



UNIVERSITY OF GOTHENBURG
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How internal growth changes the budgeting process in SMEs

*A case study of a Swedish growing SME from a management accounting
perspective*

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Enjoy your reading!

University of Gothenburg, 2024-06-06

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Abstract

Title: How internal growth changes the budgeting process in SMEs - a case study of a Swedish growing SME from a management accounting perspective.

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Small and medium-sized enterprises (SMEs) often face significant challenges in resource management due to their limited ability to leverage economies of scale and maintain stable long-term performance. This study aims to address the gap in the literature concerning how internal growth impacts the budgeting process within SMEs, and thus complement, confirm or disregard previous key articles within the field. Utilizing contingency theory, an in-depth case study of a rapidly growing Swedish SME was conducted, employing semi-structured interviews to gather qualitative data.

The findings reveal that internal growth leads to a budgeting process lacking clear purpose, causing managerial frustration and reducing the budget's effectiveness as a steering tool. Specifically, the empirical evidence indicates that increased complexity and changing organizational structures due to growth result in budget misalignment with strategic objectives. Hence, not all SMEs have the benefit to adapt efficiently to changes. This research contributes to the understanding of management accounting systems in SMEs, particularly under conditions of growth, providing valuable insights for both academia and practitioners. It underscores the need for adaptive budgeting processes that can accommodate the dynamic nature of growing SMEs, thereby enhancing their financial stability and operational efficiency.

Keywords: Management accounting, management accounting systems, SME, growth, internal growth, budget, budgeting, budget process, contingency theory.

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1. Introduction

Budgets¹ have historically served as a central management control mechanism, and European, North American, and Australian studies indicate that the majority of companies today employ a traditional budgeting model (Hansen et al., 2003; Financial Management, 2020; Ekholm and Wallin, 2020). In scientific research, the budgeting process has been developed reactively by practitioners after significant problems and challenges have occurred rather than proactively. This has resulted in a fragmented field of knowledge that lacks the generality and flexibility needed for theoretical application in specific areas (Rubin, 2014).

A budgeting process is always customized to a company's specific structure. The predetermined budget is then expected to be followed up as a benchmark to analyze the actual outcome (Andersson and Funck, 2017). This traditional budgeting process, heavily influenced by public budgeting, is built on various assumptions, including the consideration of all potential spending options and the recognition of budgeting as a conflict-ridden process involving entities or individuals with diverse aspirations and demands (Rubin, 2014).

Despite heavy critique, this technique has been one of the most successful and useful ones used by managers throughout history, assuming that they have been able to understand and use it carefully (Raghunandan et al., 2012). For instance, Rickards (2006) saw that 84 percent of Austrian companies valued the analysis between their set budgets and actual results highly and that placing actual results within standard costs in flexible budgets is considered a key element in operational control.

Given the centrality of budgets in management control, it is crucial to examine how this process impacts small and medium enterprises (SMEs). SMEs are one of the cornerstones of the world economy, representing over 90 percent of all companies and more than 50 percent of employment. This indicates that they are significant financial contributors and vital for governments to prioritize (The World Bank, n.d.; Zaridis and Mousiolis, 2014), particularly evident in the EU, where 99.8 percent of all non-financial businesses are SMEs. Their flexibility in operations makes them key drivers of innovation with high growth potential (European Investment Bank Group, 2022). In Sweden, SMEs are equally significant, representing 99 percent of all limited liability companies with employees in 2017, contributing 45 percent of total GDP, and employing 53 percent of the entire workforce (OECD, 2020).

¹ See full definition in chapter 2.3.1.

The survival and profitability of SMEs are therefore essential and require good management. Brunswick and Ehrenmann (2013) argue that management in SMEs spurs innovation and adaptive business models that can follow internal and external movements. More specifically, budgeting is one of the most important factors for SMEs' performance (Peel and Bridge, 1998). This thesis focuses on SMEs and budgets, i.e., management accounting systems (MAS) and particularly how the budgeting process is influenced by the internal growth of the organization.

According to Moores and Yuen (2001), a company in a growth phase tends to change its need for MAS, which includes their budgeting system (Davila and Foster, 2005). The focus is on a real-world case study of a Swedish SME product development company to understand the practical aspects of these concepts. In SMEs, where resources are often limited, effective MAS is crucial for making smart decisions. The budget, as part of this process, helps plan finances, allocate resources, and assess performance. As SMEs grow, the way they use tools like the budget changes. The goal is to offer practical suggestions for managers in similar companies that are involved in supporting the internal growth of SMEs, as well as provide a broader theoretical contribution by understanding which contingencies related to the budgeting process are the most crucial to finding a fit in the context of Swedish product-developing SMEs.

1.2. Problem Statement

Previous literature shows that young and small companies benefit from using accounting-based activities, such as MAS, especially when growing in terms of number of employees, more complex job structures, and changes in management hierarchy. This is true for both young and more established SMEs (Pelz, 2019). However, these types of companies tend to use MAS less and in a different way compared to larger companies. This can be seen as downsizing MAS from larger companies to SMEs is deemed insufficient. Yet, their strong suit is that they are more flexible and adaptable to changes compared to bigger market performers (Lopez and Hiebl, 2015).

One of the most crucial parts of MAS is the budget (Zor et al., 2019). It can improve decision-making, higher growth, performance, and more accurate forecasts. For SMEs, it can enable top managers to focus on the core business and only be actively engaged when the budget deviates or to use certain information. Davila (2005) argues that formal MAS are more important when SMEs are growing and becoming more complex organizations. However, his study focuses on start-ups and how human resources in technology companies can apply more formal control systems. In fact, Zor et al., (2019) and Sandalgaard and Nielsen (2018) argue that the research field on SMEs and budgets are generally scarce.

In addition, Chenhall (2006) argues that in order to ensure that MCS research is relevant there is a need to continue studying MCS in different environments. Pelz (2019) agrees and continues to specify that there is very concentrated empirical evidence on the matter and that it lacks clear statements of how management accounting (MA) affects smaller companies. He adds that the field has mostly focused on quantitative studies, and more specifically, survey studies. **Instead, to investigate one company through a case study by looking into how and why the budget process as a steering mechanism changes when a SME is growing could therefore contribute to an exploratory study which researchers up to now have only scratched on the surface.**

Since growth is an essential and natural occurrence in smaller companies, it would be interesting to have a better understanding of how the budget process as a steering mechanism is affected when a SME company is growing internally and structures change. This would complement Pelz's (2019) and Davila's (2005) studies as the results contribute to the first mentioned shortcomings and the latter as it would enable future research on comparisons between young and more established SMEs, something that is discussed in more detail in 2.3.3. To further elucidate, the core concepts used, such as the budget process and steering mechanism refer to the act of composing an annual budget to govern change and how that in turn influences the usage of it over the year.

1.3. Purpose and Research Question

The budget is one of the most important management accounting tools for SMEs as this is one of the possibilities to manage your scarce resources, small customer and supplier base and could be the tipping point between a bankruptcy and growth. To create an understanding of how internal growth influences the budgeting process in a SME is therefore the purpose of this thesis. Researchers Zoor et al., 2019; Sandalgaard and Nielsen, 2018; Chenhall, 2006; Pelz, 2019) argue that this has not been covered by and would be beneficial to the scientific field if answered. Since the use of follow-ups during the annual year is based on the set budget, it is interlinked and therefore important to consider both the budget process and how that affects the organization afterwards. The case company is also relatively small for its industry and grew by 27.5% in number of employees between 2021 and 2022 and then 20% the following year.

The aim is to conduct a case study of a Swedish SME product development company's budget process to be able to confirm or disregard if Pelz (2019), Lopez's and Hiebl's (2015), and Davila's (2005) arguments hold when analyzing if the influence internal growth can have on the budget process. In addition, it can give answers to Chenhall's (2006) and Pelz's (2016) statement that a clearer conclusion on how MA affects smaller companies in the context of budgeting processes.

The results can be applicable for those SMEs of the total 1.2 million in Sweden who are a product developing and production company, is older with several employees, since they all share the characteristics of being more flexible in their operations and therefore have a high growth potential compared to large organizations (European Investment Bank Group, 2022; TillväxtVerket, 2021).

Previous studies have found that older companies with past success run less risk in jeopardizing their investment due to better access to external financing and as a consequence are less dependent on internal finance. They also saw that the relationship between growth in the current period and size in the previous one changes as companies become older and more established until there is no significant relationship at all (Mendes et al. 2020).

Together with the fact that most of today's companies use traditional budgets, this study can identify challenges that can affect a lot of Swedish SMEs and potentially other European companies as well (Hansen et al. 2003; Financial Management, 2020; Ekholm and Wallin 2020). By understanding how and when the traditional budget can support or fall flat in growth situations, companies can become more financially stable and effective. The research question is therefore:

- *How does internal growth influence the budget process in a product developing SME?*

This question is quite extensive and requires a rigid background of the company. It includes understanding how the managers define the budget process and its function related to other management accounting activities, but also the challenges managers have with budgets in its current form. It investigates which components of the processes have had the most significant changes and/or are starting to fail in its current format and analyze if internal growth could be an underlying factor. An analysis of the relation between the budget function's intentions and its outcome would indicate how sensitive it is to growth and expansion. This would give depth and nuance to the problem as real-life examples and would enable a more rigid or flexible decision-making process when structuring the budget in the future for SMEs in similar situations. Finally, it would allow for an answer to what SMEs, or soon-to-be SMEs can take into consideration when structuring their budgets and other management accounting practices, since it is all interconnected.

2. Theoretical Framework

The following chapter begins with a definition of the management accounting concept, followed by a description of the theoretical lens used to understand the defined problem. This is then followed by a summary of previous literature that consists of two parts. First, it describes the most central concepts and second, how they have been studied in previous literature.

2.1. Management Accounting and Management Accounting Systems

Management accounting (MA) is a collection of several activities that are used to control or influence an organization's decision-making process (Pelz, 2019). These activities come in different forms, such as budgeting, annual reports, product costing, and forecasts and tend to be included in the accounting framework to create a more comprehensive picture of an organization's situation to make managers' decisions more effective. Chenhall (2003) also argues that MA is like a collection and can be mentioned as management accounting systems (MAS), or management control systems (MCS) as well. MAS differs from MA in that it describes the practice of applying activities in order to achieve certain targets, while MCS is the broadest term as it encapsulates activities that focus more on control personnel. From an outside perspective, these activities share an abundance of different definitions. MAS was chosen because the words management, accounting, and systems explain clearly why accounting activities are performed and used. By referring to accounting disciplines not only as chores but as useful management tools, a more nuanced definition is held. Lastly, authors such as Chenhall are central in the field and have a highly cited definition.

During a growth phase, one pivotal factor according to MAS lies in the company's choice of management tools rather than placing excessive emphasis on the presentation of information. This strategic decision can play a vital role in sustaining the company's competitiveness and discovering effective methods to tailor MAS to the intricate activities and structures that accompany growth (Moore and Yuen, 2001).

2.2. Theoretical Lens

2.2.1. The Contingency Theory

Contingency literature has from its development in the 1980's been used when studying management control systems (Chenhall, 2006). More specifically, the theory shows that there is no universal form of organizational design that is aligned with the majority of companies' characteristics. In fact, these factors and how they change are the cause for different structures and processes to manage uncertainty and success (Miller and Power, 2013; Donaldson, 2006). Yet, the theory does not allow for endless management variations, but instead a wide set of configurations (Gerdin and Greve, 2008).

Otley (1980) criticized management accounting contingency studies for the limit of the research's practical relevance and that the "it depends" mindset is more of a tool to avoid solving the actual problems instead of creating a realistic view. He was later criticized for being too rational in his framework that ignored the important relationships between the different aspects of management systems (Stringer, 2007; Ferreira and Otley, 2009). Otley (1999) and Ferreira and Otley (2009) clarified that their framework was not meant to tell people how to manage. Instead, it was supposed to give a thorough description of how to assess and evaluate an overall control system. Otley (2016) elaborates that these packages are somewhat fuzzy as they also should be able to overlap organizations with minor differences and be adaptable to change.

Using the contingency theory as a lens to look at an organization, the activities would most likely be explained by a combination of other research theories. This is since *contingency* refers to that specific conditions have to be fulfilled in order for something to be true, and if an organization's structure fits the contingencies, then it has reached the optimal organizational efficiency (Donaldson, 2006).

The theory can be considered equilibrium-focused in that it explains the action of finding a balance, i.e., fit state between structure and contingencies that spurs performance, although it cannot stay in that position over time. Meaning that organizational change and adoption through growth breaks the equilibrium. This happens as good fit leads to increased performance, which results in a surplus of resources. These enable growth through organizational expansions, geographical movements, or innovations. Consequently, the organization takes on more contingency variables, creating a more complex structure that rocks the organization off balance, which short-term impacts the performance negatively. The final step is that the organization finds a new structure that puts it in a new fit state (Donaldson, 2006). The author continues with that the theory is challenged and can be seen as flawed in that it assumes that new fit only brings organizations back to equilibrium where the performance is at the same high level as before. In this case, it should be questioned why organizations should aim for growth and onto the next fit state. For example, the author questions why a smaller, less formalized organization should strive towards expanding and creating a more complex and structured one and reap the same benefits?

Another theory, hetero-performance theory, argues that the equilibrium is not the same for each fit state, as the higher you reach, the better the performance. In conclusion, it solves the dilemma as a struggling company that is expanding into a new fit state will benefit more by restructuring in order to reach the new state instead of settling back in the previous one.

2.2.2. The Contingency Theory in Management Accounting Research

Even though MAS might function differently in different organizations, there are some key variables: external environment, technology, structure, and size, that have been used in previous MCS research to explain that the nature of contemporary settings is a key factor in the effectiveness of MCS (Chenhall, 2006). According to the author, *external environment* and the segmentary factor environmental uncertainty is the foundation variable of contingency research. However, it is crucial to remember that uncertainty is not the same as risk. Chenhall (2006, sec. 5.1, par 1) argued that “Risk is concerned with situations in which probabilities can be attached to particular events, whereas uncertainty defines situations in which probabilities cannot be attached and even the elements of the environment may not be predictable”. The latter is therefore the non-predictable element of the environment.

As a segment of the external environment there are also competitive advantages. The author explains that early research has shown evidence of benefits when traditional budgets are combined with interpersonal and flexible control, in terms of environmental uncertainty. The second key variable, *technology*, is defined by Chenhall (2006) as how the organization operates, how inputs transform into outputs, and thus includes all resources from hardware and software to individuals and knowledge.

Furthermore, organizational *structure* is about how the organization is structured to make sure that all activities are carried out, i.e., the roles of individuals in the organization and the tasks for groups of individuals. Such a structure tends to motivate individuals and contributes to work efficiency and is a contribution to how the future of the organization will carry out. Lastly, there is *size* as a key variable, or more specific growth in size, meaning the company improving efficiency in terms of increasing specialization opportunities and labor resources (*ibid*).

Chenhall (2006) mentioned that a common challenge when studying specific elements of MCS is that it is often done without consideration of other organization control mechanisms. In organizations where accounting and other organization controls are interlinked, research can result in faulty results. The author mentions an example of how a budget system can be considered unsuitable due to a lack of flexibility while the problem is more complex as it might be affected by other processes from the broader control network. **This is confirmed by Drazin and Van den Ven (1985), who argue that management systems need to be flexible and responsive.** In summary, formal budgets can create success even in uncertain times if combined with flexible communication systems. This is also referred to as enabling control (Cäker, Siverbo, and Åkesson, 2022) that in addition accounts performance evaluation as a structural integrity to a managers’ ability to control companies’ most important choices and simultaneously for subordinate managers to feel in control.

This can be seen in various articles. Simons (1987, 1991, 1995) argues that a formal budget can function as a data source where managers can be innovative and find new strategic solutions. Chapman (1998) continues by mentioning that formal accounting can be useful in uncertain situations but only if combined with extensive communication between departments.

Lastly, Frow et al (2005) found that interdependencies could be reached if informal collaborations within a formal framework. Chenhall (2006) argues that these difficulties can be managed by considering and analyzing MCS in relation to different “control taxonomies”. These taxonomies can be divided into mechanistic and organic, while the former is based on rules, standardizations, and routines, while the latter is flexible, less rules, and responsive.

In conclusion, contingency theory has been used notably before in research of MCS on the various activities during a budget process, such as the importance of meeting targets (Chenhall, 2003). However, the theory has mainly been used when studying large companies and thus there is a need for more contingency-based research within the field of SMEs and companies in rapid growth (Chenhall, 2006).

2.2.3. Contingency Theory Applied on Management Accounting Systems in SMEs

Analyzing MAS in SMEs through the contingency theory lens necessitates a focus on the most central characteristics of a firm’s structure. According to the theory, these are both abstract factors, such as relationships and decision-making, but also concrete things such as size and how technological solutions are applied. Contingency theory does therefore focus on key variables, tenets, category, component and actors that are based on such elements as external environment, technology, organizational structure, and size that form the landscape of MAS within SMEs. The study aims to unravel the complex relationships and dependencies of these factors, contributing valuable insights into how they interact within the context of a SME.

Lyamu and Tuzelana (2016) argued for the contingency model that consists of tenets, categories, and components as it encourages rational behavior through better communications on challenges, changes, and objectives. The authors are pressing the importance of the interlinkages between these three factors as they do not operate individually and visualize how socially focused the theory is. In fact, they are related in a structured way. First, the tenets consist of environment, structure, strategy and performance. These are then divided into categories of technology, processes, and people. Lastly, these three are divided into components of what, who, why, how, when, and where. By planning the analysis accordingly, it is possible to understand how the case company’s relationship between its structure and budget process is affected by growth. The contingency theory does therefore support the analysis by identifying the most pronounced traits of its growth.

Table 1, 2, and 3: Guide to Contingency Theory Application.

TENET	CATEGORY	COMPONENT					
		What	Who	Why	How	When	Where
Environment	Technology	What IS/IT are deployed and used? What IS/IT are required and used?	Who are the actors, and their roles in the deployment of IS/IT in the organisation?	Why are certain IS/IT deployed and used?	How are the IS/IT deployment and used?	When are certain IS/IT deployed and used?	Where are certain IS/IT deployed and used?
	Process	What are the processes that are followed in the deployed of IS/IT in the environment?	Who are the actors, that are responsible for formation and governance of processes in the deployment of IS/IT in the organisation?	Why are certain processes employed in the deployment of IS/IT?	How are certain processes used as guidelines in the deployment of IS/IT?	When are certain processes employed in the deployment and used of IS/IT?	Where are certain processes employed in the deployment and used of IS/IT?
	People	What are the roles of the people that are involved in the deployment of IS/IT in the environment?	Which actors are responsible for certain tasks in the deployment and use of IS/IT in the organisation?	Why are certain people involved in the deployment of IS/IT?	How are certain individuals and groups involved in the deployment of IS/IT in the organisation?	When are certain individuals and groups involved in the deployment of IS/IT in the organisation?	Where are certain individuals and groups involved in the deployment of IS/IT in the organisation?
Structure	Technology	What are the IS/IT that are deployed and used for the governance and management of the organisational structure?	Who are the actors that are responsible for the deployment of IS/IT, for the governance and management of the organisational structure?	Why are certain IS/IT employed in the structure of the organisation?	How are certain IS/IT deployed and used for the governance and management (for example, accessibility and system control) of the organisational structure?	When are certain IS/IT deployed and used for the governance and management (for example, accessibility and system control) of the organisational structure?	Where are certain IS/IT deployed and used for the governance and management (for example, accessibility and system control) of the organisational structure?

	Process	What are IS/IT processes are deployed and used for the governance and management of the organisational structure?	Who are the actors that are responsible for the formation and management of IS/IT, within the organisational structure?	Why are certain processes employed in the structure of the organisation?	How are certain IS/IT processes deployed and used for the governance and management of the organisational structure?	When are certain IS/IT processes deployed and used for the governance and management of the organisational structure?	Where are certain IS/IT processes deployed and used for the governance and management of the organisational structure?
	People	What are roles of the people in the organisational structure that are responsible for the deployment of IS/IT?	Who are the actors that are responsible for the deployment, governance and management of IS/IT, within the organisational structure?	Why are certain roles defined in the structure in the manner that they do?	How are certain actors involved in the deployment, governance and management of IS/IT, within the organisational structure?	When are certain actors involved in the deployment, governance and management of IS/IT, within the organisational structure?	Where are certain actors involved in the deployment, governance and management of IS/IT, within the organisational structure?
Strategy	Technology	What IS/IT artefacts form the core of strategy in the organisation?	Who are the actors, that are responsible for formation and governance of IS/IT artefacts, for the organisational strategy?	Why are certain IS/IT artefacts defined in the organisational strategy in the manner that they do?	How are certain IS/IT artefacts defined (selected, developed or implemented) in the organisational strategy?	When are certain IS/IT artefacts that are defined (selected, developed or implemented) in organisational strategy, for the governance and management of activities?	Where are certain IS/IT artefacts defined in the organisational strategy?
	Process	What processes are followed in the development and implementation of strategy in the organisation?	Who are the actors, that are responsible for formation and governance of IS/IT processes for the organisational strategy?	Why are certain processes employed in the organisational strategy?	How are certain processes followed in the development and implementation of IS/IT in the organisational strategy?	When are certain processes followed in the development and implementation of the strategy in the organisation?	Where are certain processes followed in the development and implementation of the strategy in the organisation?

	People	What roles are involved in the development and implementation of strategy in the organisation?	Who are the actors, that are responsible for formation and management of IS/IT strategy in the organisation?	Why are certain people involved in the organisational strategy?	How are certain people involved in development and implementation of an IS/IT artefacts for the organisational strategy?	When are certain people involved in development and implementation of an IS/IT artefacts for the organisational strategy?	Where are certain people involved in the development and implementation of IS/IT artefacts for organisational strategy?
Performance	Technology	What IS/IT artefacts deployed and used, specifically for performance improvement in the organisation?	Who are the actors, that are specifically tasked to ensure that the use of IS/IT improve the performance of the organisation?	Why are certain IS/IT artefacts deployed, specifically for the organisational performance?	How are certain IS/IT artefacts deployed and used, specifically for performance improvement in the organisation?	When are certain IS/IT artefacts deployed and used, specifically for performance improvement in the organisation?	Where are certain IS/IT artefacts deployed and used, specifically for performance improvement in the organisation?
	Process	What IS/IT processes are followed, specifically for performance improvement in the organisation?	Who are the actors, that are responsible for formation and governance of processes in the deployment of IS/IT for organisational performance?	Why are certain IS/IT processes employed for the organisational performance?	How are certain IS/IT processes followed, specifically for performance improvement in the organisation?	When are certain IS/IT processes followed, specifically for performance improvement in the organisation?	Where are certain IS/IT processes followed, specifically for performance improvement in the organisation?
	People	What roles are involved in the improvement (evaluation and measurement) of performance in the organisation?	Who are the actors, that ensures IS/IT skills' management for organisational performance?	Why are certain people tasked, specifically for the performance of the organisation?	How are certain people tasked, specifically for the performance of the organisation?	When are certain people tasked, specifically for the performance of the organisation?	Where are certain people tasked, specifically for the performance of the organisation?

(Lyamu and Tunzelana, 2016).

Tenets

The tenets of an organization focus on the power of decision-making and is closely linked to categories. By well-functioning information sharing, decisions on structure, environment, strategy, and performance can be improved. It is also focused on the alignment between social issues and structures as it allows for a better overall performance. A study by Childs et al. (2022) argued that SMEs with high uncertainty due to external events had more success if managers balanced internal and external factors while they continuously adapted to the external environment.

Categories (incidental artifacts)

The categories are the people, processes, and technology and affects the strategy. First, technology supports the different solutions that help the organization reach its objectives more efficiently. Second, the people must be influenced to understand their role and responsibility in an organization and how their application of the technological solution can help the organization go forward. Lastly, the process sets the rules for how new systems get developed, implemented, and managed in order to decrease risks. Mendy and Rahman (2019) argues that a combination of people and technology management can result in higher performances and better integration in international markets for SMEs.

Components

The components function as the glue between tenets and categories by understanding theory relation and interactions. With questions such as why, how, when, who, and where, the components can analyze the organizations' long-term effectiveness.

Environment

When the external environment of a SME is uncertain, such as war, laws and politics, cutting-edge technologies, or other unpredictable events, the use of MAS tends to increase. This is since those events require companies to have higher and more strict control, and thus the increase of MAS usage (Amat et al. 1994). This is also true when the competition increases (*ibid*), since competition naturally entails the need to gain advantages which could lead to the need of MCS in order to maintain competitiveness (Moore and Yean, 2001). SMEs are also less likely to analyze their environments, market or competitor analysis due to resource scarcity and short-term management, together with poor management (Taylor and Taylor, 2013). This can eventually lead to a poor prioritization structure that deteriorates performance (Thompson, 2017).

Structure

In his article, Valaei explained organizational structure as “the formal allocation of work roles and administrative mechanism to control and integrate work activities” (Valaei, 2016, sec. 1, par 5). The ownership and managerial role of SMEs tend to be carried out by one single individual or a small group of individuals (Zaridis and Mousiolis, 2014), and tend to offer many labor opportunities (The World Bank, n.d.; Zaridis and Mousiolis, 2014). In addition, it is beneficial if a SME company has a flat organizational structure, since it contributes to the individual’s getting knowledge about the activities and understanding the value of the activities (Valaei, 2016). In turn this tends to motivate the individuals and the creative process of the company (*ibid*), and thus the work efficiency and the future of the organization (Chenhall, 2006). The size of a SME company is crucial in the context of how MAS is used, since the larger a company is, the more likely it is to use MAS and more advanced MCS (Da Silva Laureano, 2016; López & Hiebl, 2015).

Several contingency variables are considered to be relevant, of which one is firm size (Taylor and Taylor, 2013). The most central characteristic of firm size is the level of flexibility and bureaucracy. For example, SMEs tend to be able to react quickly, have unstructured organizational processes, concentrate decision processes, R&D focused, learning-by-doing, and a lack of time for activities outside the operational side. These things are atypical for large companies and are therefore characteristics that change and redefine when companies grow in size. One example mentioned is that less unstructured organizational processes tend to lead to informal communication channels between management and employees that eventually leads to a stronger demand for formal processes. In addition, the lack of time spent on certain activities usually results in poor information structures and analytics (Castka et al. 2004; Murillo and Lozano 2006; Battaglia et al. 2010; Lawrence and Lorsch, 1967). Taylor and Taylor (2013) also mention that organizational size has a strong correlation to management practices and improvement practices, more specifically, the number of activities.

This means that in order to improve efficiency, that comes with growth (Chenhall, 2006), the use of MCS needs to change. It is natural that the external environment changes with company growth, and thus changing and adapting the MCS to new competition is another thing crucial in the context of size.

Strategy

Strategy in scientific literature (Taylor and Taylor, 2013) is defined as the formulation and implementation of a measurement system of the firm's performance, based on the strategic choices. It is unique to every organization as it functions as its core and is therefore the way of being a performative, competitive, and sustainable organization (Lyamu and Tuzelana, 2016). The strategy formulation explains the firm's long-term market target when considering resources and capabilities. Some researchers (Garengo and Biazzo, 2012; 2013) have however found that strategy is not only a structured formulation but that it can occur naturally to some extent. They recommend smaller companies to let the strategy happen sequentially, followed by then structuring it.

Taylor and Taylor (2013) explain that the size of a firm correlates closely with formal structures and that more formalized procedures are characteristic of larger companies. Consequently, smaller companies are less inclined to adopt formal strategic planning processes due to their comparatively simpler organizational structures, which may form opinions amongst managers that such procedures seem unnecessary. Additionally, managers of SMEs often struggle to conceptualize and engage others in strategic discussions, leading to suboptimal strategy formulation, a common obstacle to effective strategy implementation as evidenced by empirical data. Moreover, SMEs frequently prioritize short-term crisis management over long-term strategic planning, diverting attention away from the latter. Commitment issues may arise among those not involved in the formulation process, presenting another challenge. Bushardt, Glascoff, and Doty (2011) propose a solution, suggesting that involving those who will execute the strategy is essential for success. Lastly, entrepreneurial owners who exclude others from the formulation process may encounter reduced motivation among those tasked with implementing the plan.

Research on the strategy implementation process has however been limited (Taylor and Taylor, 2013). Traditionally, it is seen as a sequential method where a formulated strategy is rolled out across an organization, highlighting how each employee's efforts contribute to overall success. However, recent literature suggests that SMEs might benefit from a bottom-up approach, allowing strategy to emerge from day-to-day innovations and initiatives (Garengo, Biazzo, and Bititci, 2005; Rompho, 2011). Due to resource constraints, SMEs often assign several titles and tasks to each employee, leaving little time for involvement in strategy implementation and studies indicate that poorly engaged upper management can undermine employees' motivation. The requirements for an effective implementation are that there needs to be alignment between strategy and organizational structure, in other words, a contingency fit (Taylor and Taylor, 2013). However, research shows that SMEs have suffered both from alignment between strategy and structure and a willingness to revise old traditions and practices.

Other researchers (Cater and Pucko, 2010; Ates et al., 2013) find that SMEs face significant challenges in maintaining effective leadership and communication practices due to their limited reliance on strategic implementation such as leadership, communication, planning, and responsibility allocation. **By educating new recruitments, SMEs can maintain their level of effectiveness as it can spur not only technical knowledge but also analytical thinking (Woodward, 1965).** This can be challenging due to their constraints in financial and human resources, together with the lower managerial expertise and experience among their owners and managers. Additionally, SMEs often implement a predominant top-down command and control culture, further complicating the leadership and communication within the organization.

Technological innovation is a crucial factor in growth phases in order to survive shifts in competition and gain competitive advantages. In SMEs, employees and their knowledge are some of the driving resources. More specifically the social capital of the company, and the sharing and networking between people (Prasanna et al., 2019). As a contribution to this Dibrell et al. (2019) argue that innovation in information technology (software) is crucial for SMEs to have a chance of responding and adapting to changes in technology and thus follow the expectations among competitors. **Galbraith (1973) agrees by saying managers need to process a level of information that is in line with the difficulties to perform at a good level and thus appropriate technology.**

Performance

An organization that produces good performance is most likely to have applied a strategy and structure that is optimal for their environment. More specifically, performance is linked to the environment and strategy to sequentially influence an organization's structure. This would result in a *fit*, which is one of the most central terms in contingency theory. Without a fit between organization and structure the performance drops while a good fit results in high internal and external performance, which some researchers argue are the key to increasing companies social performance (Lyamu and Tunzelana, 2016). Several contingency variables have been found by researchers (Taylor and Taylor, 2013) to be relevant including national cultures, strategic context, and firm size. Another significant factor mentioned by Morton and Hu (2008) for success is the specific fit of the information system, meaning the way information is structured, stored, and utilized. This signals the importance of understanding how and if an information system will fit or not the current structure (Weill and Olson, 1989).

When later eventually measuring the performance, Garengo and Bitici (2007) found four contingency factors for SMEs, which are corporate governance structure, information structure practices, business model, and management style. In order to make sure the performance measurements are created in relation to the overall strategy, an effective strategy implementation is required (Taylor and Taylor, 2013).

2.3. Previous Scientific Literature

2.3.1. Budgeting

When setting a budget for the following year, using a traditional budget process, it is mainly based on previous years' results in combination with forecasts (de Campos & Rodrigues, 2022). This thesis defines the budgeting process as a planning phase where a realistic level of sales and costs are estimated. These levels are in turn based on an underlying plan, the strategy, where the firm's objectives are defined and require exact costs and revenue numbers in order to be performed against. To focus on objectives has long been seen as one of the most central characteristics of the budgeting process (Otley, 1999).

The budget can therefore be defined as a process to fulfill the organization's goals by interlinking the past and future with the business plan and if the predicted financial forecast is not fulfilled, the organization must develop an action plan on how to fulfill them (Andersson & Funck, 2017). As a consequence of this general description, it evolves into a different process for each company. Budgets is a form of a MAS, although not an advanced accounting system but an important one in smaller and growing companies (Davila & Foster, 2005). However, MAS are not used to the same extent or in the same way in SME companies compared to large companies (López & Hiebl, 2015).

SMEs tend to change their management accounting systems when entering a growth phase as the needs of the systems change (Moore & Yuen, 2001). Although there is a similarity between companies using the traditional way of using budgets as a MAS. The budget for the upcoming year is always set at the end of the current budget year. Once the new budget is set there is no changing or updating it even though managers might learn new things about the environment (Haka & Krishnan, 2005). Even though budgeting is mainly different in various companies, Vuong (2003) argues that when it comes to SME companies the role of budgeting is crucial in order to perform all activities in a SME company, such as business management, operations, and manufacturing.

When analyzing the relation between performance and budgeting in SMEs, Vuong (2023) discovered that the interlinking factor was the efficiency of budgeting. The efficiency stemmed from strong collaboration between managers and personnel in different departments to include goal setting, stakeholder involvement, and regular performance monitoring.

Raghunandan et al. (2012) argue similarly for the importance of good communication and sensitivity among companies' managers. The authors consider the process complex, but emphasizes the human and behavioral aspect, since solely focusing on the financial aspects would not be sufficient for an organization to reach its targets. In addition, close collaborations enable easier monitoring of purchasing in different sections of a company, such as manufacturing, and as a result increasing the overall awareness of performance in relation to the budget.

2.3.2. The budget as a Steering Mechanism

As stated by Pelz (2019), MA are activities used to control or influence an organization's decision-making process, such as the budget, and therefore, it can be defined as a steering mechanism as well. Budgets are also a significant part of MAS since they contribute to an improved decision-making process, among other things (Zor et al., 2019).

Nowadays there are different kinds of budget approaches. Whereas the traditional budget tends to contribute to a bureaucratic and hierarchical organization where some practitioners advocate a more decentralized decision-making process that will be more efficient, which in turn tends to align with the beyond budgeting approach (Fahlén, 2018). The traditional budget process is explained by Fahlén (2018) to delegate targets and goals to each manager within the organization, which is something they need to reach to satisfy the organizational management. This is where the hierarchy starts to show.

Even though some organizations have started practicing the newer budgeting approaches, there is still a tendency in MA to use top-down decisions which also indicates the hierarchy and the use of the traditional budget approach. This is nevertheless a reason why it seems like the traditional budget model is here to stay. Despite this, Fahlén (2018) believes that every company needs to develop their own MAS that fit their company, and thus achieve competitive advantage. A MAS fitting the company and its structure will make the budget process as smooth as possible, which in turn gives more space to focus on other activities of value. It is however important to consider that the same type of MA in a top-down model in an organization can according to Luft and Shields (2003) affect individuals differently. However, it seems to be an improvement of performance when the MAS allows individuals to participate in the budget process, especially individuals belonging to the research and development (R&D) department (Brownell, 1985 see Chenhall, 2006 p. 173).

2.3.3. Budgets in Startups versus more Established Companies

As previously mentioned, Pelz's (2019) and Davila's (2005) studies have focused on younger SMEs. The reason for why this study can function as a complement is that other studies argue that age divides up young and old companies as they target management decisions in different ways, and especially connected to budgeting.

For example, Nunes et al. (2011) showed that age and organizational size have a larger effect on younger SMEs in *growth*. They also mentioned cash flow and debt to be more important for growth in younger companies. As a consequence, interest of debt's importance diminished when companies grew. Serraqueiro and Nunes (2012) continued this in their study that the financial deficit level of adjustment, and the relationship between usual determinants, on both short and long-term debt, affects SMEs differently depending on their age. The determining factors for the *survival rate* of younger versus older SMEs is also a significant difference. Cash flow, risk, size, and growth plays an important role for younger companies' survival but not for older ones, while R&D expenditure is essential for old SMEs (Nunes and Serraqueiro, 2011).

The *profitability* perspective also provides some insights into the difference due to age in Nunes et al. (2011) article. They saw that age, size, liquidity, and long-term debt is important for younger SMEs to increase profitability, while expenditure is more important for older ones. On a more general level, they show that older SMEs also have more stable profitability.

2.3.4. Discussions Regarding the Usefulness of Traditional Budgets

Critics argue that traditional budgeting is outdated, failing to adapt to changing environments and prioritize value over cost reduction (Hansen et al., 2003). It no longer serves its purpose effectively, as resource administration no longer forms the basis of management activities (Ekholm and Wallin, 2000). Despite this critique, companies still predominantly use traditional budgeting for planning and control (Sandaahl, 2012). However, researchers highlight its unsuitability for today's competitive and volatile markets (Bunce et al., 1995; Hope and Fraser, 2023; Fahlén, 2018; de Campos and Rodrigues, 2022). Sandaahl (2012) counters, finding no correlation between environmental uncertainty and the discontinuance of traditional budget focus.

Wildavsky (1978) argues against replacing traditional budgeting despite its limitations. Yet, practitioners' dissatisfaction with it has grown in the 21st century, particularly in European contexts (Rickards, 2006). Fahlén (2018) suggests that traditional budgeting's effectiveness waned as the 21st century ushered in rapid technological development and increased uncertainty. Consequently, practitioners have turned to alternatives like beyond budgeting and activity-based budgeting (Hansen et al., 2003).

The debate extends to the effectiveness of traditional budgeting in growing companies (Goode and Malik, 2011), with suggestions that beyond budgeting might be crucial for management accounting (MA) in the future, albeit challenging due to institutionalization of the traditional process (Goode and Malik, 2011). Rickards (2006) observes a backlash against development, with concerns that budgeting processes contribute unnecessary complexity to business management. Goode and Malik (2011) propose a bridging method between traditional and beyond budgeting, echoed by practitioners who see rolling budgets and monitoring systems as potential solutions (Ekholm and Wallin, 2000).

While scientific literature acknowledges the inflexibility of traditional budgeting for today's business environment, consensus on the preferred budgeting process remains elusive due to factors like company size, industry, and complexity.

2.3.5. Budgets and Change

Hendieh (2023) shows that when facing challenges, SMEs tend to abandon their current financial techniques to focus on short-term profitability and liquidity. The author does therefore recommend preparing for unexpected, external shocks by establishing scenario analyses and robust tests on financial planning and budget. However, Dugale and Lyne (2006) found that in an uncertain environment, budgets tend to be more important in terms of planning and in a stable environment the budget tends to be more important in the context of control.

On the other hand, Rajan et al. (2007) emphasizes that the internal power and political conflicts are reasons why companies tend to reallocate their finances and therefore adjust their original budget when in an environment of drastic and fast-paced changes. For example, Grabner and Meors (2021) found that faulty budget planning that results in weak market performance can have several severe consequences. However, some managers tend to stay with the traditional way of budget, or even increase their alignment, even if it is not the best because they find a traditional budget to be a safe point in terms of structure and certainty (Marginson & Ogden 2005, p. 451 see Sandalgaard 2012 p. 399). After an intense period of major challenges and changes, Haka and Krishnan (2005), found that if an organization returns to its steady state, a traditional method will once again be the better alternative (Haka & Krishnan, 2005).

3. Methodology

This chapter delves into a detailed description of how this thesis was conducted and why. It includes the most important decisions regarding methodological considerations in terms of data gathering, data analysis, limitations, and ethical dilemmas.

3.1. Research Design

To answer the research question accordingly, this study was conducted using a qualitative method, more specifically, a case study. Reason being for that previous literature on budgeting and SMEs has shown to focus almost exclusively on quantitative methodologies. Consequently, the results are broad and general, which is why Pelz (2019) encourages researchers to conduct more concentrated research on how SMES adapt and use management accounting. This is confirmed by Flinck et al. (2004) who argue that qualitative methods are more open approaches that allow for more involvement compared to those with larger data material, since they acknowledge the subjectivity of the social world and the researchers. In addition, it also suits research areas where knowledge is scarce and would contribute to findings if there is a significant difference in budgeting management between SMEs and larger companies that otherwise operate under similar circumstances.

On a more general level, a qualitative research method is preferred when performing a case study, since it allows for more concentrated research by combining different information sources such as interviews, documents, and observations (Bryman and Bell, 2017). It is also beneficial since the more complex and larger aspects, such as the organization, its adoption of MAS and its outcomes are easier to grasp compared to a larger organization (Mitchell and Reid, 2000; see Lopez and Hiebel, 2015 p. 83). This can be seen as the qualitative method does predict or prepare for certain answers but is instead adaptable depending on the answers found (Flinck et al. 2004).

It is important to understand how this study can be seen as a development of previous studies while also, and to no lesser degree, analyzing the problem independently to not limit the analysis and conclusion. This is discussed in great detail by Gioia et al. (2012) as they problematize the act of constructing measurements, as it can be inefficient and blind the research from identifying the concept developments in an organization, i.e., the underlying qualities and characteristics that steer an organization.

This study takes a stance more towards naturalistic generalization in that the empirical evidence is fairly extensive. In turn, it lays the foundation for a length analysis as well, which means that the reader has the opportunity to grasp the entirety of the study and draw his or her own conclusions (Parker and Northcott, 2016). It is however important to acknowledge that a case study cannot be generalized, as it is against its nature and that the empirical evidence and analysis is influenced by the authors' perspective.

This thesis has contingency theory to analyze the gathered data. It is a theory that has been used frequently when studying MAS (Chenhall, 2006; Donaldson, 2006; Otley, 2016), but not as frequently in SMEs and companies in rapid internal growth (Chenhall, 2006). For this thesis, the theory did therefore allow efficient compositions of the structure of the case company (Donaldson, 2006), and thus understand how the budget's management mechanism is influenced.

There is typically a question of how usable contingency theory is in qualitative research on SMEs, since the majority of studies done has taken a quantitative approach (Pelz, 2019; Otley, 2016). Using this theory as a lens in qualitative research has however been more common in recent years, which is positive since it contributes to a wider range within the use of contingency theory when researching the field of MA (Otley, 2016), and thus MAS, since MA is a collection of activities (Chenhall, 2003).

Iyamu and Tunzelana (2012) agree since the theory can take both directions: it allows the researchers to recognize and examine an organization's successful or failing system without assuming that it can be successfully managed in another one. This can be done by analyzing the power relationship between contextual, organizational, environmental, and human dimensions. In other words, this study has analyzed budgeting and its usage with the contingency theory to understand how it is managed during internal growth and what the consequences are, which are all aspects that can be qualitatively researched (Mitchell and Reid, 2000; see Lopez and Hiebel, 2015 p. 83).

3.2. The Case Company

The case company is an established Swedish SME, operating in the product development industry. It has three sales and support offices on an international level. During the last few years, the company has experienced high market growth (Markman and Gerners, 2002) with quadrupled revenue. By always prioritizing growth, the company has continuously reinvested the earnings into R&D and marketing to explore new markets. This has resulted in breakthroughs in new markets and product synergies that have improved the company's market position and its revenues.

In addition, they have acquired several startups which has resulted in higher pressure on the company internally as more developers, salespeople, marketers, etc. have been required, which naturally made the organization more complex from a management perspective. However, from a market perspective, the company is financially stable and is a strong actor that can compete with its competitor, which does not resemble the unstable SME that several scientific articles describe (see chapter 5.8 Empirical Evidence). In summary, the company's size, its relatively old age for a SME, and its internal expansion makes this organization a compelling case. To clarify, the company is referred to as a SME throughout the study, since it has a turnover below 50 million euros and has fewer than 250 employees as of 2022 (European Commission, 2005).

The case company is as stated anonymous and only described as a Swedish product-development company. However, the company description is fairly broad, but it covers companies whose main operation is to develop modern solutions for other companies and not private customers. As the case company has grown significantly in number of employees and revenue it is difficult to describe their size, but according to The European Commission (2005), they have become a medium-sized company in the last couple of years, which means that the concluding remarks are applicable for companies who share this description.

3.3. Data Gathering

To gather the data necessary, a combination of semi-structured interviews and reviewing provided documents of historical monthly reports was used, with an emphasis on the interviews. In order to make sure the interview questions were suitable, a pilot-interview with one of the company founders was performed. This person was chosen because he/she did not participate in the interviews but does naturally have extensive knowledge about the company in general and its budgeting process. The pilot interview resulted in some structural changes in the questions. **To clarify, the documents were used solely for the authors to understand the context of what several interviewees discussed when mentioning follow-ups. This is therefore not covered in the analysis as a central document that influences the end results.**

The majority of data gathering was interviews where employees within the finance department and all managers within the upper management were asked the same set of questions. In addition, a manager from procurement was also interviewed as he/she is considered to have a strong influence over the firm's performance. The interviews were done at the company's office, except for one that was done via Microsoft Teams. **All interviews were held in Swedish since every respondent was Swedish. This meant that the interview guide had to be translated meaning that the transcriptions were in Swedish as well.**

The research year was 2023 and therefore all information gathered, regardless of the documents or interviews, stemmed from 2023. To clarify, the budgeting process in focus was made at the end of 2022 for the financial year 2023. If necessary, information from 2022's budget was available to nuance the problem or to measure developments. This happened in several interviews where old examples were used when more recent ones could in some instances be too sensitive.

The use of semi-structured interviews allowed for a consistent structure while still being able to ask follow-up questions on subjects that are shown to be of great interest (Knott et al. 2022). To maximize its utilization, the study aimed to collect information about several different aspects of the budget: the current budgeting process, the managers' different views, and perspectives of both its intended use, and its relationship to the overall business strategy.

Each interviewee was asked the same questions, with the exception of the CEO and CFO who were asked additional questions. This enabled the study to reach a level of saturation. Meaning that no question was ignored on the basis that another respondent had given a reliable answer. With the thesis’s qualitative nature, different accentuations and formulation prove to give useful nuances that the repetitiveness gave. For example, one question regarding how are involved in the budget follow-ups (see appendix A) was a more factfull question that could have been answered by one respondent. But by repeating this question in each interview, the answer could be considered more robust as the majority of respondents answered the same. This also acknowledged the fact that respondents can interpret questions differently, leading to some answers deviating a lot from the majority.

A document (see appendix B) covering the components, categories, similarities, and lastly themes according to the contingency theory showed that counting and then ranking the answers gave weight to the analysis. Only when a considerable level of saturation was reached, according to both authors, no follow-up interviews were made.

3.3. Sample and Sample Criteria

Table 4: Interview Objects

Person	Time at the company	In the management group	Interview time
A	6-10 years	Yes	37 minutes
B	0-3 years	Yes	39 minutes
C	6-10 years	Yes	53 minutes
D	0-3 year	No	37 minutes
E	3-6 years	No	18 minutes
F	0-3 years	No	55 minutes
G	0-3 years	Yes	46 minutes
H	3-6 years	No	48 minutes
I	3-6 years	Yes	56 minutes
J	6-10 years	Yes	56 minutes
K	3-6 years	Yes	46 minutes

The table above presents information about the interviews conducted. Each one was around 45 minutes with the exception of respondents E who did not have enough insights into the topic to answer in detail. Each respondent was chosen through a targeted selection (Bryman and Bell, 2017) since they had to have insights in the budgeting process in order to add relevant information to the study.

Through the contact person at the case company, it was possible to schedule interviews with everyone except one from the upper management, who after direct communication was able to meet for an interview. The rest of the interviewees were from the finance department or in another position which has a great impact on the budget's result.

3.4. The Interview Guide

To collect data during interviews, an interview guide was used with both open questions and a number of prepared follow-up questions, to give the interviewees the opportunity to answer freely but also to be able to effectively elicit developments in potential shorter answers. The interview guide consists of three different sections. Of which the first section contains questions about the interviewee's background in relation to their work role in the company.

Section number two concerns questions about how the interviewee identifies management account systems, as well as how the budget is specifically affected by external and internal factors. Section number three contains general questions about the budget and governance in the company. These questions were only asked of the interviewees who answered no to question number six (see appendix A). Lastly, a set of questions regarding growth and profitability were put to the CFO and the CEO as they are considered the most knowledgeable about this area. It covers the definitions of growth for their company and how its relation to profitability has been affected.

Regarding the questions about how the interviewee identifies management accounting systems, none of the respondents were familiar with the concept, as stated in 5.3. However, the outcome might have been different if the MAS concept were explained differently by the interviewers since two of the respondents at least were somewhat familiar with it, even though it was with some uncertainty that the interviewers considered them not suitable to answer question number 7-10 (see appendix A).

3.5. Analysis

To examine the collected data, particularly the interviews, Gioia et al. (2012) and Magnani and Gioia (2023) established the groundwork. These articles address the difficulties qualitative studies face in being perceived as lacking scholarly rigor. In the initial article, a summary framework of new concept development and grounded theory articulations is put forward to support future research in increasing the rigor, while the latter continues to develop this and presents a methodology to develop new grounded theories qualified enough for top journals.

Gioia et al. (2012) argues that thorough study needs to identify important concepts and constructs. The authors mean that studies tend to focus on constructs as “abstract theoretical formulations about phenomena of interest”. As a result, the analysis can risk being too shallow, since it does not consider the underlying factors, which are the concepts. Gioia et al. (2012) page 2 defines these as “precursors to constructs in making sense of the organizational world-whether as practitioners living in those worlds, researchers trying to investigate them, or theorists working to model them”.

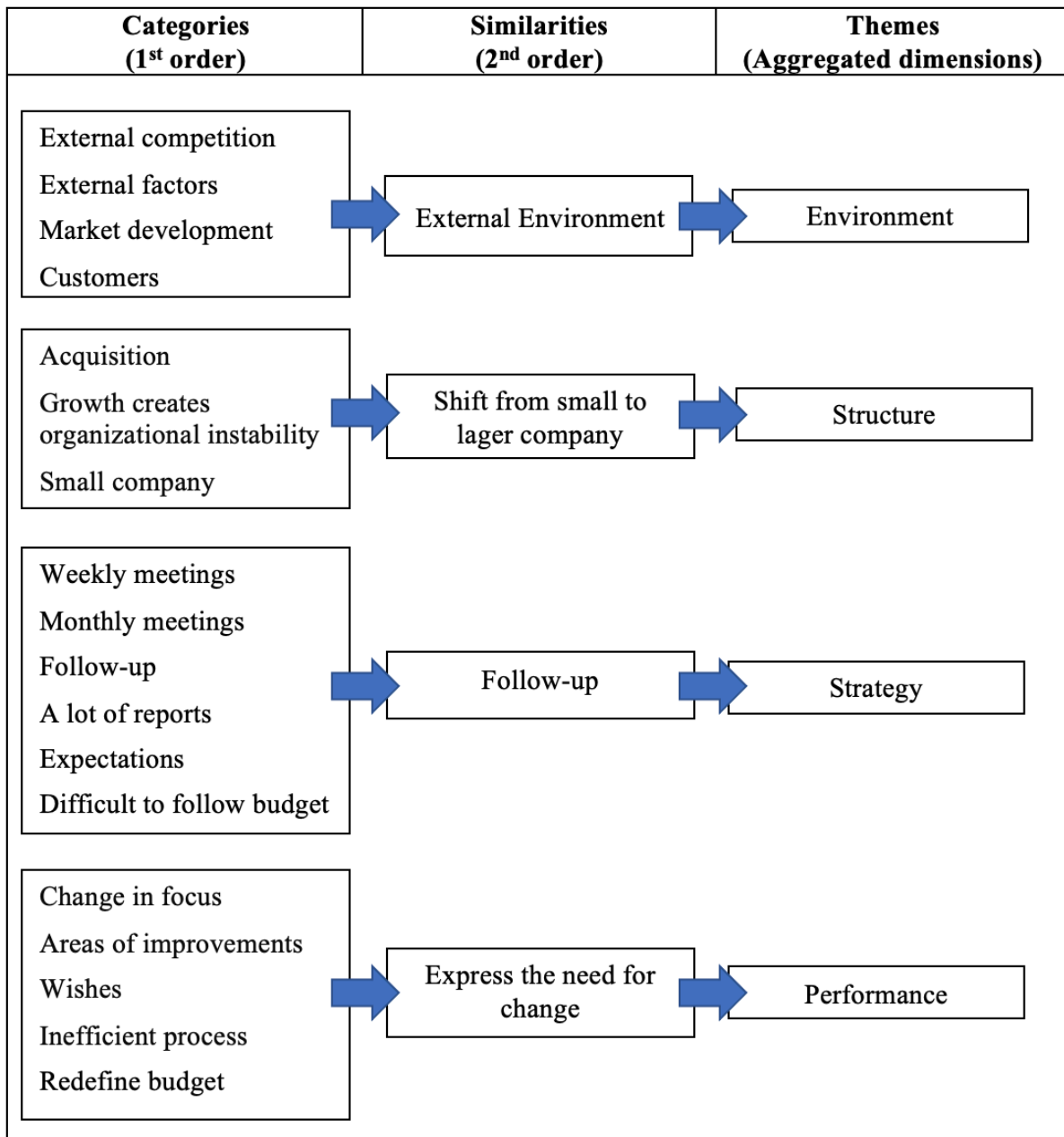
Together they allow for informed theory building and testing that ultimately are the two cornerstones to create an original study. In this study, it was important to understand that the social world is a construction and that it was studied by identifying the means that allows actors to create structures and processes, rather than measuring occurrences (Gioia et al., 2012). This is most apparent in the interview guide.

The article continues by discussing several threats that have the possibility of weakening the study’s quality. First, along the process of observing and interviewing a case company, a researcher can risk “going native”, meaning that they are interpreting what they see and hear for the benefit of the company instead of being as neutral as possible.

To mitigate this risk, one researcher critiqued the interpretations throughout the study from an outside perspective. Second, the researchers were constantly aware that the interview questions should be closely linked to the topic and purpose while also avoiding leading questions. The researchers should neither be too limited to the stated question or should adjust it accordingly if new information comes up. By conducting a pilot interview, the flaws of the first draft became apparent and were improved while the research question was continuously redefined during the analysis and data collection process.

Tools from grounded theory were implemented by coding when analyzing the interviews to build a data structure based on the first- and second-order themes (Gioia et al., 2012). During the first order process, 89 categories were collected, which is a normal quantity (*ibid*). Those categories were then narrowed down to 20 similarities and then labeled, creating themes for the second-order analysis. In this phase, it was explored whether these themes could effectively describe the budget process and its role as a steering mechanism in the case company, aiming to establish aggregate dimensions (*ibid*). When the themes for the second-order analysis were developed, they were used to describe the budget process and its role as a steering mechanism in the case company. The figure below provides some examples of some categories and which similarities and later themes that they developed into.

Table 5: Data structure.



Gioia et al. (2012).

3.6. Research Quality

To maintain a high quality of qualitative research, the *trustworthiness* and *authenticity* of this case study was considered. The former covers *transferability*, *credibility*, *dependability*, and *confirmability* while the latter considers *fair image*, *ontological authenticity*, *pedagogical authenticity*, *catalytic authenticity*, and *tactical authenticity* (Bryman and Bell, 2017).

3.6.1. Trustworthiness

As a part to create a trustworthy study, credibility was considered when the case company's contact person had the opportunity to read the thesis and confirm that the things written aligned with the reality of the company (Bryman and Bell, 2017). The credibility of the study was also considered when the authors did an oral presentation of the results for the company, before the thesis was publicly published. These actions also allowed for as much transferability from the interviews as possible, to reflect the culture in the company (*ibid*) without extraditing sensitive information to the public.

The thesis's supervisor's involvement gave it dependability, since his/her feedback during four seminars and email conversion to parts of the current research process (Bryman and Bell, 2017). Lastly, with help from scientific literature (Gioia et al., 2012) and the aspiration of keeping an objective view of the results when conducting the analysis and conclusions the aspect of confirmation has also been considered.

3.6.2. Authenticity

Since the gathered data was from interviews with not only people within the management group, but with all the employees that had a considerably close connection to the budgeting process, it gave a fair image (Bryman and Bell, 2017). Having gathered information from employees with different positions in the company and thus learnt about what they want to improve is also an indication of ontological authenticity.

The result of the study was also presented for the company to hopefully contribute to a greater knowledge of the employees' opinions about the budgeting process, and thus pedagogical authenticity. With this gained knowledge, the goal was to make it possible for the company to overlook their budgeting process and make changes if they want to, hence the study has contributed to catalytic- and tactical authenticity (*ibid*).

3.7. Limitations

Several researchers (Chenhall, 2006; Pelz, 2019) have requested that more focused studies on SMEs should be done in order to nuance the problems asked and studies in previous quantitative analyses. One limitation this study carries is that the findings do not allow for generalization or external validity due to the qualitative study over one case company. However, the study aimed to achieve Bryman and Bells' (2019) thought of allowing future studies to find and apply theoretical generalizations from this study by creating meanings of complex situations.

Another limitation, which is the most central for an interview study as emphasized by Knott et al. (2022), is that interviews cannot be considered an objective view. It is a subjective one in order for the researchers to understand the interviewees perspective. For this study, it meant to consider the views and perceptions of budgeting and the upper management in the case company. To continuously be aware and explicitly of this was therefore of great importance as otherwise it can jeopardize future studies' results. For example, the authors acknowledge Pihlanto's (2003) view that the interviewer interpretations are just as biased as the interviewees, no matter how committed someone is to being objective. As a consequence, misunderstandings were expected to happen but with a good saturation level and enough time in each interview, they were solved.

It is also a question of the outcome when conducting a study using contingency research, as it is often used to develop and suggest solutions to organizational problems (Iyamu and Tunzelana, 2012). For this study's time frame, such an objective could not be reached, as it lacked the depth and complexity required for a new rigid system to be applicable. The majority of the time was spent on interviews, documents, transcribing, and analyzing. A structured approach on the different elements of the theory was however practiced serving the research problem with tools complex enough to analyze and understand where the inefficiency of traditional budgets in growth phases lay.

Thus, a longer time frame would allow for more interviews and an overall longer observation period where more and perhaps more subtle things would appear to create a more thorough analysis. Other than the time frame it is also relevant to consider the knowledge of the authors in the field. For example, not having experience of budgeting in practice but only in theory.

Lastly, the company did not allow observations during meetings regarding the budget, which meant that the interview answers could not be discarded or confirmed by actions. In addition, only documents on the monthly follow-up meetings were presented and thus not an entire budget. These are aspects that should be considered since they had a possibility to affect the study's outcome and should be included in future research.

3.8. Ethics

To respect the ethics of conducting a case study, the case company and all interviewees are anonymous. This includes a written confidentiality agreement signed by the authors and the contact person of the company that restricts this thesis to not publish any information that can imply any unique characteristics of the company. However, the company has been informed that the paper is publicly published but that only the authors together with the supervisor will access any other information. During the data gathering, all interviewees participated voluntarily and had the possibility to quit their involvement whenever. This included asking for consent to record and allowing for any removal of information given by the person at hand regarding the thesis' purpose. Lastly, the report was thoroughly read by the company's contact person to confirm that no sensitive information was disclosed.

4. Empirical Evidence

This chapter presents the results gathered from the 12 interviews with the top management and several other key personnel that have a close connection to either the budget, essential costs, or revenue. Its structure starts with a background to the interviews and then follows the structure of the contingency theory's four parts: environment, structure, strategy, and performance.

4.1. Background

In the beginning of each interview, the respondents were asked to describe their position and what it entails. The answers show that four out of twelve people are not part of the top management. Another couple of interviewees shared similar roles by being responsible for the two business areas which entail profit-and-loss, sales, support, and product development. The CTO is responsible for the third business area which does not have its own market but develops products used in the other two business areas. Another interviewee is responsible for the marketing team of four people, the CEO with his/her obvious close connection to the management and the board, and the procurement officer. The finance team consists of four people whereas one is the CFO, and the last respondent is HR, who is in the management group. With some outliers, the average time spent at the company is four years, with the longest at ten years and the shortest at less than a year (see table 3).

The respondents also explained what their department looks like. Those responsible for the two main business areas combine one sales and R&D team each, that collaborate to achieve higher efficiency and understanding by focusing on the same task. According to one respondent, the supply chain department is divided into teams, one procurement team and one product team that focuses on the internal production. As previously mentioned, one respondent is responsible for the third business area with six developers but does only have a small sales market themselves with their main task to support the two major departments. Lastly, the HR department includes one assistant, where the HR's position was earlier one of CFO's responsibilities but as explained in an interview, having to take on several roles at once is of the more evident characteristics of a small and growing firm.

4.2. Environment

When asked if external events can affect the budget, there were several different answers, but everybody agreed that it has some sort of effect. Respondent A, B, and C shortly said that it leaves a great impact on the budget with the addition from respondent A that certain political regulations in the past have opened for new market ideas, which in turns naturally shows up in the budget. Respondent B said that they now think more in terms of scenarios because the break distance for certain costs when an external shock happens can be quite long and thus be very costly. He/she gave the example of a recent challenge that made their department refer to the budget more often in their weekly meetings. Respondent C took a more aggressive stance and said that external events affect the budget all the time and that this year's budget was obsolete after just four weeks due to deviations.

Respondent D was more direct and said that if you are not considering the external world then you will be incorrect in your estimations and that the external analysis lays the foundation for the strategy, which is the starting point for the budget. He/she added that medium-sized companies tend to be more reactive rather than proactive in their nature and that they do not currently have a backup plan but are actively diversifying their market position.

Respondent G focused on the fact that they are competing on an international market and that the currency exchanges alone make for a challenge. He/she said that “There are so many things that you cannot manage, which makes it hard to believe that a 12-month budget would really help us know where we are heading” and “I believe that if you would let the budget management things entirely, then everything would go wrong, so you seriously have to consider the external world in your decisions.”. Respondent I also said that they do not make changes in the budget during the year, but instead adjust the forecasts in his/her department. When a crisis occurs, they focus on informing and being informed about the supply chain, but that usually affects the strategy more than the budget. Similarly, respondent J said that it does not affect the budget, but the business itself. He/she did, however, comment that if enough external events happened, then the budget would become irrelevant.

Respondent K explained how they did during Covid-19. They focused on daily check-ups on the order book, since the OPEX was very large, and the treasury was nearly empty. Now, when they are faced with another external challenge, they have enough resources due to internal financing rather than investors that enables them to ride out the storm. Lastly, respondent H is not in the management and said that he/she guessed that an external event would make the company lean towards cutoffs and open for new investments after the sales have returned.

4.3. Structure

When asked if the internal growth has affected the company's structure, respondents agreed that it has. Respondent I was uncertain if growth specifically caused the changes, noting that the R&D department is now divided into business areas, partly due to growth. Respondents F and G emphasized the need to change structural focus during rapid growth, moving from a product-centric to a broader organizational strategy. They stated that "the organization should be built based on the company's needs," and highlighted the necessity of a common strategy as the company grows.

Respondents agreed that company growth has impacted the internal structure. Respondent I was uncertain if growth specifically caused the changes, noting that the R&D department is now divided into business areas, partly due to growth. Respondents F and G emphasized the need to change structural focus during rapid growth, moving from a product-centric to a broader organizational strategy. They stated that "the organization should be built based on the company's needs," and highlighted the necessity of a common strategy as the company grows.

Regarding decision-making and budget communication, opinions varied. Respondent C noted changes influenced more by company culture, describing it as agile and good at handling challenges. Respondent G agreed, stating daily events impact decision-making more than growth or budget, and Respondent F called for a systematic decision-making process. Nowadays, the budget is mostly communicated through the management group and the responsibility lies with each member to communicate it to their department. This is different from some years ago when there was a "...shared breakfast in our little kitchen (...), with this, like, presentation and every department was present..." (respondent I), with the presentation, according to respondent I, being one of the budgets and the firm's financial performance.

Although, he/she emphasizes that this is not done the same way today is not only explained by internal growth. By communicating the budget solely through financial numbers and disregarding the company's actual performance as a whole caused a lot of irritation and complaining. However, respondent A explains that they have kept some of their old communication methods, for example, their EBITA goals and revenue growth. Interviewee K mentioned that how the budget is communicated has changed might be due to expansions in the financial department.

Another aspect came from respondents J and K who believe that there is a lack of communication regarding why they should do the budget a certain way, for example why they now have ten-folded the number of costs and increased the level of detail in revenue streams. Respondents J followed up analyses of the cost budget do benefit from a detailed perspective, but sales do not. The reason is that you cannot predict if a customer will purchase product A or B if they are similar. If they predict wrong, then their sales budget is 100 % incorrect, while the company is actually satisfied with the outcome. Meaning that the sales analysis does not add any value, compared to the cost budget.

Every respondent that is a member of the upper management talked about weekly follow-ups to the budget, with a main focus on the sale budget. The communication of the budget does therefore stay inside the group. As respondent G says, the employees outside the management group have not seen this year's budget, and thus he/she considers it as not to function as a steering mechanism to middle managers or anyone else on the outside. However, according to respondent J, only the cost budget is not communicated outside the upper management, with the exception of the heads of product development. The opposite can be said for the sales agents who are naturally involved in sales during the budget process and get quarterly follow-ups during the year.

While the respondent I believe that it has without being able to explain how, respondent K says that growth had an impact since there are not more people involved in the budget process, even though it is still kept inside the upper management. Respondent A shares K's view but regard it as nothing has changed since the place of the decisions are kept the same.

To questions about whether the budget has had an impact on the collaboration between departments and if decisions within one department affect the budget allocated to another department, the answers reminded each other. The majority of the respondents said that they believe the budget has an impact, but neither thought the collaboration being negatively affected by unhealthy competition.

However, respondents A and K both differentiated from the rest by talking about how it is important to always focus on what is best for the company. The latter respondent believes that there is no competition between the departments, because they always think of what is best for the company. Likewise, respondent A believes "...there has not been any negative competition, I rather experience a good consensus, we do the initiative that is best for the company". So there exists positive competition when everyone wants their initiative to be considered in the budget while also considering what is the best for the company. Regarding the initiatives it tends however according to respondent G to be some confusion regarding their definition.

4.4. Strategy

During the year, and alongside the company's growth, the budgeting process has changed. In the first years it was more or less handled solely by the CEO, but as the years progressed with internal growth, everyone in the upper management group began to be included in the budgeting process. However, creating the actual budget document became the CFO's and finance department's responsibility. With the company's growth and thus more people involved in the budgeting phase, it has also continued to change every year. For example, it has become more detailed over the last couple of years.

Every year in June the board and upper management group comes together for a “strategy day”. This is a day where three goals are set and is considered as a three-year direction for the company, and also becomes the base for the upcoming budgeting. The budgeting itself starts between the end of October and the beginning of November, with the board assigning upper management to create next year's budget. The next step is that every department presents their initiatives they want to be included in this year's budget and are then voted on. Along with the initiatives, each head of department also presents a budget for their costs and the business area managers present a sales budget. Afterwards, the budget is presented for the board who approves it. If it is not approved, then the upper management has to go another budget round and revise mentioned points.

During the budget year, the upper management has weekly follow-up meetings, with a strong emphasis on the sales budget. In general, the process is described as short and intense. Some dislike it for being too hectic and that it puts a lot of pressure on the management's collaboration skills, while some believe that the input changes quickly and a longer process would therefore jeopardize the process if it should be adapted to new information several times.

When describing the budgeting process, the respondents answered with several different approaches. Some answered by criticizing and emphasized that the focus is on the wrong things, for example expressed by respondent C that 80% of the time is spent focusing on the costs, specifically OPEX, and 20% on revenue. Another critique comes from respondent G that expressed the budget process as overly complicated with a lot of discussions and a lot of redoing the same thing, hence a too ambitious number of details as respondent J expresses it. However, there have been several requests to the finance department to remove certain costs in order to simplify.

In addition, it is a result of some new requirements with people not being aware enough about the market and the sales side. Another approach used to describe the budgeting process is that the sales budget comes first, hence that the cost budget comes after the sales budget and functions as a result of the sales numbers as described by respondent I and J. On the other hand, respondent C and G mentioned that there is more focus on the OPEX than the sales when creating the budget. However, they both believe that there should be less focus on OPEX, which respondent C explains as you cannot control if the gross profit could cover the OPEX at all when not prioritizing sales and cost of goods.

Understanding the purpose of a budget is crucial, as evidenced by the diverse perspectives of the twelve interviewees, who provided seven distinct viewpoints. Respondents A, B, and D look at the budget as a steering mechanism. A mentioned it guides spending adjustments and serves as a performance benchmark. B emphasized its role in understanding operational costs and enhancing efficiency, noting that "the budget has controlled us." Conversely, respondents C and I use the budget to visualize plans and assess the feasibility of initiatives, with I justifying early investments based on sales forecasts.

D and H view the budget as a tracking tool for monitoring costs, spending, margins, and target milestones. K sees it as an ambition list outlining goals and financial allocations. F believes the budget balances revenue, costs, and margins over the long term, structured around specific initiatives. In contrast, G does not see the budget as a steering mechanism, arguing it doesn't guide actions and that initiatives are too varied to be unified. Finally, J interprets the budget as a tool for maximizing annual growth by determining safe spending limits. These varied interpretations highlight the multifaceted role of budgeting in organizational strategy and management.

The respondents were also asked whether the use of the budget has changed during the internal expansion. To this question some of the respondents responded with uncertainty with the explanation that they have not worked at the company for that many years. Even though respondent K have not been involved in that many budget processes, he/she mentions that he/she wants more follow-ups on the status of the initiatives:

We have our sales and operation meetings (...), but I would have wanted more follow-ups on the budget (...) did we complete it? Did we change anything so that we are not doing this initiative anymore, but should do this instead? Or is it really a dead freeze and we should do nothing at all? It comes rather fast now, but like some ongoing follow-ups to (...). We should have a budget, check and tick, so we have that and then we are not there rooting around as much.

Respondent K also explains that the management group gets a monthly report from the finance department where they follow up their biggest customers and how the company is performing. There is a lot of information to go through and respondent K believes that there could be benefits in “refining” the report by simplifying it to free up time for other activities.

A minor deviation is mentioned by interviewee G, who believes that this development is “for better or for worse” since they still lack scenario analyses and thus “(...) there is no understanding of whether we should accelerate and brake and with what time perspective”.

Regarding whether the budget has been easier or harder to follow during the growth stage and whether projects have deviated because of it, the answers differ. Respondent G, H, and I believe that it is not due to growth, but rather due to the incorrect timing with lead times, which is something that respondent F also mentions as a major challenge in every project. However, respondent K believes it is difficult to answer since he/she believes there is the current form of follow-ups that does not allow for a clear enough identification to declare this.

The other camp that consists of respondent H and I says that the insufficient follow-ups is a result of organizational growth. Respondent I add that the budget's availability, meaning, how easy it is to find and use in daily work is not up to speed and adds to the inability to use it properly. Meanwhile, respondents A and C believe that larger and more significant deviations make the budget inoperable and thus loses its value. Another group of interviewees focused on the high level of structure the budget follows. Respondents B, F, G, and J believe that it makes it easy to follow. The other side believes that it is the reason for it being impractical.

This was originally part of the collection of questions that were targeted towards interviewees who were considered not able answer the previous questions properly but ended up as a relevant question for several interviewees. Respondents B, D, and K answered shortly that it has to be able to adapt, but with an emphasis on year to year, in order to grow. Respondent D added that it is a requirement because otherwise you do not know what is happening. Respondent E said that he/she does not know, while respondent F said that they could do a lot more and that it needs continuous improvement. He/she believes that the budget's importance has been made more clearer in peoples' eyes and that it is more predictable now. For example, sales are follow-up more precisely now on a product and regional level. In addition, several activities are looking into being automated. Lastly, respondent G said that this year's budget is just three-to-four months old and is already out of sync because of several external challenges that caused them to deviate more than expected and now the budget is considered impossible to catch up on.

4.5. Performance

The CFO and CEO were asked two questions about in what way the company has grown over the years and how profitability has been affected by the growth. The reason why these questions were only asked to the CFO and CEO was because they are considered to have the best insight into this.

They both expressed that it is hard to determine if growth is organic or inorganic since inorganic growth by acquiring another company turns organic after one year. On the other hand, it is even more complex, for example one of the larger acquisitions resulted in organic growth directly due to obvious product and service synergies. This happened because the acquisition resulted in a reduction in competition since customers now had an easier choice when choosing a company. In addition, it made it possible to synergize already existing products, which lead to entering or growing in other markets as well.

Sequentially, it resulted in selling new products to older clients that previously chose competitors that had a greater capacity or higher quality. In summary, both CFO and CEO indicate that the company has had great organic growth over the last few years but some of it is due to acquisitions. When asked about profitability, they both confirmed that it has improved during the internal growth. However, the company has mostly presented around zero, due to their choice of investing in getting to know new customers. This was also mentioned by other respondents as well and is seen as part of their growth journey.

As a closing question, every respondent was asked if there was something they wished to change with the current budget. Besides respondent E who did not have any input, there was a common thread throughout the answers. Everyone thinks that the budget process is too detailed and some of them believe there is a lack of follow-ups in one way or another. More specifically, respondents B and G want to focus more on the bigger picture first and foremost and then let the details come naturally to prevent overly complex, detailed, and stale budgets.

Respondent A wants a more standardized process with regulated documents and templates to prevent confusion and misunderstanding between each year and to be able to adjust the budget during the year when there are significant deviations, preferably on a quarterly basis. A similar request was put by respondent I who wants the process to be easier, the budget to be more visible, easier to find and follow up on, and for adjustments to be possible:

I think it is strange that we don't change it. Maybe there are some economic reasons, that I don't understand, to why we do not do it. But I think that if the information we have changes, then we should be able to change our forecasts and that is something we do in our projects etc, but we do not consider it in our budget because that is a cycle that runs over a year. (...) I believe it should be more visible as well, but that might be a me problem, that I can make it more visible.

He/she also suggests how the follow-ups could be simplified by implementing some kind of automatization that will alert them when there is a deviation. In line with respondent A and I, respondent D also wants an easier follow-up system, which he/she believes will contribute to a growing interest in understanding the budget. Meanwhile, respondent K believes it would be beneficial to have follow-ups that are more focused on the initiatives and not only the financials in order to create an understanding of how to work with the initiatives and if there are any signs of failure, instead of getting to know about a failure when it occurs.

However, respondent C's answer to what he/she wants to change with the budget process differs from the other respondents. He/she believes the structure of the budget process needs to change by focusing on the market and customers first instead of prioritizing the costs, and thus:

(...) outside to inside, instead as now when we work from the inside to the outside. How many people do we have and what could we do with them instead of looking at how the market develops, existing customers and new customers that become inputs.

This was something they did more of when they were a smaller company and requires that the company today knows more about its customer and the market, which respondent C believes could theoretically be implemented in the budget process. However, it requires the sales agents and the financial department to develop a stronger collaboration that would hopefully prevent everything to "only" be presented as a financial number and lose the follow-ups related information about the customers and market.

5. Analysis

In this chapter, the contingency theory is applied to the answers previously presented in the empirical chapter. The analysis is divided into four tenets: environment, structure, strategy, and performance with similarities and categories in each. Some similarities are compiled as they challenge touch on similar topics. Every subchapter per tenet tests and discusses the company's current fit or unfit to understand what factors are optimal or not.

5.1. Environment

5.1.1. External Awareness

Amat et al. (1994) argue that the use of MAS tends to increase when faced with external, unpredictable events since documents such as the budget function as a safety measure. These can range from major events such as wars, laws and politics, cutting-edge technologies to smaller, industry-specific incidents. This observation is validated within the case company, who faced significant challenges during Covid-19 as revenues plummeted and made the entire supply chain uncertain as neither the near nor far future could be forecasted. Consequently, they increased their reliance on the established budget, incorporating additional meetings to monitor the backlog, suppliers, and customers' challenges more closely. The frequency of these meetings has remained higher than pre-pandemic levels, indicating a lasting change in the company's budgeting process. This aligns with Amal et al. (1994), demonstrating that simple uses of the budget can significantly impact everyday operations.

As Amal et al. (1994) explains in their article, an organization must manage the dual challenges of managing internal dynamics and external institutions such as political entities. For example, the case company frequently analyzes the development within the EU, given its significant impact on their business strategies, including exploring new markets in response to regulations like bans on hazardous materials in order products. **This ongoing attention to external volatility illustrates their strategic use of MAS for risk management and competitive strategy.**

This approach also emphasizes the budget process, as evidenced by empirical data. However, from a competitive standpoint, where MAS is pivotal for risk management and strategic investments (Moore and Yean, 2001), the case company has adopted a different strategy. Several respondents pointed out that acquisition of competitors over the years has yielded strong synergies between products and that the current competitors are not as important since they are quite alone in their market.

5.1.2. Environmental and fit according to the Contingency Theory

In summary, when the case company has expanded, its context and challenges have evolved proportionately. Competitors are no longer the primary threat; instead, the company faces greater risks associated with its larger size, necessitating diversification to mitigate these risks. It also shows that previous accidents or challenges can alter the way the budget or other MAS activities are managed permanently. This is telling for how the case company is aware of their risks and are moving towards a budgeting structure where the environment are fairly considered and are therefore closing in on a perfect fit according to the contingency theory (Amat et al. 1994; Moores and Yean, 2001; Taylor and Taylor, 2013).

5.2. Structure

The similarities central to structure are those that fall under the description of formal roles, administration mechanism, activities, knowledge sharing, motivation of individual and creative processes to create efficiency as mentioned by authors in chapter 2.2.3. Contingency Theory Applied on Management Accounting Systems in SMEs (Valaei 2016; Chenhall, 2006)

5.2.1. Shift from Small to Larger Company and Communication Between Teams or Departments

Zaridis and Mousiolis (2014) describes that the ownership and managerial role is usually handled by a smaller group. This is not in line with the case company since the empirical evidence shows that the management team of eight people and the managers one step down constitutes a rather larger group. This can be led by the fact that they have been growing aggressively both externally and internally for several years by creating a large customer base, finding new markets, and recruiting heavily in order to secure future growth. However, a large collection of scientific articles argues that this is a natural occurrence since use, especially more sophisticated use of MAS increasing with firm size and age (El-Ebaishi et al. 2003; Elhamma 2012; Neubauer et al. 2012; Odar et al. 2012).

López and Hiebl (2015) argue that small teams without proper budget focus have less refined decision tools or systems. This was certainly true a couple of years ago in the case company, where they had more focus on marketing strategies and R&D investments. Together with unstructured communication logistics, it created situations where decisions did not include everyone who had to be informed. The upside was that employees appreciated the openness they could have with their managers, who would consider it more informal. As the case company grew, López's and Hiebl's (2015) arguments were still true for the opposite reason. Same for Taylor's and Taylor's (2013) point that a larger firm without proper processes keeps its "small firm" methods.

One of the most common answers in the interviews was that growth has changed the structure of communication and decision-making and that it has become more systematic. Informal communication still exists to some extent, but several managers mentioned that the sheer size and number of people has made it ineffective, together with other reasons. This shows growing complexity inside and outside the firm that put enough pressure on the structure that they had to structure the organization even more in order to develop and fit into their new role.

Another aspect is how the employees and managers view the current fit of structure and their current size. Is it effective or not? According to Chenhall (2006), size is a central characteristic in a company's fit as so many other processes must be adapted when a firm is growing. This turned out to not be clear cut in the case company. As the empirical evidence shows there is a divided opinion whether to consider it a small company that only requires simple communication logistics, or considering it a complex entity where documents, templates, etc., should be according to a large-sized company - a tendency that shows that there is a lack of fit.

Welsh and White (1981) argue that "A small business is not a little big business" since SMEs do not use the same MAS activities as a larger company and spend less time on them but use them differently as well (López and Hiebl, 2015). This became evident when a small group of people from the management group argued that the fast-paced growth has resulted in growing pain. By changing fast, they have become unsure of what level of detail the budget processes should be at and how communication should flow.

For example, the empirical evidence shows that they cannot have unofficial communication channels and that the overall organizational structure has become more formal and explicit. Some critique was however put forward that they might have become too detailed by implementing a new tool set in terms of reports and templates fitted for a larger company. This shows that the new method has perhaps just moved them from one unfit to another.

López & Hiebl (2015) and Taylor & Taylor (2013) argue that a SME can always grow but if it shares the characteristics of a SME, it is still a fairly small and simple organization. One example from the case company is that several respondents consider it a small company and described the company as quick-footed and reactive. This was especially regarding the information channels that there is still a perception, especially for those that have worked the longest, that you can assume that everybody is informed. What deviates the case company from the authors' (López & Hiebl, 2015; Taylor & Taylor, 2013) description of SMEs is that they are not coming off as an unstable, small firm that is having trouble competing with larger companies .

To focus on managing their scarce resources using control and information systems is natural for a SME firm as they cannot utilize economies of scale to the same extent. However, this was never expressed during a single interview. This means that they are moving towards being a larger firm and adopt the characteristics of being able to spend time on non-operational tasks, such as improving internal processes (Taylor and Taylor, 2013). For example, the new CFO has brought the budget into discussion and created more knowledge about how it affects everyone in their daily work. This has resulted in the manager having to be more involved in the budget and perform more towards their respective targets, which forces better collaboration between the managers and the finance department and refines communication.

In summary, the company is in an intermediate step where they have stepped out of their previous fit as they have grown but are struggling to find the new required structure. This is evident in how peoples' perception of the company's current state is split and how they should move forward is not agreed upon. By making the employees and managers aware that power over a SME is usually governed by a small number of people (Zaridis and Mousiolis, 2014), which this company does not align with, they can understand in what way they are deviating and that a budgeting process requires the same uniqueness to it in order to perform at its best. Similar results are applicable for those not convinced the case company is growing fast and has become a medium-size company. To understand this and the underlying factors, they can more easily accept that certain processes need more standardization (Da Silva Laureano, 2016; López & Hiebl, 2015; Valaei, 2016; Chenhall, 2006).

5.2.2. The Nature of a Fast-Growing Company

The empirical evidence shows that Chenhall's (2006) explanation of what factors can impact the use of MAS is true for the case company. Throughout the interviews, growth has been an assumed factor that continues to define the company's culture as some respondents believe it is obvious. In addition, most interviewees believe that this will be a continuation going forward, as they have almost increased in pace, in terms of sales, diversified, and found new markets. **This fast-paced nature requires flexible and adaptive MAS to handle the changing demands and challenges. Contingency theory posits that organizations must adapt their structures to match their growth pace (Drazin and Van den Ven, 1985) and that the case company's current MAS shows signs of this adaptation, but further refinement is needed to ensure that these systems can keep pace with ongoing growth and change.**

Da Silva Laureano (2016) and López & Hiebl (2015) all say that larger companies tend to use MAS to a greater extent and with greater detail. This is also true for the case company but opinions on it were split. A constant refining of requirements and ideas that affected the budget directly or indirectly is, for example, not appreciated as it forces employees and managers to spend time adapting their current processes.

The budget initiatives have also resulted in an unbalance by removing focus from and perhaps jeopardizing the long-term development as the initiatives are easier to achieve and measure. In summary, the growth pace of the case company and its consequences are familiar for a SME both in general and in terms of how it affects the use of MAS.

5.2.3. Budget Communication from the Management to the Rest of the Company

Taylor and Taylor (2013) argue that as a firm increases personnel more pressure is put on the information logistics and requires it to become more structured. By putting the responsibility of each upper management member to communicate what is necessary to their respective department creates a more structured flow of information. However, it is, as previously mentioned, more of a briefing as some information is sensitive. The result is that cost information usually stays within the upper management and only in certain product development cases does it become relevant for a manager to inform their developers.

Again, several authors agree with Taylor and Taylor (2013) (Castka et al. 2004; Murillo and Lozano 2006; Battaglia et al. 2010) that a more complex and larger organization that spends more time on non-operational activities will put pressure on the current information format. However, there is not an alignment between what is formally decided, how it is performed, and what is considered best practice in the case company. Regarding the literature (Zaridis and Mousiolis, 2014; Taylor and Taylor, 2013), it seems as though a lot of communication is still done on an entrepreneurial basis as the CEO is very central in the internal communication and that the quarterly results are presented by both the CFO and CEO. In addition, since there is a request from interviewees outside the upper management to be more informed about the budgeting process and its use during the year to take better strategic decisions and to understand larger restructurings or other changes. This aligns with contingency theory, which emphasizes the importance of aligning communication structures with organizational needs (Lawrence and Lorsch, 1967).

5.2.4. Parties Involved in the Budget

A couple of years ago, their simple and mathematical budget was like what López and Hieb (2015) described as a typical SME. By recruiting a controller and bringing forward a more advanced budget analysis, they have a very natural development curve as described by Taylor and Taylor (2013). However, they still do not have adequate training, which is evident as they let newly recruited people bring previous working methods to influence the case company's budget without any open discussions. To find a balance between being influenced and influencing new requirements keeps the development of the budgeting process at a level where it can perform at its highest while still being easy to engage with each year (Chenhall, 2006).

By developing templates, reports, and new data systems they are very much in line with several authors' conclusion of how company size and MAS advancement runs parallel (Da Silva Laureano, 2016; López & Hiebl, 2015; Taylor & Taylor, 2013). However, the majority of the interviewees, and as seen in the similarities in change and budget structure, the new implementation has caused frustration and disagreements as many wish for less changes in the budgeting process between each year.

According to Valaei (2016), to increase organizational performance, they should increase their knowledge quality: how efficiently you can turn information into quality services and products. Another needed aspect is creativity to increase competitiveness, which can be found in cooperation. For example, respondent B never gets involved or questioned about the budget even though the department represents a large sum of the firm's total costs. This aligns with contingency theory, which emphasizes the importance of aligning communication structures with organizational needs (Lawrence and Lorsch, 1967).

In summary, a greater balance between development and refinement in the budgeting process is key to efficiency and perhaps more accurate and more successful budget outcomes. They are moving forward at a pace which is natural for a SME but become more explicit in their budgeting structure, which includes decision-making and communication would keep everyone, independent of upper management or personnel at a good level.

5.2.5. Structure and Fit according to the Contingency Theory

The company is in an intermediate step where they have stepped out of their previous fit as they have grown but are struggling to find the new required structure. This is evident in how peoples' perception of the company's current state is split and how they should move forward is not agreed upon. It is however important to consider that the case company's growth pace and its consequences are familiar for a SME both in general and in terms of how it affects the use of MAS.

By making the employees and managers aware that power over a SME is usually governed by a small number of people (Zaridis and Mousiolis, 2014), which this company does not align with, they can understand in what way they are deviating and that a budgeting process requires the same uniqueness to it in order to perform at its best. Similar results are applicable for those who were not convinced the case company is growing fast and has become a medium-size company. To understand this and the underlying factors, they can more easily accept that certain processes need more standardization (Da Silva Laureano, 2016; López & Hiebl, 2015; Valaei, 2016; Chenhall, 2006).

As suggested by Valaei (2016) an organization such as this case company would benefit from a flatter organization. It is in line with some of the criticism that information regarding monthly meetings does not reach everyone in the organization. To restructure according to Valaei's (2016) suggestion would therefore be a step backwards. It is, however, still important to become more hierarchical if it's needed and considering certain aspects of flat organization could be beneficial.

In summary, a greater balance between development and refinement in the budgeting process is key to efficiency and perhaps more accurate and more successful budget outcomes. They are moving forward at a pace which is natural for a SME but become more explicit in their budgeting structure, which includes decision-making and communication would keep everyone, independent of upper management or personnel at a good level and therefore at a more optimal fit.

5.3. Strategy

The similarities central to strategy are those that fall under the description of the company's strategy formulation, strategic planning and strategic discussion (Bushardt, Glascoff, and Doty, 2011). Such as their business- and budgeting strategy and the communication of it.

5.3.1. The Current Budgeting Process and its Purpose versus the Business Strategy

To help understand the purpose behind working methods it is according to Prasanna et al. (2019) important to exchange information within the organization. This is something the case company would benefit from doing more of since it became clear from the interviews that the purpose of the budget is somewhat diffused.

Andersson and Funk (2017) argue that the budget is a process including interlinking the past and future with the business plan that promotes the organizational goals. Hence, in the case company this stems from the initiatives and thus could be referred to as organizational goals. What differs from Fahléns (2018) explanations of how goals are delegated it seems like this company's goals are not delegated to each manager but rather working to achieve as a whole unit, since the respondents express it to still be a rather flat organization. On the other hand, only the people in the management group are involved in the budgeting process, which could be assumed to indicate a hierarchy with more structured information logistics.

The changing of ways of budgeting from year to year in the company is natural due to its growth phase (Moore & Yuen, 2001). It might also be coming naturally because a company's strategy is not always a structured formation. However, due to the rapid internal growth in recent years, a suggestion is to set a more structured strategy (Garengo and Biazzo, 2012; 2013). Not only to fulfill the respondents' wishes of more structured budgeting as a part of the strategy but also to further increase the understanding of the purpose of the budget (Vuong, 2023; Raghunandan et al., 2012).

The MAS system of a company needs to be unique according to Fahlén (2018) and in the case company of this study there are indications that the current budgeting process is too complicated, which also indicates an inefficient budgeting process. Hence, the company needs to find their own standardized budgeting process to be as efficient as possible and create a competitive advantage in the long run. This could for example be done by changing the budget process from focusing on the inside out to the outside in.

Nunes and Serrasqueiro (2011) argue about crucial factors in the early years of a SME company. However, the case company of this study is no longer a young SME and since one crucial factor in this stage in the life cycle seems to be profit, this could also be an indication that profit is an important factor that could be added later in the SME life cycle. This is since several respondents agree that there is a lot of focus on the operating costs in the budget process. However, there are mostly follow-ups of the sales budget during the year while some of the respondents explain that they do not “use” the budget of the operating costs after the budget is set.

The budget does not function as much as a steering mechanism in this case company, even though there are weekly follow-ups on the sales budget. The strategy of the company is rather to base their decision-making on day-to-day events as well as external events, which indicates a beneficial bottom-up approach (Garengo, Biazzo, and Bititci, 2005; Rompho, 2011). In addition, the weekly follow-ups that focus on sales could also be assumed to be a unique thing and thus a part of the core strategy (Lyamu and Tuzelana, 2016). On the other hand, those meetings are also a kind of measurement system of the company’s performance (Taylor and Taylor, 2013). This could be improved on, for example, by focusing on incorporating sales in the budgeting process and giving it a larger role. Having a bigger focus (more than the current 20 percent) on sales in the very beginning of the process rather than when the budget is already set could therefore allow better anticipation of resource allocation, since the volume of many of the activities in the company is highly correlated to the sales volume. Meaning that it could be beneficial to have a bigger focus analyzing the market (external events) and letting the focus points during the budgeting process follow naturally, which some respondents indicate that they wish for.

In summary, the current budgeting process must align with the company's overarching business strategy to be effective. The empirical data indicates that while there is a general alignment, there are gaps in how well the budgeting process supports strategic goals. This misalignment can lead to inefficiencies and missed opportunities, highlighting the need for a more integrated approach that fully incorporates strategic objectives into the budgeting process (Simons, 1987).

5.3.2. Do not Know Why Something is Done/Purpose and Growing in Employees

Information exchange is a driving resource allocation in SMEs as it helps the employees to understand the purpose behind working methods (Prasanna et al., 2019). However, as the company grows, the increasing number of employees has led to a dilution of understanding regarding the purpose of the budgeting process. Many employees are unaware of why certain budgeting practices are in place, leading to a lack of engagement and inefficiencies (Bushardt, Glascoff, and Doty, 2011). Contingency theory suggests that as organizations grow, they need to invest in educating their workforce about the importance and rationale behind various processes to maintain alignment and effectiveness (Woodward, 1965).

In addition, since it tends to be difficult for managers to engage others in strategic discussions, according to Taylor and Taylor (2013), a more standardized budgeting process would benefit the company (Fahlén, 2018) as a starting point in formulating a more structured strategy (Garengo and Biazzo, 2012; 2013).

With a more standardized process there is also a possibility that knowledge exchanges could become more natural. For example, the finance department could share information about why certain things are included in the budget, it would result in a more time efficient process as less time would be spent adapting to an ever-changing process.

This is also important for internal growth, since new employees can come up with new concepts, solutions, and questions. Having a strategy that contains effective leadership and communication practices is a challenge (Cater and Pucko, 2010; Ates et al., 2013) as is seen in this company, but then again, a more structured strategy could benefit the motivation of employees and bring in new employees as well.

5.3.3. Follow-Ups and Technology

Follow-ups

The structure of the follow-ups is crucial to the efficiency of the budget process in the case of eventual deviations; budget adjustments could contribute to a more suitable and efficient budget process (Chenhall, 2006). Having periodic follow-ups could therefore be a prevention tool against inefficient communication in a predominant top-down command and control culture (Cater and Pucko, 2010; Ates et al., 2013). Unfortunately, the use of, and perspective of, the budget's follow-ups are divided and depend on the department you are working in since the follow-ups mostly focus on the sales budget.

Technology

How the company incorporates software into their budgeting process (Chenhall, 2006) is limited to Excel and a reporting program called One Stop. They both require a lot of manual work, which is expressed by several respondents who said that some automation would be beneficial. Especially for minor expenses or those who are not in direct correlation with the operation, such as phone charges or rent. This mindset aligns with contingency theory's emphasis on using appropriate technology to support organizational processes and improve efficiency (Galbraith, 1973).

This would naturally free up time (Dibrell et al., 2019) to focus on long-term strategy planning and market analysis, which are factors which the upper management emphasize as most important. In addition, it could create more efficient follow-ups if they could implement respondent I's proposal of automating recognitions when budget deviations occur. This could result in the upper management only setting meetings to analyze and solve crucial deviations in a more responsive manner. Consequently, spending time on other valuable activities could be assumed to contribute competitive advantage, according to Fahlén (2018), and a more balanced follow-up on the sales and operating budget.

5.3.4. Strategy and fit according to the Contingency Theory

Based on contingency theory, the case company's budgeting process and strategy show both fits and misfits with its current strategy. The hierarchical structure, ever-changing budgeting methods, and bottom-up decision-making approach align well with the company's size and dynamic environment. However, the lack of a clear budget purpose and the need for a more structured strategy indicate areas where the company could improve its structural fit. Automating routine budgeting tasks would further improve this alignment, supporting more efficient, and strategic management practices. Overall, the company is moving towards better alignment with its contingencies, but some adjustments are needed to fully optimize its management practices.

5.4. Performance

Similarities central to performance fall under the definition that you have enabled high performance due to a perfect fit to the current environment, strategy, and structure (Lyamu and Tunzelana, 2016).

5.4.1 Not Prioritizing Correctly

The empirical evidence reveals that the company sometimes struggles with prioritizing its budgeting efforts, leading to misallocated resources and suboptimal performance. Contingency theory suggests that prioritization should be based on a thorough understanding of environmental and organizational factors to ensure resources are used effectively (Thompson, 2017).

In combination with a mediocre collaboration between managers and personnel, there are still indications that the collaboration between managers contributes to some extent to a budget with good financials (Vuong, 2023) and that the company has a “good enough” strategy and structure in general, considering their environment (Lyamu and Tunzelana, 2016). However, when they are overperforming, the budget becomes irrelevant as they do not perform analyses to understand their current positioning.

In summary, the weekly sales analysis could be assumed to contribute to better performance while a too strong focus on costs, improved information logistics between upper management and personnel could improve their organizational fit (Vuong, 2023; Lyamu and Tunzelana, 2016).

Lastly, since this subchapter argues for the benefits of the weekly follow-ups and the previous one (6.3.5) argues it should be had only when sufficient deviations occur, a discussion is brief deserved. In the case of a company, it is assumed that the weekly analysis contributes to a more efficient budgeting as it aligns how the budget is created and used (Vuong, 2023). To scale them down to only deviations might not affect performance directly as it would relieve managers' time to focus on other activities. However, you lose opportunities to discuss KPIs, initiatives, and other ideas that can spur collaboration (Fahlén, 2018).

5.4.2 Adjustments, Deviations, and the Importance of the Budget

The budget's inflexibility is deemed unsuitable for the company's structure and environment (Chenhall, 2006), is confirmed by three interviewees who all said that just after one month, the budget is useless due to heavy deviations. However, they still believe that it is suited for their growth and blame it more on poorly planned projects and financial targets. In any case, this inflexibility suggests the budget process struggles to adapt to changes (Hansen et al., 2003), indicating a misfit (Lyamu and Tunzelana, 2016), which is consistent with contingency theory that advocates for flexibility and responsiveness in management systems (Drazin and Van de Ven, 1985). Periodic adjustments, such as quarterly, based on significant new information could improve efficiency and relevance, addressing concerns raised by respondents to increase its role as a steering mechanism.

Failure to adapt the budget process impacts its importance, necessitating efficiency improvements (Vuong, 2003) to prioritize goal-oriented activity delegation. For instance, changes in the external environment may require profit adjustments to align sales and marketing efforts with market dynamics. With an adaptable budget it could be easier to delegate which activities are necessary to reach the goals.

5.4.3. Express the Need for Change

There is a strongly expressed need for change within the company's budgeting process to better align with its growth and evolving challenges. This aligns with contingency theory, which says that organizations must continually adapt their processes to remain fit with their changing context (Drazin and Van den Ven (1985)). As shown in the empirical evidence the most requested change is to set a standardized way of budgeting, openly discuss what should be included, and budget adjustments. As already discussed, a standardized way of budgeting could benefit a more efficient way of budgeting (Fahlén, 2018). However, this does not only mean the financial aspects, since good communications tends to be a sufficient factor for companies to reach their targets (Raghunandan et al., 2012). This is important because if they were to change certain aspects of the budget, communication will be put to the test (Morton and Hu, 2008).

There is also a wish to understand the initiatives outside the upper management, which can be difficult as seen by previous research (Raghunandan et al., 2012) but it is important as a good information system is a contributing factor to a good fit and thus a good performance (Morton and Hu, 2008).

5.4.4. Performance and fit according to The Contingency Theory

Overall, the company's performance could benefit from adjustments to make its budgeting and organizational processes more flexible and responsive, aligning with the theory to achieve a better fit with its environment and strategy. Specifically, the budget's inflexibility as the traditional and rigid budgeting approach does not adapt to changing environmental conditions, indicating a misfit. Secondly, the lack of broader organizational engagement limits collaboration between managers and personnel that can eventually hinder overall responsiveness and adaptability to new implementations. Thirdly, a need for standardization and improved communication as it could improve alignment with strategic goals and environmental demands.

6. Conclusion

6.1. Concluding remarks

The purpose of this study was to provide an understanding of how internal growth affects the budgeting process within SMEs, specifically through a case study of a Swedish product development company. The empirical evidence clearly demonstrates that internal growth leads to the recruitment of employees with diverse working methods, which weakens the budget's ability to steer the organization effectively. This shift resulted in increased frustrations and a lack of clarity in the budget's purpose. The study underscores the importance of aligning budgeting processes with the company's evolving structure and management practices to maintain effectiveness during periods of growth.

The contingency theory has contributed to the analysis by deconstructing the company's structure and behaviors. This made it possible to understand that the external environment was not as central to the influence of the budgeting process for SMEs as some previous research has shown. However, it helped to identify that recruitment and structure are some of the most important aspects for a manager to grasp when the firm is growing quickly and even the more established processes begin to shift. It could therefore be considered a useful theory for case studies in the same field for future research as well.

6.2. Contribution to literature

This study contributes to the literature on management accounting and contingency theory by providing a detailed qualitative analysis of how internal growth affects budgeting processes in SMEs. Contingency theory argues that there is no one-size-fits-all approach to organizational management and that the effectiveness of management practices is contingent upon various internal and external factors.

By focusing on a case study, it reveals how SMEs must adapt their budgeting processes to remain effective. The study highlights specific contingencies such as the recruitment of new employees, changes in management styles, and shifts in organizational strategy, and how these factors necessitate modifications in budgeting practices. This aligns with the core argument of contingency theory, which suggests that the design and use of management accounting systems must be tailored to fit the specific circumstances of an organization.

In accordance with the key articles from Pelz (2019), Lopez's and Hiebl's (2015), Davila's (2005), Chenhall's (2006) and Pelz's (2016), the results confirm that growth in employees puts pressure on the development and expansion of MAS and especially the budgeting process as more product groups, hierarchical steps, and new markets add complexity.

However, the results of new implementations and changes to the process, that has been deemed necessary, has not always been well received and are experienced in many instances as negative, shows that not all SMEs have the benefit of being able to adapt efficiently to changes. Lastly, the empirical evidence provides new knowledge on how MA affects SMEs with the budget as a central instrument.

6.3. Contribution to practitioners

For practitioners, and more specifically for fast growing product developing SMEs, this study provides empirical evidence supporting the theory's statement that organizational effectiveness depends on the alignment between the structure of management accounting systems and the organization's context. Managers in SMEs can benefit from understanding how recruitment and the integration of new working methods can disrupt existing budgeting practices.

The study emphasizes the need for clear communication and structured budgeting adjustments to accommodate growth without losing strategic focus. This is since the majority of time spent can easily be derived from research and development together with sales numbers, instead of non-operational activities that are strongly recommended when becoming a larger entity. Practitioners are encouraged to consider the alignment of budgeting processes with organizational changes and to implement adaptive strategies that can handle the complexities of a growing workforce. This research offers practical guidelines for enhancing the effectiveness of budgeting systems in SMEs experiencing internal growth.

6.4. Limitations of the Study and Suggestions for Future Research

First, the study's limitations are that it focuses more on the budgeting process compared to how the use of the budget is affected by internal growth. A comparison between this study's outcome and this would hopefully give an indication of what internal growth affects the most. Secondly, similar studies in other countries or industries could test the results if there is possible to reach a more general saturation, i.e., similar effects on companies when exposed to the same shocks.

Thirdly, comparative studies on companies which use inside out strategy and vice versa when starting the budgeting process and if it leads to better budget performance could also be a complementary comparative study. Additionally, this study primarily explored the budgeting process rather than the overall impact of internal growth on budget usage. Lastly, to revise the study by referring to small companies instead of SME would give way to new findings as some researchers (Pahnke, Welter and Audretsch, 2023) find the term outdated, broad, and bureaucratic.

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8. Appendices

A. The Interview Guide

Section 1 - Background

1. Please explain your role and how long you have been working for the company?
2. Have you held multiple positions within the company? (If yes, which ones and what do they entail?)
3. What does the department you work in look like?
4. How would you describe the budget and the budget process?
5. What is the purpose of the budget for the company?

Explain the definition of a management accounting system to the interviewee according to (Pelz, 2019; Chenhall 2003).

Management accounting is an umbrella term for various activities used to guide a company's decision-making. The most common activities include budgeting, annual reporting, balance sheets, and forecasting, which together create an overarching picture of the organization that managers can use to make more effective decisions. Management accounting systems are a more focused definition that involves the practical use of these activities to achieve set goals.

Section 2 - Management Accounting Systems

6. Are you familiar with management accounting systems? (If no, proceed to section 3. If yes, continue)
7. How do you define management accounting systems?
8. How does your organization define management accounting systems?
9. How did you/your organization learn about management accounting systems?
10. How is the budget used as part of the management accounting systems in your organization?

Management Accounting Systems and Internal Growth

11. Has external or internal growth affected the company's structure?
 - If yes, proceed to question 12.
 - If no, why not?
12. How has growth influenced decision-making and communication regarding the budget?
13. How does the budget influence collaboration between different departments in the company?
14. Do decisions within your department affect the budget allocation to another department?

15. Has the use of the budget changed in any other way during internal growth? (Provide examples such as design, detail level, additional elements like scenario analysis. In addition explain that internal growth consists of communication, decision-making, and other changes that does not involve any external parties directly)
16. Has the budget become easier or harder to follow during the growth phase?
 - If no, why not?
 - If yes, in what way?
17. Who is/are involved in budget follow-ups?
 - If involved, what criteria do you/they consider during follow-ups?
18. Have projects deviated from the budget due to growth?
 - If not, why do you think they have not deviated? Have they deviated for other reasons?
 - If yes, what happened? What actions were taken, and what were the results?

Management Accounting Systems and External Growth

19. Can budgeting be affected by external events, and are such events manageable?
 - If yes, how have such events been handled? What actions have been taken?
 - Could these events have been managed differently for a better outcome?
20. Is there a difference in how external events affect the budget? Can it have both positive and negative impacts?
 - If yes, how can external events positively affect the budget? How are these events managed in budgeting?
21. In what ways can external events negatively affect the budget? How are these events managed in budgeting?
 - If not, why do you think such events are not manageable? Do you think the company needs to change something to handle these events? If yes, what needs to change?

Closing Question

22. Are there any parts of the budget process you would like to change from your perspective?

Part 3 - General Questions about Budget and Management

23. How involved are you in the budgeting process?
24. How does the budget affect your work?
25. Have you experienced changes in the budget during the recent growth phase (last 3 years)?
26. Do you believe the budget allows for/adapts to the growth phase the company is in?
 - If no, why not?
 - If yes, in what way?
27. How is information about the budget communicated?
28. How are technical solutions/programs used in the budget?

29. How does collaboration around the budget process work between different departments in the company?

Questions to the CFO and CEO

30. How has the company grown over the last years? (inorganic or organic growth?)
 31. How has profitability been affected by the growth? Has the company been able to retain profitability?)
- If yes, in what way? What actions have you taken?
 - If not, why? What actions have you taken?

Closing Question

32. Are there any parts of the budget process you would like to change from your perspective?

B. Coding sheet

Categories - 1st order (concepts)				
Too detailed cost analysis	Lack of information	Requirement	External analysis	Customers
Profitability	Organic growth	Challenge	Follow-up	Analyzes
Detailed budget	Steering mechanism	Organizational goals	Bottom-up	Top-down
Freedom with responsibility	Yardstick	Wishes	Inefficient process	Poor insight
Closer to customer in crises	Forecasts more important in crises	Budget irrelevant early in the budget	More people in the budget process	Wish for more focus on sales and initiative in follow-ups
OPEX	Revenue	Sales	Montly meetings	Weekly meetings
Market	Shared wallet	Growth	Complex organization	Gross margin
Redefine budget	Budget communication	New people	Different management styles	"Initiative can be anything"
More scenarios now	Lack of communication	A lot of reports	The budget is a paper product	The budget enable strategy
Management (ledning)	Upper management (styrelsen)	Prioritizing wrong	Prioritizing correct	Initiative
From the outside in	Market development	Operating margin	Change in focus	Activities
The budget as support	External factors	New budget material/structure	Expectations	Areas of improvements
Lack of understanding the budget	Short-term before long-term	Manual work	The budget shows consensus	More discussions before a budget
Budget process	Budget use	Budget's purpose	Changes in budget (between years)	Not being able to change the budget (during the year)
External competition	Internal competition	Non usable budget	Cooperation	Acquisition
Good potential	Individual responsibility	Small company	More structured communication	Departments affecting each other
Still a flat organization	Lack of availability	Few arguments/background to budget choices/strategies	Budget enables spending	Growth creates organizational instability
Decision-making more standardized	Employ	Lack of budget structure (outside management)	Difficult to follow budget	

Similarities - 2nd order

Shift from small to larger company	Follow-ups	Not prioritizing correctly	Growing in employees
Aquisition	Weekly meetings	Prioritizing wrong	Employ
Small company	Monthly meetings	Short-term before long-term	Growth
Growth creates organizational instability	Follow-up	Few arguments/background to budget choices/strategies	Organic growth
	A list of reports		
	Expectations		
	Difficult to follow budget		
External awareness	Don't know why something is done/purpose	Express the need for change	Communication between teams or departments
External competition	Lack of information	Change in focus	Cooperation
External factors	Lack of understanding the budget	New budget material/structure	Internal competition
Market development	Lack of budget structure (outside management)	From the outside in	Departments effecting each other
Market		"Initiative can be anything"	
Shared wallet		Wishes	
Customers		Areas of improvements	
External analysis		Redefine budget	
Closer to costumner in crises		Inefficient process	
Forecasts more important in crises		Short-term before long-term	
		Decision-making more standardized	
		Wish for more focus on sales and initiative in follow-ups	
		Manual work	
		More discussions before a budget	
		Lack of availability	
The purpose of budgeting	The focus points of the budget	The importance/ the budget's weight (does it get ignored sometimes and why?)	Adjusting/not adjusting the budget
Budget's purpose	Prioritizing correct	Steering mechanism	Not being able to change the budget (during the year)
The budget as support	Requirimnt		Budget irrelevant early in the budget
The budget enable strategy			
The budget is a paper product			
The budget shows consensus			
Budget enables spending			
Budget communication from the management to the rest of the company	Sale versus cost budget	Deviations from the set budget	Business plan/ strategy versus budget
Budget communication	Operating margin	Non usable budget	Initiative
Challenge	OPEX	Yardstick	Activities
More structured communication	Gross margin		Weekly meetings
Lack of communication	Sales		Monthly meetings
Poor insight	Revenue		Organizational goals
Individual responsibility	Profitability		Complex organization
			Good potential
The nature of a fast-growing company	Current budget process/structure	Parties involved in the budget	Technology
Different management styles	Too detailed cost analysis	Management	Analyzes
New people	Detailed budget	Upper management	
Freedom with responsibility	Budget use	More people in the budget process	
More scenarios now	Budget process		
	Changes in budget (between years)		
	Top-down		
	Bottom-up		

Themes - Aggregate (Dimensions)

Environment	Structure	Strategy	Performance
External awareness	Shift from small to larger company	Don't know why something is done/purpose	Not prioritizing correctly
	Communication between teams or departments	Follow-ups	Express the need for change
	The nature of a fast-growing company	Growing in employees	The importance/ the budget's weight (does it get ignored sometimes and why?)
	Budget communication from the management to the rest of the company	The purpose of budgeting	Adjusting/not adjusting the budget
	Parties involved in the budget	The focus points of the budget	Deviations from the set budget
		Sale versus cost budget	
		Business plan/ strategy versus budget	
		Current budget process/structure	
		Technology	