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Encouraging strategic behaviour while maintaining management control: Multi-functional project teams, budgets, and the negotiation of shared accountabilities in contemporary enterprises

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Abstract

Recent work [e.g. Simons, R., 1995. Levers of Control: How Managers use Innovative Control Systems to Drive Strategic Renewal. Harvard Business School Press; Simons, R., 1999. Performance Measurement and Control Systems for Implementing Strategy. Prentice-Hall, Englewood Cliffs, NJ] suggests that traditional management control systems such as budgetary controls are being 'embedded' within a wider control framework which top management may use to influence and support both the formation and implementation of strategy. A further stream of literature points to significant changes in current organizational arrangements and management practices, involving boundary-spanning activities and the greater use of multi-functional project teams, which problematise notions of cybernetics, individual-level controllability and management-by-exception on which traditional approaches to management control are based [Ansari, S.L., 1979. Towards an open systems approach to budgeting. Acc. Organ. Society 4 (3), 149–161]. Consequently, managers increasingly find themselves having to balance their continued exposure to traditional budgetary controls and imperatives which measure progress towards predetermined financial targets, with the more broadly based but no less intense demands imposed by the need to pursue strategic initiatives. Drawing on evidence garnered from an intensive case study of a multinational organization, this paper explores the ways in which these potentially incompatible roles are reconciled within a framework of management control. Findings indicate that, while elements of the formal control structure, in particular budgetary controls, remain wedded to notions of cybernetics, individual-level accountability and management-by-exception, managers in attempts to pursue their strategic forcing roles become involved in interdependencies and team working which blur line responsibilities and accountabilities. The study suggests that the resulting tensions and issues created by these

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competing concepts tend to be managed through formally directed procedures, and informal channels of social interaction, both hierarchically and horizontally. In particular, the study highlights how managers appear able to address, through reference to the company's broad framework of control, the accepted lack of controllability by a variety of 'negotiated' arrangements for 'sharing' the discharge of individual accountabilities.

Keywords: Budgets; Management control; Shared accountabilities; Teamwork

1. Introduction

Many firms today confront a seemingly difficult challenge: how to manage the tension between the need for 'predictable goal achievement' on the one hand, and the pursuit of strategic adaptation and change on the other (Simons, 1995). The challenge appears particularly acute for those organizations operating in hypercompetitive and high-velocity environments (Bourgeois and Eisenhardt, 1988), where fierce competition, short product life cycles, and rapid technological advances demand both a high rate of strategic renewal (Dutton et al., 1997) and 'tight' budgetary goals in order to maintain profit margins and 'limit innovative excess' (Dent, 1990). Strategic renewal depends upon organic decision-making and communication processes (Bruns and Waterhouse, 1975; Kamm, 1987; Morse and Lorsch, 1970; Quinn, 1980), and has been seen increasingly as dependent on the creativity and innovations of middle-level managers (Bartlett and Ghoshal, 1993; Euske et al., 1993; Simons, 1999). In recognition of this, pioneering research by Simons (1991, 1994, 1995) suggests that top management may seek to influence and support managers' strategic activities through the use of 'beliefs systems' and 'interactive control systems'. At the same time, budgetary control is pursued through schemes of responsibility accounting, which emphasise individual-level controllability and accountability (Ansari, 1979; Choudhury, 1986). Consequently, middle-level managers increasingly find themselves having to balance their continued exposure to traditional budgetary controls and imperatives which measure progress towards predetermined financial targets, with more broadly based but no less intense demands imposed by the need to pursue strategic initiatives (Marginson, 2002). How these managers seek to balance the competing demands of these different roles within a framework of management control, and the resulting outcomes, hold serious implications for firm performance, and thereby constitute an important area of enquiry for the management control researcher.

Despite their importance, however, relatively little is known about the organizational provision of formal processes managers may be expected to follow when faced with such conflicting demands and accountabilities, or how managers may actually use them. This paper, drawing on evidence garnered from an intensive case study, explores some of the ways in which one particular organization sought to develop a broad framework of management control, particularly through its 'quality mechanisms', to reconcile the potentially incompatible demands placed on managers by traditional budgetary controls and the need to pursue strategic initiatives. Our study examines how managers use these officially directed procedures of social interaction, both formally and informally, to address the lack of individual controllability, and the need to establish shared responsibilities that results from their engagement in boundary-spanning activities and team-working in order to fulfil their designated accountabilities. The variety of managers' reactions to the need for 'negotiated' arrangements for 'sharing' the discharge of individual accountabilities, and the extent to which the procedures are dependent on managers' willing-