but still in accordance with the institutional logics and thus tacitly tolerated throughout the organization. Lastly, by observing and conceptualizing new tactics we open up the discussion and show that there are more possible tactics public organizations can deploy to manage institutional complexity than the ones identified in Carlsson-Wall et al. (2016).

Our findings hold three key implications for the public budgeting literature. Firstly, understanding how institutional logics shape behavior in budgeting processes enhances our grasp of the complex dynamics of the budget in the public sector. Secondly, our study of MFAs provides unique insights into multiple logics at public organizations that face crises and strict budgeting deadlines. Lastly, organizations might become more aware of IAG and situational dominance. This builds a deeper understanding of organizational behavior which allows for a more conscious management of institutional complexity.

There are however some limitations in the conducted study. For instance, that a majority of interviewees hold a financially focused position in the organization. Although this might provide intricate insights into the financial logic, interviewing a broader range of occupations at the cases organizations might yield more aspects of the political logic that now might be overlooked. This does however provide an interesting avenue for future research. Including a greater variation in interviewee occupations as well as organizational units might give more nuance to the institutional complexity and following organizational responses. Another possible extension to this is investigating other types of organizations, e.g. multinational companies. This could generate insight into the observed phenomena in relation contingency factors such as organizational filters.

Next, ex-post rationalization of individuals when thinking back to specific examples of institutional complexity and how they dealt with these might present a limitation to our research. This could be problematic because potentially important aspects of the process of managing institutional complexity might be left out or remembered differently by the interviewee. However, we consider this less of a limitation as we found evidence of the tactics in two different contexts, which reduces the probability of misinterpreting the past. Last but not least, future research on situational dominance could focus on the temporal perspective investigating how temporal factors affect organizational responses to institutional complexity. Especially studying more situations and finding common denominators could further the understanding of the situational dominance tactic.

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8. Appendix

Table 2. Interview logbook

Date	Case	Role(s)	Type	Duration in Min
28/9/2023	MFA 1	2x Manager Controller and 1x Contact Person and 1x Controller for Contact Persons	In person	64
10/10/2023	MFA 2	Manager Budgeting Department	Online	55
11/10/2023	MFA 2	Controller Budgeting Department	Online	40
16/10/2023	MFA 2	Controller for Foreign Mission	Online	60
17/10/2023	MFA 2	(Follow up interview 16/10/2023)	Online	60
18/10/2023	MFA 2	Controller for Foreign Mission	Online	65
20/10/2023	MFA 2	Controller for Central Unit	Online	73
25/10/2023	MFA 1	Manager Budgeting Department	In person	69
25/10/2023	MFA 1	Manager Budgeting Department	In person	44
26/10/2023	MFA 1	Controller Budgeting Department	In person	57
26/10/2023	MFA 1	Manager Budgeting Department	In person	53
26/10/2023	MFA 1	Controller Budgeting Department	In person	54
26/10/2023	MFA 1	Contact Person	In person	48
27/10/2023	MFA 1	Manager Budgeting Department	Online	46
31/10/2023	MFA 2	Controller for Foreign Mission	Online	68
1/11/2023	MFA 2	Manager Budgeting Department	Online	56
3/11/2023	MFA 1	(Follow up interview 27/10/2023)	Online	31
6/11/2023	MFA 2	Controller for Central Unit	Online	57
8/11/2023	MFA 2	Controller for Central Unit	Online	42

Note. A sum of 19 interviews were conducted, 9 in MFA 1 and 10 in MFA 2 with an average duration of 55 minutes.

Table 3. Interview guide

Phase Description	Questions
Phase 1: Formalities	Discuss GDPR regulations.
	Discuss recording consent.
	Discuss anonymity.
Phase 2: Introduction	Introduce yourself and tell us about your past and current role(s) in the organization.
Phase 3: Interview topic #1	How do you see budgeting being used and how do you interact with it yourself in the organization?
Phase 3: Interview topic #2	What are the main challenges you face relating to budgeting?
Phase 3: Interview topic #3	How do you deal with uncertainty in budgeting processes?
Phase 4: Ending	Is there anything that we missed, or you would like to emphasize?
	Do you have any more questions?
	Discuss formalities