Eetu Valjakka

APPLYING MANAGEMENT ACCOUNTING TO SUPPORT THE STRATEGIC MANAGEMENT IN GROWTH ORGANIZATIONS

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The main objective of this study is to explore how growth organizations utilize management accounting as a part of their strategic management process and in which ways management accounting can have a significant impact on the strategic management of a growth organization.

The topic is important not only because the growth organizations has been in the interest of business related research for almost five decades, yet the field still lacks a holistic understanding of causes, effects and process of the growth companies but also because growth organizations create new jobs and promote economic growth. Together management accounting and strategic management methods can possibly unify the short-term decision-making, enhance the allocation of resources and guide the organization efficiently towards the desired long-term goals.

The theoretical part of the study mainly consists of international academic publications. The empirical material was gathered with half-structured theme interviews from four Finnish case company CEOs, CFOs or COOs and is structured in themes, which comes from strategic management theory and are analyzed by using a categorization of management accounting. The theoretical framework was challenged and refined during and as a result of the research process.

The results of the study reveal that both strategic management and management accounting are timely and significant topics in growth organizations. In general management accounting can make significant contribution through strategic management process of a growth organization with focus on controlling employees’ motivation, providing guidelines for short-term decision-making and enabling the monitoring, controlling and evaluating of the progression of the process.

This study supports many previous research regarding the importance of management accounting and strategic management, however it should be mentioned that the theory of management accounting and the theory of strategic management seems to have a lot of similarities. Additionally, it should be highlighted that mature growth organizations utilize management accounting more than early-stage organizations.

Keywords: Early-stage, startup, strategic management accounting, SMA
## CONTENT

1 INTRODUCTION

1.1 Background and Motivation ................................................................. 1

1.2 Purpose, Previous Studies and Research Questions ........................... 2

1.3 Methodology and Data Description ....................................................... 4

1.4 Relevant Concepts ............................................................................. 5

1.4.1 Strategy ....................................................................................... 5

1.4.2 Strategic Management ................................................................. 5

1.4.3 Management Accounting ............................................................ 6

1.4.4 Growth Organization .................................................................. 7

1.5 Structure of The Study ...................................................................... 7

2 STRATEGY AND MANAGEMENT

2.1 Strategy and Strategic Management Theory ....................................... 9

2.2 Strategic Management in High-Growth company ............................. 14

3 MANAGEMENT ACCOUNTING

3.1 Management Accounting Theory ....................................................... 19

3.2 Management Accounting by Themes .............................................. 21

3.2.1 Cost Accounting and Profitability Analysis ................................. 22

3.2.2 Short-term Planning and Budgeting ............................................. 23

3.2.3 Investment Planning and Monitoring .......................................... 24

3.2.4 Strategic Management Accounting and Long-term Planning ....... 25

3.2.5 Management Control ................................................................. 27

3.3 Management Accounting in Growth Stage Companies ................... 29

3.4 Management Accounting Supporting Strategic Management .......... 32

4 METHODOLOGY .................................................................................. 37

4.1 Qualitative Research ....................................................................... 37
FIGURES

Figure 1. Strategic management process (Pitcher, 2015).............................. 12

Figure 2. Strategic management process presented with management accounting categorization in the center. Modified from Pitcher (2015) ................................................................................................................... 34

Figure 3. Strategic management process split by steps and presented with the most significant management accounting tools for a particular step. Modified from (Pitcher, 2015) ................................................................. 84
1 INTRODUCTION

1.1 Background and Motivation

Advances in digital technology and business models will continue to shift the balance of global economic power and force organizations to adapt for new market environment. In this environment organization’s ability to manage strategies, people, costs and risks efficiently will have a positive effect on its chances to succeed. Through strategic management small-, medium- and large-sized companies aims to evaluate business goals, objectives and plans. It supports both short- and long-term decision-making and provides with a justification for the existence of an organization.

Entrepreneurs, leaders and managers of a growth organization must be provided with up-to-date information to ensure both effective business decisions and successful operation of the organization. Fenyves, Böcskei and Sütö (2015) argue that the benefit of implementing a management accounting system is the attention to the future of or beside the examination of past events. They also argue that the information ensured by management accounting is necessary for the decision-making process and the information supply of leaders.

Even though management accounting plays an important role in the growth organizations with its many techniques to plan, monitor and control the operations, it has previously been criticized for becoming too internally focused on operational issues and for its ability to provide little help to managers making strategic decisions. Strategic management accounting was supposed to step in and provide a more strategic point of view for the decision-making process. Originally strategic management accounting (SMA) was defined by Simmonds (1981) as follows. “the provision and analysis of management accounting data about a business and its competitors, for use in developing and monitoring business strategy” but since the first definitions there has been little agreement within the academic and professional literature on the definition and methods associated with SMA nor is the term widely used by practicing accountants. (Langfield-Smith, 2008; Jorgensen and Masser, 2010; Nixon, Burns & Jazayer, 2011.)
The usage of management accounting to support the strategic management process in growth organizations is important because the management accounting methods can possibly unify the short-term decision-making, enhance the allocation of resources and guide the organization efficiently towards the desired long-term goals. Despite the large number of research that has been conducted about management accounting, strategic management and growth organizations there is a need for research that applies the qualities of these theories approaching the phenomenon with a more strategic point-of-view. The idea is not to create a new SMA definition but to study how management accounting can support the strategic management process and add value for the long-term decision-making process in growth organizations.

Growth organizations has been in the interest of business related research for almost five decades since they create new jobs and promote economic growth, yet the field still lacks a holistic understanding of causes, effects and processes of the growth companies (Shepherd & Wiklund, 2009). Therefore, the motivation for this study evolves from the argument that the theoretical development in the field needs further advancement. We need to support the growth organizations to maximize their ability to create economic growth, jobs and innovative products and services. Thus, this is an important field the motivation also evolves from a genuine interest in entrepreneurship, taking advantage of global business opportunities and management of rapidly growing businesses. It is both interesting and important to understand how some organizations are able to stay ahead of existing and emerging competitors and remain agile to adjust the skills and resources accordingly on a market full of extensively scalable products and services.

1.2 Purpose, Previous Studies and Research Questions

This study aims to explain how management accounting can support the strategic management process in growth organizations. Four aspects will be considered as important for the construction of understanding. First, the extent to which management accounting is utilized to support the strategic management process in growth organizations. Second, the most common aspects of strategic management where management accounting is seen to make a significant contribution. Third, the management accounting tools and the relevant information that are used in the
strategic management context. And finally, the extent to which it is possible to define the concept of strategic management accounting within a wider definition of management accounting.

The study has two research questions:

- How do growth organizations utilize management accounting in the strategic management process?
- In which ways can management accounting make a significant contribution for the strategic management of a growth organization?

The topic has only been dealt with in few researches since the strategy and strategic management studies have been more interested in large organizations rather than small growth oriented organizations. Also Alos O'Regan and Ghobadian (2002) recognized that the strategy-making process of small and medium-sized firms is under-researched. They also argue that the limited amount of research that has been undertaken is rooted in the large firm sector. The need for research on the strategic management process of growth organizations clearly exists. The topic is timely in growth organizations regardless of the maturity phase.

As Shah, Malik and Malik (2011) argue, globalization and development of information and production technologies have driven a change that has resulted in changes in the management of companies. The changes have forced management accounting to shift from traditional preoccupation with numbers and accounting measures to value addition and integration within a company. This study aims to support this change and provide insights into how growth companies can utilize management accounting tools in a variety of context and business environments.

The selected point-of-view is extensively practical, with a purpose of applying management accounting in a way that the majority of previous researches have not done. The purpose is not to extend any definition but to expand the application context of the existing theories and so provide added value for both academics and growth organizations.
1.3 Methodology and Data Description

The study was conducted by using a case study method. The case organizations were chosen from different fields of business and represented five main criteria:

- The organization must have been growing fast during the last years, however no single measure will be used to qualify how fast.
- The size of the organization must be under 300 employees.
- The maturity max 10 years.
- The organization must be independent.
- Established product or service and financing.

The main data collection method was half-structured theme interviews. The total of four interviews were conducted via phone or face-to-face meetings with the CEO, COO or CFO of the case organization. The supportive information was gathered from the web sites of the organizations and other public resources.

The case study method was selected to be the most relevant methodology for this study since it can be used to build a broad picture of the wholeness of the system and to describe how different elements contribute to the uniqueness of the system. Scapens (1990) argues that sometimes areas where theories are not well developed are particularly interesting for case studies. The chosen methodology supports the identification of a “pre-science” subject area.

The study tries to present how management accounting is used to support the strategic management in growth organizations and to explore the reasons why the certain management accounting data or methods are used in the way they are used. For these reasons the study is categorized as both a descriptive and an exploratory case study. Additionally, applying management accounting to support strategic management in growth organizations is a relatively new area of study in the management accounting literature, which supports the exploratory categorization.
1.4 Relevant Concepts

1.4.1 Strategy

There is no commonly accepted and universal definition of strategy and so in this study the term strategy is defined as follows. According to McDonald (1996) strategy encompasses the following elements: a focus on long-term direction, matching the activities of the business to the environment to maximize opportunities and minimize threats and matching the organization’s activities to the available resources.

Kenneth Andrews (1980), a long-term Harvard professor and editor of the Harvard Business Review, defines strategy as a pattern of decisions in an organization which formulates goals, objectives and purposes and produces plans and policies to achieve those goals. An organization should also define the economic and non-economic contribution that it is going to make for the stakeholders. (Andrews, 1980.)

Porter (1990) refers to strategic planning as an activity that connects the interconnected and discrete economic activities. The key purpose of strategy and strategic planning activities is to enable a company to gain, as efficiently as possible, a sustainable competitive advantage. Finally, Anthapaththu (2016) defines strategy as a plan of actions that one uses to formulate goals, objectives and means of achieving those goals and objectives. The definition from Anthapaththu (2016) represents the traditional definition of strategy broadly used in the accounting literature and is the guiding definition on this study.

1.4.2 Strategic Management

Strategic management analyses the internal and external environments of a firm and maximizes the utilization of the resources in relation to the objectives. The major importance of strategic management is that it helps an organization to anticipate and cope with change by giving a framework to develop abilities. (Porth, 2002; Anthapaththu, 2016.) The strategic management theory has a lot of similarities with the management control theory.
Strategic planning is the main tool of strategic management. It is a road map helping to manage the enterprise. It requires a great deal of strategic thinking. A strategic plan should be based on an actual current situation and be simple, clear and well-written. (Anthapaththu, 2016.)

In this study, the strategic management process is divided into four stages: development of the grand strategy, formulation of the strategic goals and plans, implementation of the plans, and monitoring, evaluation and corrective action. The stages are based on a broad consensus about the key activities that a strategic management process includes, although each activity varies over time and among organizations. (Pitcher, 2015.)

1.4.3 Management Accounting

The decision-making situations vary in every part of the corporate life-cycle, which makes the organization, its owners, leaders and managers challenged to keep up with up-to-date information. Management accounting is necessary to ensure efficient decision-making processes and information supply in an organization.

The concept management accounting, has a variety of different definitions in the accounting literature. Horngren, Sundem, Stratton, Burgstahler and Schatzberg (2010) describe management accounting as follows: “Management accounting is the process of identifying, measuring, accumulating, analyzing, preparing, interpreting and communicating information that helps managers fulfil organizational objectives.”, whereas Bhimani, Horngren, Datar and Foster (2008) suggest that management accounting is concerned with measuring and reporting financial and non-financial information primarily for the use of the management. Chapman, Hopwood and Shields (2009) add that it is also very important for the overall control of the organization. As the definitions suggest, management accounting is a loosely defined set of systems and tools, meaning that the boundaries and categories are difficult to define and so overlap with each other regularly.

This study uses a management accounting categorization which is based on popular management accounting textbooks (e.g. by Bhimani et al., 2008; Drury, 2008) and
scientific articles (e.g. Granlund & Taipaleenmaki, 2005). The five categories are as follows:

- Cost accounting and profitability analysis
- Short-term planning and budgeting
- Investment planning and monitoring
- Strategic management accounting and long-term planning
- Management control

1.4.4 Growth Organization

Miller and Friesen (1984) suggest that the growth stage of an organization occurs when the firm has established its distinctive competences and has achieved some initial product-market success. The stage indicates a rapid sales growth and an expansion of the activities and products.

Organizations which are in the growth stage focus more on growth and expanding their market shares whereas organizations in the maturity and revival stages put clearly more emphasis on cutting down the production costs. Cost-effectiveness and profitability are more important in the later stages of an organization and a need for formal cost controls increases as they need to pay more attention to earning adequate profit margins in a more competitive market. (Kallunki & Silvola, 2007.) All this suggests that the need for information varies between the different life-cycle stages.

In this study, a growth organization is defined as an organization that has grown significantly in terms of revenue and headcount during the last three years. The maturity of an organization can’t be over ten years and it must have under 300 employees. It must also have established products or services.

1.5 Structure of The Study

This study is divided into seven chapters. Chapter 2 reviews relevant strategy and strategic-management-related literature and discusses it in the context of growth
organizations. Chapter 3 presents the relevant literature about management accounting and its relation to growth organizations. Chapter 4 introduces the methodology used in the study. Chapter 5 presents the case companies and the empirical data gathered utilizing the methods presented in Chapter 4. Chapter 6 discusses the findings from the empirical data in the light of previous research. The final Chapter 7 concludes the research by presenting the most essential findings, limitations of the study and provides suggestions for future research.
2 STRATEGY AND MANAGEMENT

This chapter presents different definitions of strategy and strategic management and discusses the meaning of these concepts. The ongoing process of evaluating the purposes of organizations and questioning, verifying, and redefining their interaction with the environments, is perceived as important phenomenon and is adapted in most of the large organizations. The theory suggests that effective organizations constantly modify their processes and mechanisms by which they achieve their purposes. This includes rearranging their structure of roles, relationships and managerial processes. A sign of an efficient organization are mechanisms that complement the market strategy of organizations. (Miles, Snow, Meyer & Coleman, 1978.)

2.1 Strategy and Strategic Management Theory

The concept of strategy has remained as a semantic issue since its first mention in the Old Testament (Bracker, 1980). The word strategy comes from Greek strategos and the verb stratego means to “plan the destruction of one’s enemies through effective use of resources.” The concept of strategy that Shakespeare and Montesquieu have created and discussed has been used by militarist and political theorists like Machiavelli, Napoleon, Yamamoto and Hitler. For business purposes, the concept of strategy became relevant only after business moved from a stable environment into a more rapidly changing and competitive environment in the post-World War II era. Even though the concept of strategy has remained prominent in the military and political contexts throughout history, it has a very different meaning in the new business environment. (Bracker, 1980; Anthapaththu, 2016.)

Back in 1956, Drucker suggested a very general definition of strategy. He suggested that analysing the present environment and changing actions if necessary is known as strategy. Ansoff (1969) has taken the definition a step further and suggested that strategy is a guideline for decision-making based on the determinants market scope, growth rate, competitive advantage and synergy. It is the formulation of the basic long-term goals and objectives of an organization and the implementation, of course, of actions and the allocation of resources needed to achieve these goals (Chandler, 1962). More recently, Mintzberg (1994) suggested that strategy can be a plan, a
pattern, a perspective, a position or it can be a ploy or a manoeuvre which can help an organization to avoid its competitors. The latest definition comes from Anthapaththu (2016), who draws different strategy definitions together and defines it as follows: “A strategy is a plan of actions that one uses to formulate goals and objectives and the means of achieving these goals and objectives”.

Although strategy is a very useful concept, it should be expanded for the purposes of this study, with the concept of systemically organized resources and as a result, we should focus more on the concept of strategic management. Braker (1980) describes strategic management as a direct organizational application of the concepts of business strategy that have been developed in the academic real. In other words, strategic management maximizes the utilization of resources in relation to the objectives of a firm by analysing the external and internal environments. In a way, it is a macro definition of the concept of business strategy or strategy management. (Braker, 1980.)

A more recent study from Bowral, Singh and Thomas (2002) suggests that strategic management focuses on creating and sustaining competitive advantage. The competitive advantages support an organization to explore opportunities and foresee threats from the environment. For this reason, strategic management is a comprehensive ongoing process which considers the environment and determines the mission and the objectives related to it. (Anthapaththu, 2016.)

Strategic management includes an environmental analysis, run by the top managers of the organization for the strategy formulation purposes and their plans for the implementation and controlling of the strategy. It is a collection of ongoing activities of strategic analysis, strategy creation, implementation and monitoring. The key point of strategic management is to systematically organize the resources to align with the vision, mission and strategy throughout the organization. It does not predict the future but prepares the organization by knowing the steps to implement in the strategic plan. (Anthapaththu, 2016.)

Initially strategic management was a part of strategic planning but over the years strategic management has become one of the most important areas of management
and strategic planning as one of the main instruments in it (Porth, 2002; Anthapaththu, 2016). Anthapaththu (2016) suggests that strategic planning which helps managers to recognize the priorities and determine the main actions to develop the mission and objectives of the organization has become one of the most important management tools.

With strategic planning activities, a company attempts to alter a competitive advantage in the most efficient and effective way. These activities focus on the direction of the organization and the actions that need to be taken to improve the performance of the company. Strategic planning is the process that enables the company to anticipate and respond to the changing dynamic environment in which they operate. (Hewlett, 1999.) Strategy again is much more than a written document – it also encompasses the processes required to formulate and deploy the strategic plan. Minzberg (1990) argues that without proper strategic processes only a limited part of the strategy will be obtained. It seems that it is impossible to consider one without the other.

O’Regan and Ghobadian (2002) support the argument from Minzberg (1990) that ineffective deployment of strategic planning causes failures in achieving expected or projected performance. Additionally, the authors recognize that the empirical evidence found on the impact of strategic planning is thin. Thus, this can be due to the lack of a commonly accepted definition of formal and informal strategic planning. O’regan and Ghobadian (2002) found in the exploratory interviews that there are eight main barriers why strategic deployment fails in small- or medium-sized organizations:

- Communication was inadequate;
- Implementation took longer than anticipated;
- A shortfall in employee capabilities;
- Overall goals of strategy not well enough understood by staff;
- Co-ordination of implementation not effective enough;
- Crises distracted attention from implementation;
- Unanticipated external problems arose; and
On this categorization, the first five are internal and the following three external barriers. The categorization is supported by a study from Deloitte and Touche (1992) who suggest that eight out of ten companies fail to deploy their strategies effectively. It could be argued that the best objectives, visions or goals are meaningless if there is no efficient way to deploy them. Pettigrew and Whipp (1991) suggest that the process of strategic planning is important and not only because of the formulation and deployment of strategy but also because it includes how people interpret and deploy the strategic plan.

![Diagram of the strategic management process](image)

**Figure 1. Strategic Management Process (Pitcher, 2015)**

The strategic management process can be described in a variety of different ways, yet in this study the four stages of the strategic management process are based on the commonly accepted key activities within the academics. The first stage, the
development of the grand strategy, includes specifying the objectives of the organization by determining and recognizing the mission and vision. Additionally, the first part includes the analysis of the environmental conditions, becoming aware of the economic, political, cultural and technical factors, which influences the objectives. The first step also includes an analysis of the organizational resources, listing and evaluating the key resources and the limitations that the resources might have on the achievement of the future goals. The second step, the formulation of the strategic goals and plans, includes the creation of a business and corporate level strategy. The third step, the implementation of the plans, includes breaking down the created plans into annual objectives, policies, allocation of resources, changes in the organizational structure, resistance management or an introduction of new reward systems. The fourth step, monitoring, evaluation and corrective action, includes measuring and evaluating the performance of the organization for getting relevant and timely information so that necessary corrective actions can be taken. (Pitcher, 2015; Sourkouhi, Keivani, Almasi, Bayat & Makouei, 2013.)

Fred (2011) suggests that strategic management makes an organization more proactive and that most of the organizations have already recognized and realized the benefits of strategic management. He also suggests that all organizations need to be helped by employees to successfully determine the mission. This can happen through enhanced communication or through dialogue and participation. (Fred, 2011.)

The benefits of strategic management can be divided into financial benefits and non-financial benefits. Financial benefits include all the improvements in sales, profitability and productivity. (Fred, 2011.) Fred (2011) lists the non-financial benefits as follows:

- Enhanced awareness of competitor’s strategies threats.
- Helps the organization to avoid the resistance to change and explore more opportunities.
- Improves interactions among managers at different levels of the hierarchy and so enhances the ability to avoid problems.
- Brings order and discipline to the organization.
• Develops a framework for coordinating and controlling the activities in an organization.
• Develops the strategic-thinking ability of all members in the organization.

Enhanced communication allows the employees to know what the organization is doing, how it is going to achieve its goals and how an employee can contribute to the success of the organization. Fred (2011) suggests that an organization can be more successful if all employees are willing to put in their efforts. Thus, organizations should pay attention to communication as a part of the strategic planning.

2.2 Strategic Management in High-Growth company

Mazzarol, Reboud and Soutar (2009) examined the management practices of small firm owner-managers with a special focus on the relationship between formal planning behavior and stated planning behavior and sales. In their study, “small” refers to a business that has less than 250 employees and includes micro-enterprises and medium-sized enterprises. The term “owner-manager” refers to a person that has founded or acquired a small firm for a personal goal and whose primary source of income is the firm. Mazzaro et al. (2009) suggest that based on the life-cycle and stage model theories, the point of interest and managerial challenges differ in relation to the firm’s development stage from the startup phase to maturity. The complexity of faced issues grows as an organization grows, which again requires owner-managers or entrepreneurs to adjust their managerial behavior and to become more formal in terms of operational and strategic planning. Eventually owner-managers or entrepreneurs must develop a middle-level management team and a board of management. (Mazzaro et al., 2009.)

The growth of a small firm might even be capped since a restricted expansion might help to avoid risk, uncertainty and problems associated with hiring more employees, winning new markets, developing new products or securing new capital investment (McMahon, 1998). Even if most of the small firms grow rapidly after the start-up only a minority experience sustained growth that lasts through the lifecycle and enables the possibility to become a large organization (Mazzaro et al., 2009). Moran (1998) and Kotey and Meredith (1997) have examined the reasons why owner
managers from small firms might make a conscious decision to grow their business. Kotey and Meredith found some evidence that supports a link between a growth focus and an owner-managers’ strategic orientation and entrepreneurial character, which supports Moran’s findings that conscious decisions to grow the business is in part due to the owner-managers’ psychological or personality characteristics.

Small firm growth is a complex process where the owner-manager or entrepreneur sets a vision for growth and whose learnings appear to be an important factor in the firm’s ability to survive from the growth challenges (Kemp & Verhoeven, 2002; Macpherson, 2005). Additionally, the management team’s capacity to develop commercially valuable knowledge and turn it to competitive advantage is, according to Alvarez and Barney (2004), likely to have an important impact on growth. Yet, the most important factor determining whether a firm grows is the owner-managers’ ability to effectively manage the growth process (Dalaba, 1973; Sharlit & McConnell, 1989). Additionally, the pace of the growth of a small firm is often determined by the owner-manager’s commitment to growth and to explore new possible product-market combinations (Smallbone et al., 1995).

According to Shuman and Seeger (1986), most of the small businesses lack the resources needed to do systematic planning, which again is required for the effective growth strategies to exist. Stoica and Schindelhutte (1999) suggest that a firm’s ability to adapt and change as threats and opportunities emerge is also important for the successful growth. They found that too much rigidity and formalization, or no structure or rules, are both less likely scenarios for success than an effective balance. The owner-manager needs to learn how to delegate authority and to interact effectively with the management team (Weinheimer, 1997).

The entrepreneurial owners of small firms must consider the firm’s strategic opportunities by balancing the accessible resources with the ability to build sustainable competitive advantage from these resources. Growth and securing a competitive advantage in selected markets are likely to be determined by the firm’s ability to use its resources in a way that offers value, uniqueness, uncertain imitability and a lack of apparent substitutions. (Barney, 1991.) Other key factors are: the owner’s ability to leverage internal and external relationships for accessing
to possible resources, the firm’s track record and financial success and human and marketing resources. Another important factor is the amount of required change. (Gibb and Davies, 1992)

A study of the 135 winners of the Australian Entrepreneur of the Year Award by Ernst and Young (2004) found that 72 percent of the winners considered their biggest contribution as their ability to create vision and focus. Some successful entrepreneurs avoid formalized strategic planning processes until their firm is well-established, which questions the importance of strategic vision, strategy formulation and strategic planning. (Mazzaro et al., 2009) The relationship between a small firm’s internal resources and the strategic orientation of the senior management team was studied by Borch and Huse (1993). They categorized strategic orientation into four types: managerial firms, technological firms, traditional firms and impoverished firms. Managerial firms tend to analyze the market by using strategies and competitive positioning. Technological firms use product development growth strategies that involves innovation. Traditional firms were likely to avoid growth and risk and impoverished firms lacked a coherent strategy.

Gibcus and Kemp (2003) studied the usage of strategic planning in small Dutch firms and found out that even if formal business planning and strategy formulation in small firms is low, it does not mean that such firms are not engaged in planning behavior as it often takes place in informal ways. Thurston (1983) noted that the focus should be, instead of formal strategic planning, on the senior managers’ administrative styles and abilities, the uncertainty and complexity of the business and the strengths of competitors. Unni (1984) argued that most small firms do not have written business plans and Posner (1985) supported this by stating that many owner-managers lack necessary business-planning skills. Additionally, according to Woods and Joyce (2003) owner-managers have a less sophisticated approach to formal business or strategic planning than their counterparts in larger firms. A lower level of planning sophistication could be due to a lower level of systematic data gathering and analysis or increased environmental uncertainty, meaning that successful entrepreneurs could miss their opportunity with taking too much time to plan for it. (Rice, 1983; Matthews and Scott, 1995). Upton, Teal and Felan (2001) studied fast growing family-owned businesses and found that most had formal business plans. The plans
were detailed enough to provide management compensation against performance benchmarks and the information was regularly shared with employees. These firms were more likely to seek opportunities in differentiation and product or service innovations than compete on prices. (Upton et al., 2001.)

Many researchers have attempted to measure the benefits that a small firm can obtain from formal strategic planning. In 1984, Robinson and Pearce found that the benefits of strategic planning do not have a relationship with the firm’s development stage and that the impact of planning varies between the stages. On the other hand, Ackelsberg and Arlow (1985) ended up suggesting that even though the link between performance and financial planning exists, the informal analytical planning is more beneficial than formal planning. Sexton and Van Auken (1985) found that basic operational planning has a positive impact on performance, but could not find a link between strategic planning and success.

Orpen (1985) argues that the quality is more important than the time used on the planning process. In the study, better-performing firms were more likely to use consultants and planning committees and were in general more likely to engage in sophisticated planning. They also considered longer-time horizons and wider-range of issues. (Orpen, 1985.)

The first stage of the strategic management process is often the preparation of a mission statement where the owner-managers try to examine the current situation of the business and prepare for the future growth with the help from forecasts. (O’Gorman & Doran, 1999). After this phase, objectives and strategies are developed and the process itself is documented and reported for internal and external stakeholders (Linder and Vick, 1984). A major challenge is to find the right fit between the mission, opportunities and capabilities (Bryan, 1998), yet an entrepreneur establishing a new business is more concerned about the opportunity, resources and the team (Timmons, 1990). Usually the opportunities for new businesses are associated with a considerable amount of uncertainty.

Within the strategy, the most important focus is most likely to be the firm’s strategic intent, including a clear vision and a mission that will unite and guide the key
stakeholders and employees (Hamel & Prahalad, 1989). The owner-manager’s ability to find opportunities, such as new products for existing markets or new markets for existing products, is important. The ability to remain flexible and adaptable is also important as small entrepreneurial firms face opportunities in changing market conditions and the strategy being emergent. (Anderson & Atkins, 2001.)

Woods and Joyce (2003) argue that there remains little published research on how owner-managers within small firms handle the practice of strategic management. The Mazzarol et al. (2009) study provides some empirical evidence about the strategic management behavior of owner-managers from small firms. They suggest that owner-managers should start benchmarking their business against industry best practice and to be alert to environmental changes, committed to innovation and willing to take actions or change the course if needed. Additionally, they should have a clear strategic vision and be able to communicate it to the employees. (Mazzarol et al., 2009.)

Even though a formal, documented business plan is not a guarantee of successful growth, the process of developing such a document is likely to drive the owner-manager to review their firm’s vision, mission and external market environment. Additionally, it will force them to evaluate internal and external information, which allows them to monitor their financial performance. It would be highly desirable to possess information technology systems that collect and report important information. (Mazzaro et al., 2009.)

Mazzarol et al. (2009) suggested that the personal vision of the owner-manager is likely to be a critical element. Without strategic thinking, the owner-manager could end up with a too short-sighted focus, only taking care of the operational matters. Their findings suggest that the clear strategic vision needs to be supported with a capacity to scan the environment and balance the strategy and an appropriate structure and culture. The owner-manager’s ability to leverage networks and employees to secure the resources needed is also a critical element for the business. (Mazzarol et al., 2009.)
3 MANAGEMENT ACCOUNTING

This chapter describes management accounting, provides an overview of the theoretical background and a discussion about its relationship to strategy and strategic management.

3.1 Management Accounting Theory

Management accounting has a variety of different definitions in the accounting literature. The roots of the discipline come from the aftermath of WWII, when it was introduced as an advanced version of cost accounting, helping managers in their decision-making function. (Shah et al., 2011). Horngren et al. (2010) describe management accounting as follows: “Management accounting is the process of identifying, measuring, accumulating, analysing, preparing, interpreting and communicating information that helps managers fulfil organizational objectives.”

Another definition comes from Bhimani et al. (2008), who suggest that management accounting is concerned with measuring and reporting financial and non-financial information primarily for the use of the management. It is also very important for the overall control of the organization. Chapman et al. (2009) suggest that management accounting is about the facilitation of economic decision-making and organizational planning and control.

Many of the management accounting textbooks define the discipline in terms of its decision-making role. (Shah et al., 2011). These definitions suggest that management accounting is an integral part of management and that the concept is loosely defined, meaning that the boundaries and categories are difficult to define. It is often the case that the categories of management accounting interact and overlap with each other.

Cadez and Guilding (2008) made a distinction between conventional accounting practices that have a one-year time frame and an inward-looking focus and the strategic management accounting practices that have “a long-term future-oriented time frame and an externally focused perspective.” Conventional management accounting practices represent more operational issues whereas strategic orientation
represents the integration of customers, processes, HR and financials (McLellan, 2014.)

The Chartered Institute of Management Accountings in the UK defines management accounting as follows: “Management accounting is an integral part of management. It requires the identification, generation, presentation, interpretation and use of relevant information to:

- Inform strategic decisions and formulate business strategy
- Plan long, medium and short-run operations
- Determine capital structure and fund that structure
- Design reward strategies for executives and shareholders
- Inform operational decisions
- Control operations and ensure the efficient use of resources
- Measure and report financial and non-financial performance to management and other shareholders
- Safeguard tangible and intangible assets
- Implement corporate governance procedures, risk management and internal controls”.

(CIMA Official Terminology, 2005: 54.)

There are few rules guiding how management accounting should be constructed. The need for management accounting practices depends on the specific organization, specific point in time and special needs of control and support for the decision making. (Anderson & Widener, 2007.)

Hopwood (2008) suggests that there is increasingly a need for the integration of several different theoretical and methodological approaches to the creation of new knowledge. Integration would mean in this context not only interdisciplinary understanding but to go beyond the surface of social science disciplines in order to try to relate the design and social science perspectives. When trying to change management accounting and control systems we need to pay more attention to the effective design of these systems. This requires insights into the factors driving
systems to change as well as the consequences of system elaboration. (Hopwood, 2008.)

As a summary, Hopwood (2008) suggests that both the design and social science approaches are needed for investigating and implementing an effective organizational change and improvement. More focus has been put on the concept of design since this has some very real potential to serve as a common ground for both rational and interpretive approaches to management accounting to meet and interact. The need for interactions between a variety of scientific backgrounds arises constantly in the management systems design. Management accounting should not be isolated when it comes to the implementation of the methods and systems e.g. activity-based costing. (Hopwood, 2008.)

3.2 Management Accounting by Themes

As was stated above, management accounting is a loose set of systems and tools. Therefore, it is difficult to categorize management accounting into distinct categories that capture the richness and diversity of the field. In this study, management accounting is categorized into five categories based on popular management accounting textbooks (e.g. by Bhimani et al., 2008; Drury, 2008) and scientific articles (e.g. Granlund & Taipaleenmäki, 2005). The five categories are as follows:

- Cost accounting and profitability analysis
- Short-term planning and budgeting
- Investment planning and monitoring
- Strategic management accounting and long-term planning
- Management control

The guiding principle behind this segmentation is chronological. Cost accounting and profitability analysis are considered as backward-looking whereas the next three categories vary in time frames and are considered as forward-looking categories.
3.2.1 Cost Accounting and Profitability Analysis

Cost accounting and profitability analysis are as they suggest – the means that companies use in order to measure their costs. These are the methods and techniques that an organization uses to analyse its historical information. Providing information for management decision-making and financial reporting is one of the main objectives of cost accounting and analysis. In practice, this could mean calculating how much it costs to produce a single product. (Horngren et al. 2010.)

According to Horngren et al. (2010) cost accounting is about measuring, analysing and reporting financial as well as non-financial information that is related to acquiring or using resources in an organization. Sometimes the term cost accounting is used interchangeably with the term management accounting and includes terms such as activity-based costing and standard costing. (Horngren, Datar, Foster, Rajan & Ittner, 2009). In a rapidly changing world where modern manufacturing practices, relatively increased fixed manufacturing costs and the intensity of the competition are introduced there is an increasing need to use a cost system that provides relevant information, enhances flexibility and contributes to more effective operational and strategic control. (Cohen & Kaimenaki, 2011.)

The structure of the Management Accounting Systems (MAS) is usually defined by four distinct characteristics: the level of detail of cost information, the ability to deconstruct costs according to behaviour, the extent to which variances are calculated and the frequency at which cost information is provided to users. The level of functionality of the cost accounting systems is evaluated by the extent to which these systems embed the four main structure characteristics. A highly functional cost accounting system can provide more detailed information, better classify costs according to behaviour, calculate more variances and report information more frequently. (Cohen & Kaimenaki, 2011.)

The main purpose of profitability accounting is to create information about the profitability of the customer, products, divisions and other parts of the organization. It is closely related to cost accounting. Both cost accounting and profitability accounting are highly related to the pricing decision made in an organization.
The relevance of the provided cost accounting and performance-related information is often measured in the extent in which the managers need that information in order to make decisions. The decisions can relate to an introduction of new products or services, pricing, a redesign of the process, etc. (Cohen & Kaimenaki, 2011.)

3.2.2 Short-term Planning and Budgeting

Short-term planning and budgeting could be seen as an integral part of management control but due to its high importance in previous studies it has been separated as its own category in this study (Davila, 2015). Bhimani et al. (2008, 467) define a budget as follows:

“A budget is a quantitative expression of a proposed plan of action by management for a future time period and is an aid to the coordination and implementation of the plan. It can cover both financial and non-financial aspects of these plans and acts as a blueprint for the company to follow in the forthcoming period.”

Joshi, Al-Mudhaki and Bremser (2003) also suggest that budgets are financial blueprints that quantify a firm’s plans for a future period. The value of this process possibly lies in the focus required from the management to specify the expected sales, cash inflows and outflows and costs. Budgets also provide a mechanism for effective planning and control in organization. Joshi et al. (2003) also suggest that bigger and more complex organizations require more complex and sophisticated budgeting systems as compared with medium and small organizations. In general, budgeting is frequently a time-consuming exercise and involves many people in various departments of the organization. (Joshi et al., 2003.)

In big organizations budgeting systems serve as an integration tool in addition to working as a unifying process of planning and controlling. Budgets serve the multiple roles of planning, evaluation, coordination, communication, and decision-making. (Joshi et al., 2003.) Drury (2008, 355) again suggests that budgets have a variety of different purposes, including:
- Planning operations
- Coordinating the organization
- Communicating the company’s plans within the company
- Motivating managers
- Controlling activities
- Evaluating performance

Budgets are usually the first management accounting systems adopted in an organization (Granlund & Taipaleenmäki, 2005; Davila, 2005). Some studies have also found that early-stage companies are very short-term-oriented due to the high uncertainty in their long-term business insights. This again makes long-term planning very inaccurate and provides no value for the management. Short-term generally refers to planning with a time frame of a year or less. (Davila, 2005.)

3.2.3 Investment Planning and Monitoring

Investment planning and monitoring consists of the planning and monitoring of capital investments. In general, investments can be divided between short-term decisions and capital investment (long-term) decisions. Short-term decisions are those that involve a relatively short-time horizon, usually less than a year from the commitment of funds to the receiving of benefits. Investment decisions are classified as capital investments if a significant period of time elapses between the outlay and the receiving of the benefits. The investments can be directed to physical assets such as equipment and production facilities or intangible assets such as patents and R&D. (Drury, 2008.)

According to Drury (2015, 309), all investment decisions are made in an expectation of realizing future benefits and so all investment decisions involve current outlays in return for a stream of benefits in the future. Normally, capital investment decisions represent the most important decisions in an organization. With the capital investment decisions one should add into the analysis the interest costs. This does not apply with the short-term investment decisions since the funds are committed only
for short periods of time, meaning that the interest costs are usually so small that they can be ignored. (Drury, 2015.)

Common methods in investment planning include Return on Investment (ROI), Internal Rate of Return (IRR) and payback periods, but also concepts such as opportunity cost and net present value (NPV). (Drury, 2015.)

3.2.4 Strategic Management Accounting and Long-term Planning

Strategic Management Accounting (SMA) was first introduced to the public in 1981 by Simmonds and like management accounting, strategic management accounting also has a variety of definitions in the accounting literature. In the UK professional magazine Management Accounting, Simmonds presented a strong case for the adoption of SMA. Many professionals and academics continued this theme while at the same time influential academics such as Robert Kaplan, Robin Cooper and John Shank were criticizing the state of management accounting on the other side of the Atlantic Ocean and urged other academics to improve the relevance of the field by adopting strategic cost management (SCM). After several case studies of the superiority of SMA and SCM over traditional management accounting were published the need to take strategic perspective to management accounting became commonly accepted wisdom. (Langfield-Smith, 2008.)

As other parts of management accounting, strategic management accounting also does not have an agreed definition in the literature. By simplifying at the max, SMA is about making management accounting more strategic or as Simmonds (1981) defined it as: “the provision and analysis of management accounting data about a business and its competitors, for use in developing and monitoring business strategy”. (Langerfield-Smith, 2008, p. 26.) Bronwich (1990) provides a different kind of definition that limits SMA only to financial information but is more focused on the performance in relation to competitors:

“...The provision and analysis of financial information on the firm’s product markets and competitors’ costs and cost structures and the monitoring of enterprise’s strategies and those of its competitors in the markets over a number of periods.”
The business environment has undergone significant changes due to globalization and the development of information and production technologies (Burgstahler, Horngren, Schatzberg, Stratton & Sundem, 2007). According to Shah et al. (2011) management accounting has not been able to fulfil the expectations and for that reason new promises have been made. While traditional management accounting failed to make use of strategic thinking and other qualitative aspects of management, the new concept of strategic management accounting is likely to make accounting relevant and important for managers again. We should be aware that the amount of empirical studies for the successful diffusion is not comprehensive yet. (Shah et al., 2011.)

The changes driven by the globalization and development of information and production technologies have resulted into significant changes in the management and organization of companies. The changes have both direct and indirect effects on management accounting. These changes have shifted management accounting from traditional preoccupation with numbers and accounting measures to value addition and integration within a company. (Shah et al. 2011.)

Many authors see SMA as lying at the interface of management accounting and strategy while some other authors see the connection to marketing as a more relevant orientation. An interesting suggestion comes from Roslander and Hart (1995, 269). They argue that SMA should become “more thoroughly infused with marketing issues, theories and concepts to form a “marriage of equal partners”’. As a result, a new concept of “brand management accounting” would include performance measures such as market share, market growth and brand strength (Langfield-Smith, 2008).

The link between all the different views and definitions of SMA (and SCM) is that SMA includes strategic orientation to the generation, interpretation and analysis of management accounting information while the competitors’ activities provide the elements for comparison. (Langfield-Smith, 2008.) Although SMA has been discussed in academic communities for many decades there is no evidence that it has been widely used in practice.
3.2.5 Management Control

Organizational control can have many meanings and can be interpreted in many ways. Some researchers see control as equivalent to power and some as a sum of interpersonal influence relations in an organization. (Ochi, 1979.) Drury (2015) suggests that management control is a process which ensures an efficient coordination of the daily operations and usage of resources (Drury, 2015). A bit similarly Simons (1995) describes management control systems as formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities.

The objective of planning and control processes is the implementation of decisions throughout an organization and ensuring that an organization is operated in a desired manner. While planning involves systematically looking at the future, controlling looks back to the historical data. Controlling can be defined as the process of measuring and correcting actual performance to ensure that the course and the plans an organization has chosen are carried out. (Drury, 2008.)

According to Drury (2008) cost and management accounting systems should:

- “Allocate costs between cost of goods sold and inventories for internal and external profit reporting;
- Provide relevant information to help managers make better decisions;
- Provide information for planning, control, performance measurement and continuous improvement.”

Drury (2008.)

As a concept, management control systems (MCS) refers to a variety of controls used in an organization. The distinction between controls and control can be made by specifying that controls are measurement and information whereas control means direction. (Drury, 2015.) Controls could be seen as a means to an end, that end being control. This generally accepted distinction between the two definitions was made years ago by Drucker (1964.)
Merchant and Van der Stede (2011) made a distinction between strategic control and management control because the different levels of an organization have a different need for control. Strategic control has an external focus and is about measuring how a firm can compete with other firms, considered its strengths, weaknesses and limitations. (Drury, 2015.)

To make more sense of the variety of measures that companies use, Ouchi (1979) and Merchant and Van der Stede (2011) have adopted a classification of the controls:

- action (or behavioural) controls;
- personnel, cultural and social controls;
- results (or output) controls.

Control systems can be divided into three hierarchical levels: strategic, managerial and operational or task control. Most of the previous accounting studies focus on management control issues which are more focused on controlling people than strategy formulation or tasks. Merchant (1998) divided management control again into three sub-categories: result controls, action controls, and cultural controls.

Result controls keep individuals or groups accountable for a specific outcome and are in many situations tied to an extrinsic reward. According to Merchant, result controls should meet three criteria to be effective: 1) knowledge of desirable outcomes must exist, 2) the individual or a group in response must control the outcome, and 3) the results must be measurable. Result controls are essential especially in decentralized organizations where managers possess a high degree of autonomy. (Picard & Raes, 2002.)

While result controls focus more on results, action controls are focused on how the results are created. Action controls are a direct form of control and ensure that individuals act in a way that is best for an organization. These controls can be divided between three major types: behavioural constraints, preaction review and action accountability. Behavioural constraints include physical constraints such as locks, passwords and administrative limitations to make inappropriate action
difficult. Pre-action reviews include operational or capital budget approvals. Finally, action accountability includes communication of rules, behavioural boundaries and procedures and policies and rewards compliance or punishes deviation. (Picard & Reis, 2002).

Personnel controls use self-direction or social pressure to influence individuals to do what is best for the organization. These controls include selection and placement, formal training, social control and cultural control. With selection and placement an organization focuses on finding the right attitude, personality and skills for a particular position that align with the culture of the organization. Formal training enhances skills and provides guidelines for processes. Social control focuses on encouraging people to monitor and influence others and can be top-down, bottom-up, or peer-directed. Shared beliefs, traditions, stories and values are used as culture based controls. These communicate the expectations for one’s behaviour within an organization. (Picard & Reis, 2002).

A well-crafted Management Control System makes it easier for an organization to accomplish the strategic objectives. A MCS design requires an understanding of the actions or results desired by an organization and employees, their tasks and situations being controlled. The multi-cultural and cross-national dimension increases the burden of the effective design. (Picard & Reis, 2002). Merchant (1998) states that: “As geographic diversification occurs, managers must adapt the control practices they use in their home country to the set of unique factors faced in each of the countries in which they operate, or at least prepare for the potential differences in responses of local employees to their systems”.

3.3 Management Accounting in Growth Stage Companies

Organizational life cycle theories suggest that the characteristics of organizations change according to the life cycle stages (e.g. Greiner, 1972; Churchill & Lewis, 1983; Miller & Friesen 1984; Kallunki & Silvola, 2008) and so different systems are needed in different stages (e.g. Miller & Frieden, 1984). The prime distinguishing feature of the birth-stage firm is that they are young, dominated by their owners, have simple and informal organizational structures (Miller & Friesen, 1984). This is
also referred to as an ‘entrepreneurial stage’, since the founders are typically technically or entrepreneurially oriented and prefer to keep management activities to a minimum. The energy and efforts are devoted to developing and selling new products, relying on a minimal amount of information in decision-making. (Kallunki & Silvola, 2008.)

According to Miller and Friesen (1984), the growth stage occurs when the firm has established its distinctive competences and has achieved some initial product-market success. For an organization, a growth stage indicates rapid sales growth and an expansion of activities and products. Authority is delegated inside the company and middle-managers devote greater effort to collecting and processing information needed in the decision-making. Typically, growth firms also extend their product ranges in a given market rather than create more complex arrays of products on widely differing markets. (Miller & Friesen, 1984.)

Firms in the growth stage put emphasis on growth and expanding their market shares whereas firms in the maturity and revival stages put clearly more emphasis on cutting down the production costs. Increased competition decreases the profitability of the firms in the later stages and so the cost-effectiveness and profitability are more important in these stages. These firms put more emphasis on formal cost controls as they need to pay more attention to earning adequate profit margins on a more competitive market. (Kallunki & Silvola, 2007.)

An increased diversification of the products and markets is experienced in maturity and revival stage firms. Increased competition and diversification in products cause firms in the mature stages to put more emphasis on reducing, controlling and understanding factors driving their costs as firms in a growth phase would put it. (e.g. Miller & Friesen, 1984; Kallunki & Silvola, 2008.) Therefore, mature and revival firms can be expected to use activity-based costing as it should help managers to understand cost hierarchies and identify relevant revenues and costs and so achieve better financial performance. (Kallunki & Silvola, 2008.)

Organizational size is greater in the maturity and revival stages than it is in the growth stage (Kallunki & Silvola, 2008). Greater organizational size leads to a
greater complexity of tasks, which requires more labour. Specialization of tasks leads to more extensive differentiation implying that the tasks are grouped within common units. As a result, it is harder to ensure that the subunits are working towards the common purpose and for this reason more sophisticated integrative mechanisms such as information systems are developed to coordinate the activities of subunits. (Chenhall & Langfield-Smith, 1998; Kallunki & Silvola, 2008.) To summarize, greater organizational size can be expected to lead to more widespread use of activity-based costing in the maturity and revival stage firms. (Kallunki & Silvola, 2008.)

When an organization hits the maturity stage, the sales level off, more formal and bureaucratic organization structures are established and innovation declines. The revival stage means that the organization adapts divisionalized structures to cope with more complex and heterogeneous markets (Miller & Friesen, 1984.) The mentioned stages are described in organizational life cycle theories which aim to explain the internal characteristics of firms and the external contexts in which the firms operate depending on the stage of the development (e.g. Greiner, 1973; Miller & Friesen, 1984; Merchant, 1997).

Management accounting systems differ across the stages of an organizational life cycle since the needs for information vary between the life cycle stages. The need for formal management accounting and a control system is greater in the later life cycle stages than it is in the early stages. (Kallunki & Silvola, 2008.) We should be aware that an organizational life-cycle is still a new variable in the empirical management accounting system literature and the stages have not been linked to most of the management control dimensions. The few existing empirical studies show that the life cycle stage is an important driver of the emergence of management control systems. (Miller & Friesen, 1984; Kallunki & Silvola, 2008.)

Miller and Friesen (1984) report that growth stage firms do not put as much emphasis on formal cost controls as do firms in the maturity and revival phases. Md. Auzair and Langfield-Smith (2005) also report that the organizational life cycle, among other contingent variables, has a significant effect on the design of a firm’s

Irrespective of the level of management, the owners and leaders of a corporation are up against different decision-making situations in every part of the corporate life cycle. A challenging task for an organization is to keep the leaders up-to-date with information so that they can make effective business decisions and operate the firm successfully. The information ensured by the management accounting is necessary for the decision-making process and the information supply of leaders. The benefit of implementing a management accounting system is the attention to the future instead of or beside of the examination of past events. (Fenyves et al., 2015.)

3.4 Management Accounting Supporting Strategic Management

Strategic planning is a part of strategic management which helps the organization to unite both planning and strategic management in the same process (Porth, 2002). Thomas and McDaniel (1990) argue in their research article Interpreting strategic issues: effects of strategy and the information-processing structure of top management teams that to understand strategic actions, organizational change and learning, we must first understand how managers interpret strategic issues (Thomas & McDaniel, 1990). They were specifically interested in the interpretation – the process of translating data into knowledge and understanding and concluded that every strategic decision is in a relation to the context. Johnson and Kaplan (1987) also argue that business strategy must be supported by appropriate organizational factors such as an effective manufacturing process, a proper organizational design and relevant management accounting practices.

In the Strategy and Management Accounting Practices Alignment and Its Effect on Organizational Performance research, Abdel Al and McLellan (2013) study performance by the degree of fit between the various management accounting practices in use and the strategy pursued by the organization. The claim is that “The more the management accounting practices adopted by an organization are aligned with the strategic objectives of that organization, the greater the business performance.” An organization, with a good alignment between the management
accounting practices and the strategy employed will face a both positive and significant effect on the operational performance. (Abdel Al & McLellan, 2013.)

In 1993, Dixon and Smith argued that the analytic, decision-making and financial skills of management accountants provide them with the potential to contribute to the strategy evaluation process. Chenhall and Langfield-Smith (1998) suggest that management accounting plays a pivotal role in the development and execution of business strategy and that tailoring an organization’s management accounting control system to its strategy may turn into enhanced performance. According to Noble (1999), ineffective strategic planning is in many firms the main reason for failure to achieve expected performance. He states that “implementation is an enigma and a source of frustration in many companies”. They also pointed out that independently owned small and medium-sized firms tend to have a less structured approach to the strategic planning deployment than firms owned by larger organization.

The Chartered Institute of Management Accountants researched *Management Accounting in Support of the Strategic Management Process* and suggested that all participants in their interviews describe an instance where accounting information had been utilized to support the strategic decision or the development of a strategy. Yet, their research pointed out that decisions were not taken on the basis of the numbers alone. The participants of their study identified tools such as target costing, net present value and cost-benefit analysis, benchmarking and customer profitability.
The empirical material is examined by using the strategic management framework from Pitcher (2015) extended with the management accounting point-of-views, methods and tools relevant for each of the four steps. Every step is analyzed by evaluating how each category of management accounting contribute in each step of the strategic management process.

Before presenting the empirical material and the analysis a distinction between management control and strategic management should be made. According to Drury (2015), management control is a process which ensures an efficient coordination of the daily operations and usage of resources. Simons (1995) describes management control systems as a formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities. As Drury (2008) argues, the objective of the planning and control processes is the implementation of decisions.
Throughout the organization and ensuring that an organization is operated in a desired manner. These definitions have a lot of similarities and only minor differences with the theory of strategic management. However, strategic management has more of its strengths and focus with the topics of the first step of the process whereas management control with the following steps. One could argue that management control has more focus on operational efficiency rather than creation of strategic vision and mission.

Pitcher (2015) suggests that the first step in the strategic management process should be the development of a grand strategy. This step includes the specifying of the objectives by determining and recognizing the mission and vision of the company. During this step, the internal and external environment is analyzed to become aware of the political, cultural and technical factors as well as the limitations of the resources.

Pitcher (2015) suggests that organizations in the second step of the strategic planning process are formulating the strategic goals and plans to guide their daily activities. Through this activity, the organization aims to create the shortest and the most efficient plan from where they are now to where they want to be in the future. This is closely related to their vision and mission as it reflects the long-term objectives.

The third step in the strategic management process includes the implementation of the strategic plans and breaking down the created plans into annual objectives, policies, allocation of resources, change in the organizational structure, resistance management, and possibly an introduction of a new reward system. (Pitcher, 2015.) Academicals have reached a consensus that strategic planning does not add much value to an organization without proper means of putting it into place. But as many other things, implementation processes of companies vary from company to company, depending on the details of the strategic plans, available resources and capabilities. The plans can be implemented through formal or informal ways, and it seems that the chosen method has no significant relation to the success of the implementation.
Pitcher (2015) suggests that the fourth step in the strategic management process includes monitoring, evaluation and corrective actions. Through these activities a growth organization aims to describe and analyse the business in an objective way. It also provides the organization with relevant and timely information and enables the possibility for necessary corrective actions. (Pitcher, 2015.)
4 METHODOLOGY

This section presents the research method, provides justifications for the methodological decisions, presents the selection requirements for the case organizations and discusses the limitations of the study. This study was conducted as a qualitative comparative case study. The main data collection method was semi-structured theme-interviews from case companies Chief Executive Officers (CEO), Chief Financial Officers (CFO) or Chief Operational Officer (COO). The companies were chosen due to their annual growth rate, maturity, potential for international market penetration and industry.

4.1 Qualitative Research

During the last decade the management accounting research has become increasingly aware of empirically grounded field studies (Scapens, 1990). Hopper and Powell (1985) suggested that accounting should no longer be studied in a mode where it is divorced from its social context and so ignores the influence of wider social collectivities. The interest towards more practical study methods was partially caused by the gap perceived between the theory and the practice of management accounting. However, Kaplan and his colleagues in the US were particularly interested in the management accounting problems of manufacturing firms which use high technology and modern management techniques. Their approach is similar to the approaches used in Europe with some minor differences. (Scapens, 1990.) However, Kaplan (1984) and Hopper and Powell (1985) are often seen as a starter of the movement towards more interconnected accounting literature encouraging researchers to explore the political, social and economic influences of accounting. (Humphrey & Scapens, 1996.)

Scapens (1990) found the traditional neoclassical theory approach to management accounting problematic since it can only model relations between general attributes or general aggregate economic behaviour (e.g. prices and wages) instead of providing coherent answers to issues related to individual companies. It does not explain the process of individual behaviour but is instead an abstract model which can be used to generate predictions for empirical testing. Scapens (1990) also
suggests that the model is an instrument of generating a hypothesis, not an empirical explanation of the process leading to the predicted behaviour.

Scapens (1990) suggests that in the literature the terms case studies and fieldwork are both used to refer to management accounting studies in its organizational context. According to Scapens (1990), case studies allow us to understand the nature, terms, techniques, procedures, systems, etc. in practice, both in which of them they are used and in which way they are used. Humphrey and Scapens (1996) suggest that case studies can do more than just illustrate particular social theories, they can play a significant role in the development of an accounting theory. However, it should be noted that case studies can be used in a variety of ways and so Scapens (1990) has presented five categories of case studies; Descriptive, Illustrative, Experimental, Exploratory and Explanatory case studies. From Scapens (1990) categories Descriptive, Exloratory and Explanatory case studies are important for this study.

*Descriptive case studies* describe accounting systems, techniques and procedures currently in practice. Many companies may be selected as a case to illustrate a different accounting practice or similarities since the research objective is to provide a description of the accounting practice.

*Exploratory case studies* can be used to explore the reasons for particular accounting practices. The objective is to provide generalisations about the reasons for the accounting practices. It usually represents the first step of a project, intended to generate ideas and a hypothesis for exact empirical testing at a later stage.

*Explanatory case studies* attempt to explain the reasons for accounting practices and focus on a specific case rather than trying to produce generalisations.

The distinction between these different types of case studies is not clear-cut and it can be argued that the intention of the researcher determines the appropriate classification. It should be noted that case studies are a research method and not a methodology. These different types of cases studies suit some methodologies better than others.
Kaplan and other neoclassical economics researchers in the US treat case studies as small samples which can be used to develop a hypothesis, construct models and maybe provide limited empirical tests. They locate case studies within the positive research methodology whereas researchers seeking for explicit and implicit rules which structure social behaviour see case studies as more central to the research process. To understand management accounting from the social theory perspective one should make detailed studies of accounting in practice. Practice must be located in its historical as well as economic, social and organizational context. Case studies are particularly suitable for these types of researches since they allow the researcher to study accounting as part of a unified social system.

This study is interested in how management accounting can support the strategic management in a growth organization. The primary interest is in the long-term planning of the organization and in the information they need for management to make clear data-driven long-term decisions. The study is both descriptive and exploratory since it tries to present how management accounting is used to support the strategic management in growth organizations but also explore the reasons why the certain management accounting data is used in the way it is used. Another point that makes this study exploratory is the fact that strategic management in growth organizations is a relatively new subject for the management accounting research.

Case study methodology was chosen to be the most relevant methodology for this study since it can be used to build up a picture of the system's wholeness and to describe how the various elements contribute to the uniqueness of the system. The social theory approach helps to understand the social structures that shape current practices. Scapens (1990) states that: “The holistic approach is based on the belief that social systems develop a characteristic wholeness or integrity and it is inappropriate to study their individual part taken out of context.” According to Scapens (1990) it is sometimes argued that areas where theories are not well developed are particularly fruitful for case studies. In this sense the usage of case studies reflects an immature or “pre-science” subject area. This suggestion applies to this study perfectly.
In this research case studies are used to gather information in a relatively challenging environment. As Eisenhardt (1989) suggests, a case study is a research strategy that concentrates on studying the dynamics in specific settings. The sample selected attempts to draw inferences about the specific population of growth organizations by studying the sample. It can be argued that this kind of case study is only a small sample from which it is difficult to make a statistical generalization about the population but which works as a hypothesis that can be tested later with larger samples.

4.2 Empirical Material and the Research Process

The research process started with reviewing the available theories which may be relevant to the case, deepening the knowledge of those that seemed valuable for the topic under research. Due to the limited amount of prior research on the topic, the theoretical approach was expanded to a wider scale of theories. Following the theory reviewing, the collection of evidence and empirical material started. This step included the preparation of a questionnaire framework, deciding the themes and conducting interviews with the case companies. Next the contextual validity was assessed in two steps, by first assessing the validity of each piece of evidence by comparing it with other kinds of evidence on the same issue and second, by assessing the validity of a particular source of evidence by collecting other evidence from that source. After assessing the validity, emerging themes and patterns were recognized and explained.

There are multiple reasons why the case study method was chosen to conduct this study. First, this study is inspired by the CIMA (Chartered Institution of Management Accountants) funded study Management Accounting in Support of the Strategic Management Process by Pitcher (2015) which also uses the case study method. Pitcher (2015) interviewed 14 finance professionals and conducted an exploratory study about the usage of SMA in practice. Second, the theoretical part is influenced by An Overview of Strategic Management: An Analysis of the Concepts and the Importance of Strategic Management from Anthapaththu (2016), and Strategic planning in growth oriented small firms from Mazzarol et al. (2009). While the paper from Anthapaththu (2016) is more of an overview and description of the
concepts and literature, Mazzarol et al. (2009) use the survey to conduct a study about strategic planning in growth-oriented small firms. These two studies worked as an inspiration to examine how the theories would work in practice and so guided this research to the usage of case study methods.

The empirical material used in the study was gathered with half-structured theme interviews which lasted between 35 and 75 minutes including both a formal and informal discussion. The interviews were recorded and transcribed before analysing and structuring the gathered material. The main themes were decided before the interviews but the discussions were allowed to flow as freely as possible. During the interviews the participants were invited to discuss the management practices, strategic planning processes and management accounting information which is utilized to guide the strategic management processes of the organizations.

The theoretical framework worked as a starting-point for the case study, but was challenged and refined as a result of the research process. Humphrey and Scapens (1996) suggest that in this way the empirical material can challenge the existing accounting knowledge and give opportunities to develop new accounting theories. From the social theory perspective, the theories which provide convincing explanations will be retained and used in other case studies and the theories that do not explain will be modified or rejected. In this study, observations have been attempted to be explained by theoretical generalisations.

The empirical material is structured in themes, which comes from the strategic management theory and represents the four steps in the strategic management process: the development of a grand strategy, the formulation of the strategic goals and plans, the implementation of the plans and the monitoring, evaluation and corrective action (Pitcher, 2015). The themes represent the characteristics of the phenomena being studied and illustrate the different levels of the strategic management process in a growth organization. Additionally, one criterium for choosing these themes was that they come with already-agreed-upon professional definitions. The selected themes provide an opportunity for comparison between the case companies and add value to the analysis of how the selected case companies utilize management accounting to support the strategic management process.
4.3 Choosing Criteria for the Case Organizations

As a choosing criterion, the goal was to find organizations that vary in size, maturity and industry but have similarities in terms of rapid growth, international direction and innovative products.

The criteria for the case organizations were as follows:

- The organization must have been growing fast during the last years, however no single measure is used to qualify how fast.
- The size of the organization must be under 300 employees.
- The maturity max 10 years.
- The organization must be independent.
- Established product or service and financing.

The organizations were identified through various public sources and contacted via e-mail or LinkedIn. The researcher had no previous experience of any of the case organizations or knew any of the interviewees from earlier times. All the four case organizations have been growing fast in terms of employees and in revenue or financing.
5  CASE ORGANIZATIONS

This chapter presents the empirical findings that were gathered during the research process. The introduction of the company is followed with the four steps of the strategic management process: the development of the grand strategy, the formulation of the strategic goals and plans, the implementation of the plans and the monitoring, evaluation and corrective actions. The empirical findings related to how management accounting can support strategic management in a growth organization and in which ways management accounting can make a significant contribution to the strategic management process are presented in this chapter.

5.1  Organization 1

Introduction of the Business

The case organization is a franchise company, providing services exclusively for men in Europe and the USA. The story began in 1998 when the founders of the company realized that the whole industry was planned around the needs of women and that men didn’t have the possibility to find optimal service from the market. From the beginning of their existence the company has focused on providing solutions for the customer needs as the most important aspect of the business. This principle has remained unchanged and is a guiding value in everything they do today, from provided services to the sold-product series.

The founders of the company explain that men as customers need effortless and easy service without planning to visit the service provider beforehand. “Our job as a service provider is to make sure that a visit at our place is every time a pleasant and effortless experience.”

The case company has shown significant top-level growth in the past 10 years, expanded to many new markets both in Europe and the U.S. and almost a hundred franchisee rights for entrepreneurs. The company relies on the subscription based business model.
The case company has established a formal strategic management process which is run for the first time in history. During the process, they have created new strategies to point the organization towards the opportunities and scenarios they have visualized to happen in the future. The CEO of the company states that the company and its stakeholders are not scared of changing direction or making strategy that differs from the previous one. The formalized strategic management process started before mid-summer and will end in the beginning of next year.

"We have our strategy process going on at the moment, and as a result, we have determined new strategies that differ from the previous one quite a lot. We started the process during June-July and it will reach its end at the end of January." - CEO

Since the mother company consists of only 13 employees the process is run by the CEO through formal discussions. The process starts from reviewing and updating the vision, mission and goals and continues with updating the KPI metrics to match the new strategy. The company CEO is aware of the importance of both the short- and long-term metrics as well as the financial and non-financial metrics.

"We have such a small company, as a parent company only 13 employees, that I can manage the process with just having discussions. Then of course the KPIs must be in line with the strategy, because usually you get what you measure. Then there is also compensation, which has to courage towards the goals." - CEO

The company CEO suggests that everything in the company comes down to communication, especially with the creation, implementation and execution of the grand vision of the company. The employees are motivated and engaged when they know the purpose of their work.

"It’s all about communication. Everyone knows the grand vision and that we are on a mission to do something that no one has done ever before – it’s a strong commitment to be involved in this kind of a story." -CEO

Responsibility is the source of engagement in the case company. They want their employees to be able to take ownership and to show an entrepreneurial working
style, with self-directive working methods and curiosity. Responsibility provides lots of freedom for the employees – they are allowed to try and fail if they are able to argue that it is in line with the grand strategy.

“I believe that engagement comes mainly from responsibility. Everyone working here gets responsibility and ownership and is trusted to take care of it, otherwise they are working in a wrong company. We cannot afford to have people who do not think like an entrepreneur. You don’t have to ask for a permission – if it’s in line with the strategy then go ahead and try. If you make a mistake then we will fix it.” -CEO

The main management accounting metric to measure in this particular environment and specific business is the cash flow. According to the CEO, to make sure that a growth company stays alive it has to have knowledge and analysis of its cash flow.

“They say that an army lives with its stomach and it’s a bit similar thing with the growth companies, only that they live with the cash flow.” -CEO

The cash flow is experienced as a vital metric for a growth company and not only because all the investors will be looking at it and evaluating your performance accordingly but because it is usually the earliest stage of planning in a growth company.

“You have to have cash flow numbers as a growth company. If it is negative you must calculate the plan and forecast and when you hit an agreed milestone you have to be in shape for the next funding round. Otherwise no one knows for how long the money is going to last and no one is going to invest money in a company like that – it would be like a stupid lottery.” -CEO

Formulation of Strategic Goals and Plans

The strategic planning process takes about 6 months and consists of formal and informal activities, such as discussion, meetings and workshops. During these events, the board of directors, leadership team, shareholders and employees will discuss and align on the direction of the company. The strategy will be evaluated by visualizing the future business context and available resources. This is also seen as a motivation for employees to get their voice heard and to contribute to the long-term planning of the company.
"We started from working on the whole company strategy with the board of
directors, shareholders and a consultant who facilitated the workshops. When
we had the grand strategy for the whole company ready before the mid-summer
we started to break it down to sub-categories, including brand strategy,
education strategy, franchising strategy, product segment strategy and IT
strategy. The people responsible for the particular segment or a professional on
the field of business were involved in the workshops and so everyone was
involved at some point of the process. I think this is also a very important part
of motivation since when you have been part of deciding about the long-term
goals you have also agreed to work towards those goals." - CEO

The CEO suggests that the strategy is not the most important outcome of the strategic
management process but the process itself is. Through the process, employees and
other stakeholders become more engaged in the grand vision and the purpose of the
company and create a team spirit. This again creates the needed direction and
consistency in everything that the company does.

"Additionally, I think that the most important thing coming out of the process
is not the strategy but the process itself. It made us more engaged and we see
ourselves more as a team now but also made people think strategically." - CEO

Long-term planning is seen in the case company as something very normal and
casual business activity where you crunch key metrics, form scenarios and discuss as
long as you find a consensus. The company CEO suggests that it is all because of the
reputation of the strategy on a conceptual level which holds a certain image related
into it. This image suggests that when you are dealing with strategic planning or
strategic issues it is something that is fancy or very demanding.

"Strategic planning is not rocket science, you crunch numbers, play with
different scenarios and participate in workshops until you reach a consensus.
When you say the word strategy people think that it’s so fancy but in the end it
is just the same as everything else." - CEO

The goal setting and motivating employees are tied together and to make sure that
the prize for achieving a particular goal is something that the employees would like
to get they get to choose the prize themselves. This prize varies from cash to skiing
trips to the Alps, depending on the goal and employee preferences. Again, the
decision about the prizes will be made after open discussions between employees and
leaders. In terms of creating motivation a cash reward is seen to work effectively only to a certain point.

"In my opinion, a great prize for a team is for example a skiing trip to the Alps when the target is hit, however for some people it has to be just cash. The thing is that we are still such a small company that we can just ask. When people get to set their own prizes, they are more engaged to succeed. Of course, some of it has to be sheer monetary compensation, but it has limits in terms of motivating people." -CEO

The CEO thinks that mistakes are a necessity and a key driver for success. Quick iteration processes and agile teams are in favor of the CEO.

"We talk too much about success and little about mistakes. You only learn by making mistakes. Success is for the inspiration. We should celebrate the mistakes and not hide them. Life consists of iteration cycles." -CEO

The case company uses a three-year time frame for their formal planning process. The CEO suggests that to see what is going to happen in three years is inaccurate, adding little, if any, value to the company. The most confident plan is the next year plan which is seen to be hit with a 70 to 80 percent accuracy.

"We have now done three-year planning. The year 2021 is so far away that it does not seem to add any value to guess what is going to happen then. Next year is the easiest part. I would feel confident to say that 70-80 per cent of our estimations will be successful." -CEO

Implementation of Plans

In the case company, the grand strategy is implemented through dividing responsibilities between the leaders of the lines of services who manage their own area as they see best. The CEO’s role is to create the big picture through formal and informal conversations. The implementation part is based on trusting the employees – they are the best in the company at what they do and have an unquestionable authority to make decisions on that area.

You must have someone responsible for the line of service and then through conversations I manage the bigger picture where all the different service lines come together. Even if we are a growth organization everyone has their own
role and area of responsibility. They are professionals in that field and we support each other.” -CEO

The CEO of the case company plays an important role in the implementation phase. He is the voice between the line of services and the board of directors, putting together the key metrics and narrative on a high level. The details of every single metric will be out of the CEO’s loop but will be explained whenever necessary.

“I report to the board of directors about, for example, five main metrics which again consist of plenty of other metrics which I necessarily don’t know in that much detail.” -CEO

The decision-making and implementation of the plans has been moved as down in the organization as possible trusting the employees’ decision-making abilities. The only requirement for the decision-making is that it should align with the company’s long-term plans and vision. The company CEO states that mistakes are welcomed and that a lack of mistakes could be a sign of not trying anything. Additionally, he praises the mistakes that have been made since they give a lesson. The success stories are important as well since they can inspire and motivate.

“If you haven’t done any mistakes, you are likely not to have tried anything.” -CEO

The budget is an important management accounting tool for the implementation process in the case company. It works as a guideline which is broken down to smaller processes and tasks lists. These lists are a method for everyone to keep track on the progress of the work. Since the budget is formed from the strategic point of view it means that the task lists are also aligned with the long-term plan of the company.

“From the budget perspective, we have to break the processes down to task lists and the task has to be completed. Then everyone, including me, can follow what has been done and what still needs to be done.” -CEO

Owing to the franchise business model of the case company the implementation part of the strategic management process does not require direct investments into the business areas but instead the investments are made to the supporting functions and
to negotiation and business-development-related costs. The supporting functions play an important role in franchise business and so the company invests mainly into areas that will increase value in the franchise business. These investments can be related for example to new app, better IT systems, version updates and the education of employees.

"Because of our franchising business model we don’t invest anything when going to new markets. We only invest to the it systems, translations of versions, travelling, education and so on. But the main organization stays here, with an exception USA. The time difference is just too much.” -CEO

*Monitoring, Evaluation and Corrective Action*

The case company has a very entrepreneur-minded approach when it comes to managing results and making corrective actions. The CEO of the company states that they try to hire only very entrepreneur-minded employees who take responsibility for their work, are competitive and like to find their own ways of reaching the commonly accepted goals. Micromanaging or any formal monitoring methods are not in favor of the CEO.

"I think like an entrepreneur. It could be even a bit naïve to say, but I think that everyone should be as motivated as I am and so I try to surround myself with people who are self-directional the ones that only need to know the goal and they start figuring out how to get there. You would do everything to win. I hate micromanaging.” -CEO

The new generation is believed to bring new ways of working to the workplace. They are believed to be focused on the meaning of their work rather than a compensation or a cash bonus. The millennials and the following generations are believed to be more self-directive in the way that they don’t want to be told how to do their job but instead to be given freedom to choose their own methods to reach the goals. Although the working methods and the motivation to conduct the work continues to change in the millennials and the following generations, the requirement for appropriate tools and metrics stays or even increases.
"I believe, that in the future we will not have certain ways of doing things any more but that the millennials and the younger people will be more interested in meaning. You have to have all the necessary tools and metrics in place." -CEO

Even if the working methods and motivations are changing the need for formal forums, such as leadership team meetings, will stay. A formal meeting will keep the line of services leaders informed of what is happening in the other service lines and provides a sense of the current business environment.

"We still have to have leadership team meetings and other forums where the information can be exchanged. This will keep the work consistent." -CEO

The case company prepares the metrics after discussing and deciding the strategic orientation. During the last couple of years, the case company has been either orientated for rapid growth or repairing processes and trimming its performance. The metrics depend on the selected orientation. If the company targets for rapid growth the metrics should support the chosen orientation and reflect relevant measures, which gives the best available information for the decision-making to grow the business. The CEO notes that from the business side there is always a trade-off, when choosing the strategic orientation and metrics related to it. According to the CEO, growth orientation is likely to decrease the margins and profitability of the business but increase the top line. If this is in line with the long-term plan it is justified to accept the trade-off.

"We have to develop metrics that reflect what we want to do with our business. If we want to grow rapidly let’s put the metrics to support the growth metering. In this case we just must accept that the margins will suffer but if it is in line with our longer-term plan it’s the thing we have to do." -CEO

According to the CEO, the profitability of the business can be increased after the rapid growth periods but not at the same time. One should accept a trade-off between profitability and growth opportunities.

"You can always make the business more profitable later. If you are not willing to accept the trade-off, then you are not going to grow rapidly. This again depends a lot on the board of directors and other shareholders." -CEO
The case company had a period of rapid growth a couple of years ago, which left their processes and the development of the daily work without attention. After the growth period the company uses the opportunity to fix the core of the daily work and prepare for a new sprint.

"A couple of years ago we grew so rapidly that all the processes and the development of our work got stuck. Now we have been building the core back to shape so we can take the next growth sprint." - CEO

The actual measures and corrective actions consist of a variety of both customer- and finance-related metrics. From the financial side the company measures variables such as the number of doors, the average revenue per door and the sales per the line of business. The revenues can be split down by an individual franchisee and by a barber. Finding out the relative numbers, the mother company can keep track of the performance of each franchisee and react if anomalies appear. From the customer metrics side, the company uses metrics such as customer and employee happiness to illustrate how successful the business will be in half a year.

"We measure the number of doors and from that we can calculate the average amount of revenues that one shop generates through the barber services and product sales. We are in franchise business so we live from the revenues. We can strip the revenues down to where the revenues come from and analyze the number of customers and the number of barbers. Diving deeper means analyzing the profitability of each franchise, their customer and employee happiness. These will show us how the business will be in half a year. If your customer satisfaction drops your revenues are likely to drop in the future." - CEO

The company also uses more operational metrics such as lead times, time customers spend in queues, the number of customers, the amount of different customer groups, relative numbers of sales for different customer groups etc. Metrics for marketing and other functions also exist.

"We measure everything. Lead times, time spent in queues, cutting times, number of customers, the relative numbers of product sales and sales for members. And this is only the business part, we have different metrics for marketing etc. But after all, the cash flow and all the metrics around it are super important." - CEO
The case company has a system of recording counters connected to a reality-time database, allowing the company CEO to keep reality time track of how the business is going. The system helps to find anomalies objectively and creates an opportunity to take a quick reaction to fix the issues. The CEO recognizes that the issues are often related to issues in an employee’s personal life or in the team dynamics.

“Our systems work in reality time and with that exposure it is relatively easy to see when one store has problems with the managerial work or an employee gets sick etc. You can see all this from the performance metrics. The things that need to be addressed are very often related to an employee’s personal life.” - CEO

“If you want to grow you must take good care of your cash flow. To get investors’ money you have to have decent cash flow analyses conducted.” - CEO

5.2 Organization 2

Introduction of the Business

Founded in 2012, the case company provides air-cleaning products and maintenance services for corporations, with a goal to create healthier, happier and more inspiring workplaces. Their product portfolio consists of innovative and technologically supported products which clean the air and have many scientifically proved benefits for human health.

The mission of the case organization is to reconnect humanity with nature. They promise to accomplish this by using technology that embraces millions of years of innovation and natural design. The organization wants to help people to be healthier and happier by bringing them into contact with nature.

The case organization has grown significantly in terms of personnel and financials and expanded to new markets. The business model relies on products that are sold together with a maintenance subscription. The company is at the moment of this study in a stage where it is moving from the start-up phase to a more mature phase in the business.
Development of Grand Strategy, Purpose or Direction

The case company has not established formal strategic management processes and perceives that it would not be ideal to build processes before you have a scalable business model and even one phone call can change everything. The mission of the company has been agreed on but the realities and the meaning of the mission have been under discussions lately. This is not, though, something that would be done regularly or concerned the whole staff. The leadership team has recurring but not cyclic discussions about the vision and mission of the company. This is often related to what the board of directors are interested in. However, the discussions are not brought to the knowledge of the rest of the organization.

"We have been responding quickly and with a great enthusiasm but missing a clear strategy the operative actions are not always aligned with the long-term goals. It's been more about intuition and feeling." - COO

The incentive schemes are not tied to any particular goal but the company believes that with the current system they are able to maintain flexibility and ability for quick responses even though this is changing now when the company reaches a new maturity level. On their employee satisfaction queries, the employees have stated that the product is interesting and that it is cool to be part of a company with a such a meaningful mission.

"The product and the benefits gained from it are also a motivation for our employees to be involved in this story. It is attracting to be involved in a company that gets into the headlines by contributing to the greater good." - COO

The case company recognizes the need for motivating and engaging the employees in the company and uses mainly financial incentives such as option programs for building the motivation. However, the compensation level is perceived to be away from the high end of the market and so it is justifiable to say that the financial incentives are not driving the motivation of the employees. The company relies on the motivating effect of interesting growth and learning paths inside the company and so provides a concept called growth academy to develop and attract future potential. This orientation is described to be like a skeleton around everything that
they do. A team includes people that have job descriptions, one-on-one meetings, team meetings and growth discussions. This is all part of motivating the employees with the grand purpose of building a structure where information flows and people know what they are expected and demanded to do.

"There are some examples, like one of our current team leaders who came in as a trainee during his studies, continued to work on an hourly basis and finally got a permanent contract. Now he is a team leader." - COO

Formulation of Strategic Goals and Plans

The formulation of strategic plans is not of current interest at the case company. The only business plans written were the the Finnish organizations and only for their needs, not to help the company to succeed. The company is in one of the maturity stages and is trying to find its place with the business model they have developed. The company COO is not sure if they have found yet it and describes the surprises the company has faced during the years.

"We have been surprised by so many things that it would have been purely impossible to plan everything beforehand." - COO

To collect and analyze data for the decision-making purposes the case company uses mostly a scorecard. The excel-based scorecard is fed with monthly and quarterly data from many different sources. There are a few KPIs for every team which in theory should be reflected on the short and mid-short-term goals. The goals are often monthly, quarterly or for the next half a year. The KPIs usually come from the team themselves but the strategic direction is more of a job of the CEO.

The KPIs presented in the scorecard are mostly financial, related to the sales, marketing and production and can be very specific. The company measures metrics such as the order book, the average purchase, the number of customers, the marketing costs, the customer acquisition cost, the different margins, the reliability of delivery and other metrics related to the maintenance for example how many plants are changed on an average per maintenance visit and the performance or
frequency of the maintenance visits. The revenues and the EBIT is split by the line of business from the income statement.

"On basis of the income statement we mainly focus on the revenue and EBIT split between the product and maintenance line of service." -COO

The scorecard also includes quantitative on-off goals that are often related to the ending of a project and are often set for the next half a year. Finding these so-called “must-win-battle” metrics has been especially tricky in the case company.

"We use our own quartal planning, where we set the so-called “must-win-battle” goals which could be seen as strategic goals. It must happen with 100 percent accuracy so that we can call it a success.” -COO

The need for formalized and systematic strategic management processes has been recognized in the case company. The speed of growth is perceived to be one of the obstacles to develop the processes.

The decision-making is experienced to be more intuitive and experimental rather than systematic or data-based. Some of the decisions are made by the CEO alone without anyone other even knowing about the issue in the company. One of the reasons for unsystematic decision-making could be due to the lack of experience and knowledge within the younger employees who represent most of the company workforce. The COO of the company thinks that they are in the middle of a shift towards more professional work force.

"An ideal strategic management process would be one where we would have only a couple of people sitting in a leadership team and these people would lock themselves inside four walls for a couple of days. They would think about the surrounding business environment, take megatrends into account, document their thinking and come out with a consistent view for the future. This would be then implemented by involving all the teams to think what they should do to contribute. It should include scenarios because the world changes all the time. Of course we should then measure the success and stick to the chosen strategy.” -COO
Implementation of Plans

The change in the strategic direction happens in an informal way in the case company. During the last year the company started to change its direction from the growth focus to focusing more on the development of performance. The first four to five years they were more concerned with growth and wanted to show for both investors and other external stakeholders that the product can be sold. The performance metrics in the income statement were sometimes negative, since the company used the money they got from the Tekes mostly for the product development. Now the company has implemented a focus to show that the performance of their Finnish market can be positive but the change takes time.

“We have usually budgeted to double our revenues but for this year it’s going to be more moderate. We have to focus on the performance.” – COO

The company COO suggests that strategic management processes would have been useful for them a long time ago but also states that they have managed without as well. If they had a partner or a joined growth strategy a formal and transparent process would be in need.

“We are getting towards a situation where we can ask ourselves if we have found the scalable business model which we can then start developing further.” – COO

The company COO thinks that the issue is in getting distracted from the original path too easily. A structured and consistent strategic management process is recognized as a possibility to gain consistency throughout the whole work. Additionally, it is perceived to bring the ability to focus on the most important things, on the things that gain most of the value.

“Before when we faced a nice opportunity we took it too easily even if it was not in line with our longer-term vision.” – COO
For the monitoring purpose the case company uses a bookkeeping system which requires adjustments from the controller so that it reflects the real business metrics. The most important information is the P&L metrics split by the country and the line of business. The case company follows the development of the maintenance line of business relatively accurately – the whole income statement is followed from the KPI perspective. The sales metrics are of high importance in the case company, split by the sales funnels and other metrics such as the number of meetings, the number of meetings with an offer, the average offer, the average order, the total orders, the offer-to-order ratio, the average order, the hit rate and the number of the given discounts. The metrics will be then divided by the sales persons although this is not done in the scorecard. All this information is perceived to be important information which cannot be seen from the income statement.

“We monitor mainly the sales and marketing metrics such as new sales which tell us the incoming product and maintenance sales. These metrics illustrate the performance of the sales” – COO

The company does not have an alignment on the ideal amount and focus of the KPIs. Some of the employees would prefer more focused KPIs with fewer measurable areas of business but with a greater impact. The value of a KPI is perceived to relate to the amount of work that the data gathering requires and to the impact of the measured metric. The company has access to a significant amount or a variety of data and so cannot decide one data source that would be the most important for the strategic management of the company. The metrics are monitored every month and the team leaders will be responsible for the progress. If the progress is not as discussed the team leader must present reasoning and solutions on what corrective actions should be taken.

"We go though the KPIs every month. The team leader is responsible for the progress and provides reasoning and an action plan if the target is not hit.” – COO

The company does not use any financial or other particular incentives for the purpose of engaging its employees to the long-term plans. The incentives and goals are more
on a team-level. The case company COO explains that the company has a great pool of talent to create strategic plans but outside help is needed to get the change towards standardized strategic planning started. The company has recognized a need for a strategic management process template or other tool that would guide the planning process. The process should be run in face-to-face meetings with everyone sitting in a same room. Distance work has been experienced as a problematic issue for the strategic planning.

5.3 Organization 3

Introduction of the Business

The case organization is an innovative marketplace focusing on selling left over-food from restaurants. They describe themselves as a group of individuals with a passion for food, creative problem-solving and our planet. The company started in 2016 and has expanded to several markets afterwards.

The mission of the organization is to save the world and enjoy delicious food at the same time. They want the quality food to end up to customers instead of garbage and to support local businesses. The goal is to create less waste and show more respect for quality.

The organization is still in its start-up phase trying to verify the profitability of its business model and find the right customer segments.

Development of Grand Strategy, Purpose or Direction

The case company is still in its early stages of maturity and have not built formal processes and structures yet. The company is working on the first step of the strategic management process visualizing the future environment and creating a vision and mission for the company. The long-term vision will be cut into short-term goals and metrics which will be evaluated and monitored.
"We are working on strategic planning at the moment just to find a longer-term northern star and a vision for the company. When this is done we will create the shorter-term goals accordingly and shape and quantify the targets. The targets should be clear and measurable." -CEO

The case company has started to develop the grand strategy and vision from the perspective of justifying their existence. The concept of strategy is seen to vary in different circumstances and to be related to the maturity of the company. On the current situation of the case company strategy is about finding a long-term justification for the existence and planning from that towards short-term goals.

"For us strategy is thinking about the question: "Why do we exist?". We have come to the sub-conclusion that we want to give our support for developing the urban consuming to more sustainable direction so that living on the earth would be possible in the future as well. Starting from there we will bring this to a more concrete short-term strategy and this has been the exercise lately." -CEO

The case company uses monetary incentives but does not believe that it is the reason for employees to stay in the company. They want to provide the employees with an environment where they can enjoy their work and contribute to something bigger. They are focusing on the company culture and the effect of a meaningful mission to motivate employees on a long-term basis.

"For the engagement purposes we use monetary incentives such as an option-plan. However, people are working for us because they want to be part of this story. We don’t have to use any sort of "synthetic" motivators to keep the people working for us. We give people a good environment to work in and they will get feelings of success. This is a self-feeding system." -CEO

The organizational structure is changing from country-specific teams to international across-country functions, at the time when this study has been conducted. The team consists of 28 employees.

"We have 28 employees who are organized in autonomous country teams. In the near future we will organize the workforce in the international functions." -CEO

The CEO of the case company states that there is no need for formal processes yet. The need will come significant when the growth model and scaling abilities are more
concrete. At this point of the business the formal processes would help to organize the execution.

"We will need formal processes when we have a scalable growth model ready, meaning that going into a new market we can say that we need this and that much money, these actions have to be taken and so on. Then we execute with more clarity the business which would enable systematic planning." - CEO

The case company CEO suggests that the business environment they are working in is under rapid change due to the changes that the megatrends and a shift in the global interests are causing. The company is focusing on analyzing the external market as it provides guidance for the business development and supports the creation of understanding of the ideal position in the future markets.

"The very basic things in this business and the structure of our society will change a lot during the next years, leaving us only the opportunity to consider what our part in this change is."

Formulation of Strategic Goals and Plans

Since the case company is in its early maturity the focus is mainly on short-term issues and on being able to fulfil all the requirements of the external or investor capital. The time horizon for decision-making has been tops half a year during the lifetime of the company.

"We are focused on very short-term issues at the moment, mostly because of the requirements from the investors’ money. During these one and a half years we have had tops half a year in front with our cash flow. It makes you focus on short-term issues. Soon we will have this fixed and for the first time have a window to focus a bit on the long-term issues as well." - CEO

The case company has made an analysis of the future business environment in different time frames to see which issues should be prioritized now. The complexity and inaccuracy of the decision-making increases relatively with the increase in the time frame. One method that the case company uses to gather data, is to visit venues such as Slush. With this method they are trying to find out what kind of things early stage technology companies are working on since some of this technology and
development is likely to be scaled in the future. The data to support the long-term
decision-making does not exist in many cases.

“We have been working on one, two, three, five, ten and twenty-year time-
frames visualizing what the future business environment could look like. Then
we prioritize the things that we need to be focusing on now. When we go far
enough there is no data to support the things we would like to know. Questions
like: “How will people eat in ten years?” are complex. You can always try to
sense the current direction of development and for example to visit Slush to see
what the startups at the moment are working on.” –CEO

**Implementation of Plans**

The case company relies on its employees’ ability to learn and take responsibility
when given ownership and trusted that everyone is the best in the company to take
care of the areas assigned to them.

“We set goals that are clear for everyone and give ownership to people on what
they do. Everyone can trust that one is the best in this company to do whatever
she or he is doing.” –CEO

The case company uses basic-level budgets to keep track on the revenues and costs
since the data for more complex cost accounting does not exist yet. The relative
metrics in terms of revenues and costs are perceived as more important information
than the incremental numbers. Ideally at this point of the business the costs should
not grow linearly with the revenues.

“We are using very basic-level of budgeting and a very high-level analysis of
how much revenues and growth we generate and with what kind of costs. With
these metrics we create a very high-level budget. It’s not sophisticated yet but
on a country level we are starting to get a good grab on it.” –CEO

The implementation of the often plans happens through trial and error. The decision
made is based on intuition or the best available information following a test. With
selected metrics the company will keep track on the test and make following
decisions informed by the gathered information. Since formal processes are not yet
established the decisions can be made quickly without double checking from anyone.
"We make a trial and give for example two weeks for it. Then we check if the hypothesis is correct of not. If it worked we continue. If not, we investigate why not." -CEO

The decision-making starts with creating a hypothesis following with experiments that can be measured. The gathered data will be analyzed to support the following decision-making.

"We have more and more data involved in our decision-making. We create a hypothesis and then test it quickly. By measuring the results, we can say if it worked or not. This means that if we don't have data in our first decision-making round we will have it in the second." -CEO

The gathered data helps the company to sort out the pinpoints of the business transactions that must be automatized to enable the possibility to scale the product.

"We have to know which things are important to automatize so that we can scale as efficiently as possible." -CEO

Monitoring, Evaluation and Corrective Action

The CEO of the case company states that the metrics they are following are in the KPIs of every other marketplace out there. The gross merchandise value or in other words the total value of the merchandise sold over a given period of time through a customer-to-customer site and its relative growth-and-run rate are important metrics for a marketplace.

"We follow very basic things that are important for all the other market places as well such as the gross merchandise value, which tells us how much is sold through our marketplace. Its annually growth and run rate are important metrics." -CEO

The key metric even above the generated revenues is the annualized gross merchandize value. This value shows the annual growth rate for a specific time. With this metric a company can say how much value they are going to create during the year with the specific growth rate. Additionally, all the metrics related to the commission and the customers are important for marketplace businesses. The customer metrics are usually related to active users or the engagement of gained
users. The marketplace businesses are concerned about the leakage of the platform meaning that the gained customers leave the platform after a specific time.

"For us it is important to annualize the gross merchandise value. It is usually the highest-level metric that is followed in most of the marketplaces. Other important metric is the commission. Then there is the number of restaurants, active users and the engagement of users. So how many of the joined restaurants will be in the marketplace after a month and can we keep the customers if the marketplace is leaking.” -CEO

In this early-maturity company the management accounting metrics are not relevant for the daily decision-making. The only relevant metric from the financial side is the revenues and that is usually related to the growth rate of the whole market place.

"We don’t follow that much the management accounting metrics. Only revenue. But that is mainly related to the growth of the whole market place volume. Since we have a bit different commission percentages on different restaurants and countries it is not linearly relative to the gross merchandise value but is close enough to be followed instead of the revenue.” -CEO

The revenue growth metrics are not incrementally important but the relative revenue growth with the relative costs growth will illustrate efficiently the health of the marketplace.

"In terms of the revenue growth, we follow closely how our costs change in relation to the growth. But this does not drive our daily activities in any ways. Our daily activities are driven by the mission to get the marketplace healthy meaning that the cost of customer acquisition is smaller than the lifetime value and that we can prove that a model that can be accelerated with money exists.” -CEO

The costs of the case company consist mainly of labor costs which can be forecast reliably and easily.

"Most of our costs are labor-related – the product team and the sales persons. This is our biggest challenge at the moment, to accelerate the growth without linearly expanding the costs.” -CEO

The data to support the decision-making is gathered through the product and analyzed with a data-collection tool.
We get data from our own app and then we use amplitude to source and analyze the data. We use a lot of customer-based data in our decision-making. The financial metrics go through Procounter and from there we get the financial metrics. This data is mainly used to keep an eye on the costs.” -CEO

5.4 Organization 4

Introduction of the Business

The case organization is a gaming company founded in 2010. The story began with just an idea of creating games people would enjoy and pay for over a long period of time. The organization believes that the best people make the best games and that organizing people in small and independent teams will create a competitive advantage and motivate the employees to do what they are good at.

The case organization has shown rapid growth during the eight years of its existence in terms of the finance and the number of employees. Regardless of the rapid growth and expansion to worldwide markets, the organization has managed to maintain its values and culture. The company has adopted a diverse and entrepreneur-minded company culture that is beneficial for them in terms of achieving the vision.

The organization has published only a few products, but the published products have quickly began worldwide success stories. The business model is based on delivering free digital products with several micro-purchasing opportunities.

Development of Grand Strategy, Purpose or Direction

The CFO describes that the employees working for the company are motivated by the sense of meaningful and inspiring tasks and that they get to do cool things. The initial motivation is not then only driven by financial compensation but from a passion and social perspectives. From the financial perspective the case company uses stock-options, which also provides an opportunity to engage people to the company and create a sense of the common goal. The stock-options are part of other financial compensation which according to the CFO has to be high enough but does
not tell the whole story of motivation alone. The employees are expected to have an entrepreneurial mind-set and working methods.

"Many of our employees want to be working on things that have a great impact and on games with a lot of players. They want to be part of making cool things which are happening in front of millions of eyes. That's where the motivation comes from. Additionally, we have stock-options - we want people in our company to be entrepreneur-minded so that everyone feels that they are in the same boat and their actions and words have an impact. The economic compensation has to be high enough but for most of us it is more important to be working with people they can appreciate and learn from." -CFO

The company thinks of itself as a world star sports team.

"We want to think of ourselves as a world-class sports team." -CFO

Team work and an ability to get help when needed are in the core of the case company culture. With this culture the company aims at supporting the realization of the strategic management, vision and mission. The successful outcome is highly dependent on the quality of the employees.

"We bring the environment for the teams and if they need help someone will help. They need to be focused on what they are working on and we make it possible for them." -CFO

The case company estimates that it pays higher-than-average salaries to its employees but expects the employees to stay in the company for other than financial reasons.

"If money is the only motivator then there are many ways of earning money." -CFO

The case company is in a stage of maturity, where it has proven the business model and has succeed to create well-known brands and products. The vision is to create amazing games that last for decades.

"The long-term goal is to make great, interesting games and keep them alive long. A good reference to describe our way of thinking would be to think about Mario from Nintendo or Star Wars which is a good example of a franchise that
is part of a human’s everyday life and which creates experiences for people.” - CFO

The sales data and the information sharing are very transparent in the case company. The sales data is accessible for everyone next morning without any restrictions.

“Today the sales are accessible for everyone next morning. All the business is transparent for all our employees. Everyone is able to see everything.” - CFO

The case company has a very long-term vision that is the guiding line of all their short-term actions. This is experienced as a key attribute in the enabling of low-level decision-making.

”We think in terms of a long-term perspective.” - CFO

The case company pursues to keep the decision-making in the hands of the game-teams and individuals. The team can decide everything from the schedules to the launch date and even if the project must be killed or not. These specific game brands are kept apart from the company brand which according to the CFO has not been that important for the business of the company.

“Our brands are in the hands of the specific game teams. We keep them apart from the company brand which is not that important in our business.” - CFO

Formulation of Strategic Goals and Plans

The vision is described to be from ten to thirty years ahead and is reflected in the short-term decision-making leaving out the mid- and long-term decision-making. The usage of these two extreme perspectives in the planning and decision-making is explained with the nature of the area of business that the case company is in. The gaming industry changes rapidly and according to the CFO of the company it is impossible to make reliable forecasts more than year ahead.

“We don’t even try to guess what the things are between these extremes (mid-short-term). What comes after a year I don’t know but you have the direction worked out and you know what to do now. Of course, there are exceptions such as projects that go in between but in the big picture we don’t use three or five-
year-plans. We have a ten-year vision and a three-month plan. This is how we do it." – CFO

The case company is doing its best to avoid all unnecessary processes and planning that does not add value to the business. They don’t want to use any formal planning processes which could cause an increase in the perceived bureaucracy in the company. The long-term planning cycles such as 3 or 5 year-plans are not in use in the case company. The company CFO describes that in many creative companies the decision-making is done on the top of the hierarchy. In these companies the creative director would be the one giving orders and telling what the employees should do. The case company wants to get rid of this hierarchy and believes that they can speed up the decision-making process as well as increase the motivation of their creative employees.

"We try to avoid all unnecessary bureaucracy. We don’t want to be working on things that other companies are doing just because we don’t want to be different. We only do things that take our business forward and have a meaning. We have seen little gain in the process of trying to estimate what is going to happen in two years. It does not have any effect on the business." – CFO

A budget is perceived as a negative or limiting word so the company is more keen to use forecasts instead. Even if formal planning is not in favor in the case company they run estimates for the next three, six and twelve months. The CFO suggests that it is possible to see the coming six months relatively accurately but twelve months is already a relatively inaccurate time frame due to the fast and rapidly changing business environment. New competitors and products penetrate the market every day.

"We have a forecast and try to avoid the budget as a word since it is easily perceived as a restrictive element. We try to make estimates about the future with a one-year time-frame but actually six months is the reality for semi-accurate estimates. We are in a very easily changing market and being able to estimate a year ahead is just very unlikely." – CFO

The case company is committed to keeping all the processes and work as simple as they can. The planning is driven more by the mission and vision than quantitative
targets and goals and is closely combined with individual motivations to success and create results.

"We try to make everything as simple as we can—we have interesting products which we want to develop and we have new things that we are trying to create. If I would try to guess how many products we will have in two years it would not change anything we do." -CFO

implementation of Plans

The implementation of the plans happens by giving a great amount of freedom to all the employees. The employee must be able to do their work as they want to but also have the responsibility and entrepreneurial mind-set to tackle the issues.

"One of the biggest factors is that we give a lot of freedom. The whole company has been built around teams that are fully responsible and around accountability on what they are working on. For example the game team decides all the qualities, schedules, everything. It’s like a small startup inside a startup." -CFO

The company CFO suggests that with team-specific goals the culture would be destroyed. The incentive structure is built to sustain the culture and a key part of the culture is helping other teams and contributing to the goal of the bigger community. Once a week the team leaders meet each other and discuss the needs and areas where they need some help. The implementation of the strategic plans is not handled in the short-term decision-making and at the same time all the decisions are made to support the long-term vision of the case company.

"The whole bonus structure is built around maintaining and supporting the culture. Once a week our game leaders meet each other and talk about things they need help with. No one can behave in an individualistic way. At the same time we are competing and asking for help and this is the tricky part in building the culture. You could destroy the whole thing with team-specific goals." -CFO

"We don’t need any unnecessary structures or committees, instead, the game teams need to be autonomous and responsible for their creations." -CFO

The company relies on the fast iteration process that is enabled by trying new concepts and product development with small and agile teams. The planning and
forecasting of the results of these teams with reasonable accuracy is impossible but in a bigger picture the case company relies on three and six-month forecasts.

"Our main focus with forecasts and planning is in the three or six-month time-frame." -CFO

Monitoring, Evaluation and Corrective Action

The only monitoring that the case company formally does is the month-end close with a pressure to provide the numbers for the partner as quickly and reliably as possible. The reporting is then connected systems of the mother company. The focus of the CFO is not in the reporting or financial metrics as much as it is on the business metrics. The data used by the company comes mainly from the sales, the different growth metrics, the number of players, the growth in the number of players, the conversion rates and other customer-related metrics. The company is also interested in the growth by the country. In a bigger picture the interest is in the Western countries, China, Japan and Korea. Yet the long-term decisions are not monitored in any formal way.

"Of course every team that is building a product wants it to get live no matter if there is someone to say that here is your goal. They have an intrinsic motivation and desire to publish the game. They don't need anyone to tell them when to launch." -CFO

The company CFO recognizes that the need for formal strategic planning has changes during the maturity of the company. In the beginning, they were closely following the cash flow and trying to prove that the business can be profitable. The revenue streams and user metrics were already important at the very early stages of the company.

"In the beginning all the startups are focusing on financing and trying to reach a positive cash flow. At that point it is more about the dream than it is about the goal. We could never even dream about being this big firm that we are now." -CFO

The CFO states about the investors, that their incentive is to seek exit opportunities and growth. Whenever the company is growing faster the quicker they want their
exit. There are some very valuable qualities with investors such as stock buyback programs which give value to the private company stock. With this possibility the employees can sell their stock whenever they want to.

“Investors seek exit opportunities, and if you are doing better they will seek it even faster.” -CFO

The formulation of formal strategic plans and goals is experienced to be worthless in the gaming business environment. When the product gets some changes it takes only a press of a button and the new product is live for all its hundred million users.

“When we make an update or a change in the product it takes just a press of a button and the changes will be live for all the 100 million users. It gives a good sense of how fast moving market we are doing business in.” -CFO

Everything can change quickly even when the company does not have to worry about the logistics, inventory risk or long product development times. The basic level for the market budget is taken from the last year spending. The company also uses some external services and an outsourced customer service but relatively the marketing costs are a driver for the total costs. The services team will help other teams with issues that usually concern many teams and products at the same time.

“Our margins are mainly related to our marketing costs. These costs are much bigger than our labor costs or any other costs.” -CFO
6 ANALYSIS

In this section the empirical data will be analysed, discussed and reflected on against the presented theories. The analysis is split between the two research questions, starting with: "How do growth organizations utilize management accounting in the strategic planning process?”. The first part will discuss which management accounting tools and methods were experienced as important on different steps of the strategic management process. The second part of the analysis will focus on finding answers to the research question: “In which ways can management accounting make a significant contribution to the strategic planning of a growth company?”.

6.1 How Do Growth Organizations Utilize Management Accounting in the Strategic Planning Process

While strategy often refers to the outcome of a long-term planning process strategic management refers to the systematically organized resources which are in line with the vision, mission and strategy throughout the organization. As Anthapaththu (2016) suggested, strategic management provides direction and prepares the organization for the implementation of the strategic plans. Strategy is obviously an important concept but one could argue that just creating a strategy is not enough. The value of a long-term plan such as strategy is realized when it is implemented efficiently in the organization.

One of the key call-outs is that three out of four case organizations have not adopted a formal strategic management process. In these companies, the long-term decision making is based on intuition and informal strategic planning or shared responsibility for individual teams rather than formal processes and a structured leadership team. This supports the argument from Kallunki and Silvola (2008) who suggested that since the founders are typically technically or entrepreneurially oriented and prefer to keep the management activities to a minimum, the energy and efforts are devoted to developing and selling new products, relying on a minimal amount of information in the decision-making. It seems that the empirical data supports the argument from Anderson and Widener (2007) who suggested that the need for management accounting practices depends on the organization, point in time and needs of control
and support for the decision-making. Even though this argument was made in a different context and with more mature organizations it might apply to different maturity levels of growth companies as well.

As it turned out in the research a growth company can reach significant growth and expansion with or without formal strategic management processes and with or without sophisticated management accounting systems. The empirical data also suggests that strategic management is a timely and relevant topic regardless of the maturity phase or business model of a growth organization. Yet it seems that some organizations are working in such an uncertain environment that it is natural to be more focused on short-term issues. In the literature the concept of strategy has been described as follows: “A strategy is a plan of actions that one uses to formulate goals and objectives and the means of achieving these goals and objectives” (Anthaphatthhu, 2016) and management accounting as follows: “Management accounting is the process of identifying, measuring, accumulating, analysing, preparing, interpreting and communicating information that helps managers fulfil organizational objectives.” (Horngren et al., 2010). The definitions support the argument that management accounting is a set of tools which helps companies to reach their both short- and long-term objectives and ultimately improve their competitive advantage. However, the tools can be used in variety of different ways, depending on the context and organizational needs. For example, an early-stage companies does not necessarily need a complex cost accounting systems to handle the few existing data sets whereas a larger-growth company could use a sophisticated costs accounting system to provide crucial support for the decision-makers. The strategic management and management accounting tools are not one-size-fits-all solutions but instead tailored for the needs of an organization.

The growth organizations in this study were interested in giving responsibility and decision-making power as much as possible to the lower levels of the organization. However, there was no evidence to support the argument from Shuman and Seeger (1986) that most of the small businesses lack the resources needed to do systematic planning which is required for the effective growth strategies to exist. It seems that the focus of the organization is just differently positioned. The gathered empirical data supports the argument by Mazzarol et al. (2009) that the point of interest and
managerial challenges differ in relation to the firm’s development stage from the startup phase to maturity. They also argue that the complexity of the faced issues increases as the organization grows, which requires the owners and managers to adjust their behavior and become more formal in terms of strategic planning.

When reflecting the empirical data against the strategic management theory from Anhapathtthu (2016), certain patterns in the needs for management accounting can be recognized. First, the case organizations perceive that the achieved performance depends on the quality of their employees and in the organization’s ability to support right kinds of motivations to get out the best possible outcomes. They seek entrepreneur-minded employees who can easily create their own working methods and take both responsibility and ownership. Management accounting is needed to make these focus areas more objective and measurable. Second, the case organizations need clarity and direction to guide their short-term decision-making. They need an effective method to communicate the long-term objectives, vision and mission throughout the organization but they also need to make sure that the short-term-decisions are in line with the long-term objectives. Third, the case organizations need methods to measure and evaluate the progress of the implementation of the plans and the level of success. These methods and metrics are only partially quantitative or financial. Such metrics could be simple binary numbers, triggered if the target is or is not hit.

The case companies utilize both financial and non-financial metrics to measure their business with most of them putting more emphasis on the non-financial metrics. This supports Shah et al. (2011) argument, that globalization and the development of information and production technologies have driven a change that has resulted in changes in the management of companies. The changes have forced management accounting to shift from traditional preoccupation with numbers and accounting measures to value addition and integration within a company. Yet it seems that being able to measure, analyze and present informal or formal cash flow statements was recognized as a top priority in all the case companies. However, it was not stated at which point of the process it would be used to add most value. The cash flow analysis is extremely important for both external and internal needs. The ability to plan and model the cash flow can be crucial to getting external funding.
6.1.1 Step 1: Development of a Grand Strategy

The empirical data suggests that the interest in the vision and mission is higher with a growth organization since it is something that guides their daily work. Being focused on the external environment or competitors is in many cases irrelevant due to the lack of competition or differentiated products. Some evidence was found that companies are not focusing on long-term issues if uncertainty about the future is relatively high. It could be that if uncertainty of the future business opportunities and environment is high the level of formal strategic management stays low. This could possibly be explained by a lack of resources and motivation to plan further ahead than the organization has any insights into.

Due to the backwards-looking nature of a cost-accounting and profitability analysis, these tools are not relatively relevant in the first step of the strategic management process of the early-stage organizations. Cost accounting and a profitability analysis will play a more significant role in the process undertaken by mature organizations of creating the vision and the mission. It seems that many growth organizations do not have any supportive management accounting data at the time they are working on the first step of the strategic management process. Even if the mission is related to the profitability analysis or cost accounting it does not necessarily mean that the data for these analyses exists. It could also be intuitive and based on assumptions. For example, an organization can have a mission on which it states that 1 million products will be sold before the year 2020, yet the process of creating the mission would not be supported by any existing data. More importantly, these growth organizations are willing to try solutions that feel good, measure the outcome and make corrections if the gathered data suggests that a change is required. However, the empirical data suggests that if the data exists, a cost accounting and profitability analysis can be important in the first step of the strategic management process because it provides information about vital metrics such as margins. These metrics are especially important for the understanding of the position in the markets, comparative advantage and the efficiency of the business.

Short-term planning and budgeting, investment planning and monitoring, and strategic management accounting and long-term planning are not relatively relevant
tools in the first step of the strategic management process. Only looking back to previous budgets and evaluating the performance would be valuable for an organization.

Management control systems have many meanings and can be interpreted in many ways. The gathered empirical data suggests that the case growth organizations prefer using informal control methods to communicating and evaluating their long-term plans. As Drudy (2008) argues, one of the areas that cost and management accounting systems should provide is clarity and information for the planning, control, performance measurement and continuous improvement of the organization. From this statement, the most important usage of cost and management accounting systems is to provide performance-related measurement for the needs of vision, mission and objectives creating. According to Ochi (1979), some researchers see control as equivalent to power whereas some see it as a sum of interpersonal influence relations in an organization. In the accounting literature, the objective of the planning and control processes is the implementation of the decisions throughout the organization. These arguments are supported by the empirical data gathered for this study.

Empirical data suggests that due to the forward-looking nature of the first step in the strategic management process the most important information is related to scenario planning and evaluating and controlling the culture of the company. The vision statement is seen to support many purposes but most significantly it is created to clarify the daily decision-making activities in an organization. It provides direction and inspiration for the organization since it sets the most important goals, but does not include any practical plans to achieve those goals. Ideally it answers the question: “Where are we going?”. The empirical data suggests that the vision is created to help people to understand the value that the company wants to offer to the world and what the organization plans to achieve as a business. The case organizations see the vision as something that is giving aspiration, inspiration and motivation for the employees.

The empirical data divides the case companies into two categories in terms of their understanding of the vision and mission building process. Some of the case organizations see the strategic planning process as something that should be done by
the executive or leadership team whereas some case organizations see that it is better to involve all the employees at least in some part of the strategic management process. By involving the employees it is believed that employees are more engaged in the long-term plans and additionally, it adds value as they think more strategically of their daily work. The strategic management process is also seen as an activity that increases the experienced team spirit. Yet, it seems that the vision and mission are more often created by the entrepreneur, founder or top management team rather than the employees of the company. The mission statement is also perceived to help employees to get direction for their daily work but is not experienced as important as the vision statement due to its practical focus. Mission statements tend to be customer focused and so require some at least directional data about the customers. For this reason growth companies use more product-related data than financials to form their mission statements.

An important factor in the first step of the strategic planning process is to evaluate the business internally and externally. For this purpose the case companies use both employee-related data such as informal discussions and employee satisfaction measurements and performance-related data such as profitability, market share and growth. They want to know what is fundamentally working or what is not working at present or historically so that they can determine where they want to be in the future. Market information is also gathered through informal ways such as visiting Slush to see what the latest start-ups are doing at the moment.

6.1.2 Step 2: Formulation of Strategic Goals and Plans

The empirical data suggests that only two of the case organizations are in the maturity stage that requires or enables them to closely follow the cost metrics and performance. However, one case organization recognized the need for following the cost metrics as they are taking a step forward from the start-up phase. One of the case organizations had a highly functional cost accounting system with an ability to follow the formulation of costs and performance in real time. It seems that the need for highly functional accounting systems increase towards the later stages of maturity when organizations put more focus on increasing the profitability and when the growth levels down. The focus in the start-up phase is more on finding a sustainable
relation between the costs and revenues rather than optimizing the costs and focusing on enhancing the performance.

For the strategic goals and plans formulation purposes organizations use different levels of planning depending on their maturity and need for formalized plans. Early stage organizations without a proper business model are not able to measure their costs effectively and so the formulation of the goals and plans is more on a directional and higher level than on a specific and detailed level. The financial accounting is in some cases outsourced and the need for formal strategy could be irrelevant. The case companies in an earlier phase measured the costs only to confirm that the external capital is used in an efficient way and allocated to growth. These organizations planned their future actions in terms of the investors meaning that a created plan could be for the next 4 or 6 months. After this planned period the performance of the organization would be evaluated against the agreed metrics, which again could for example determine if the organization is able to get the next round of funding. The empirical data supports the argument from Davila (2005) that early-stage companies are very short-term oriented due to high uncertainty in the long-term business prospects. In this case, the plans are often formulated for the following months or year.

The empirical research data suggests that the value of budgeting and short-term planning possibly lies in the focus of the management to specify the expected sales, cash inflows and outflows, costs and customer-related metrics in the strategy. It is a method to describe the long-term plan as short-term goals. The need for more complex budgeting seems to increase with the maturity of the organization. This supports Bhimani et al. (2008) who define a budget as a quantitative expression of a proposed plan of action by the management for the future period of time. It helps both the coordination and implementation of the plans. Previous accounting theory also supports the empirical findings that more complex organizations require more complex and sophisticated budgeting systems as compared with small and medium-sized organizations (Joshi et al. 2003). As Grandlund and Taipaleenmäki (2005) argue, budgets are usually the first management accounting systems adopted in an organization. The study also supports this argument with the evidence that all, even earliest-stage, case companies have established at least informal budgets. However, it
is not clear if growth organizations use or do not use budgets to help the formulation of strategy.

The case growth organizations are not concerned with the long-term investment planning methods and activities, partly due to their area of business and early stage in maturity. However, some of the labour costs directly coming from the development of the digital products and services could be experienced as a capital or long-term investments.

6.1.3 Step 3: Implementation of Plans

Some gathered data supports that case organizations use more informal than formal methods to implement their strategic plans. This might be due to a lack of resources but also due to a small scale. The case companies rely on the employees’ ability to take ownership and responsibility and successfully reach the goals assigned to them. Trust is a key driver in the implementation process. Giving freedom and responsibility is perceived as the best way to get the business to the direction that the strategy suggests, only being clear with stating, assigning and communicating about the goals with the employees. The empirical data suggests, that communication lies in the core of the implementation stage. Both budgeting and controlling should possibly be more focused on metrics that support the creation of trust, responsibility and freedom.

Cost accounting and a performance analysis are not perceived as an important management accounting tool to implement the strategic plans. However, to implement the goals and plans, metrics must be broken down to short-term goals and into plans such as budgets and scorecards. A variety of KPIs need to be created to track the performance and other metrics related to the strategic objectives. Yet, usually the budget and KPIs are formed to fulfil the needs of the evaluation and corrective actions. It seems that the case organizations have realized the connection between meaningful KPIs and the ability of the organization to achieve the goals and plans. They create KPIs which are in line with the strategic plans and goals, are clear and easy to follow. This way they can create an objective way of monitoring the progress and directing the focus on long-term objectives. Picking up the right KPIs
that reflect the strategic direction is perceived as a complicated exercise. It is easy to measure everything and spread the focus on a variety of metrics but it does not complement the purpose of an KPI. KPIs should be connected to the strategy, clear and consistent and describing a reliable data set. Additionally, the one responsible for the KPI, and there should be one, should also have the authority to make decisions and changes.

The KPIs are often decided by the leadership team but in some case organizations teams get to choose what they measure. KPI metrics will be divided into monthly, quarterly and half-annual check-points when the responsible employee should be able to explain the progress and the possible variances. Even though the KPIs are often related to the financial metrics of sales, marketing, production and customers, and are continuous in nature, they can also be one-off metrics related to specific strategic project. The research data suggests that the case organizations are trying to develop or select metrics that reflect the direction of the business.

Short-term planning and budgeting plays a major role in the implementation of the plans. As Joshi et al. (2003) described, budgets are financial blueprints that quantify the plans for the future period. In this study, budgets were experienced as two-folded swords. When in most of the case organizations budgets are experienced as an important tool for the planning activities, in some organizations the word “budget” resonates with negative feelings, creating an atmosphere of restricted opportunities. The negative associations could be due to the nature of an uncertain business environment where the utilization of an opportunity might require investments that could not be forecast beforehand. Yet, empirical data suggests that budgets are an important tool for communicating and assigning strategic goals in a form of short-term financial guidelines and task lists. It seems that budgets are an important tool to transfer the long-term plans into short-term objectives and so play a major role in connecting the short- and long-term decision-making efficiently.

Budgets are perceived as high-level guidelines which in most of the case organizations are broken down to smaller processes and tasks lists. Ideally, the lists are assigned for a responsible employee who then takes ownership over the area and provides suggestions for possible variances and takes corrective actions. The lists
work as a method of controlling since they help the employees and managers to keep track of the progress of the work. It seems that budgets are experienced as an important tool in the adaptation processes regardless of the negative implications associated with the creation process. For example, when an organization is willing to change its long-term orientation from growth to the development of the performance budgets are perceived as an important method to guide and communicate the process. Additionally, the study recognized that two case organizations which had reached a mature phase used more formal budgeting methods and rolling forecasts to evaluate the variances to the original plan than the two organizations which were in the early maturity phase.

Again, with the planning activities looking more into the future the controlling activities systematically look back to the historical data. However, it is important in the implementation step to understand how the implemented goals and plans will be evaluated in the future. Therefore, selecting meaningful KPIs should be done not later than in the implementation step of the strategic management process.

6.1.4 Step 4: Monitoring, Evaluation and Corrective Action

Cost accounting methods step in in the last step of the strategic management process. The empirical data suggests that the created budgets and short-term plans are evaluated by comparing them with the current state metrics. The level of required complexity depends on the complexity of the business and the maturity of the organization. It seems that in the monitoring, evaluation and corrective action phase the case organizations use mainly a variance analysis to keep track of the short-term plans and budgets. Additionally, the scorecards and KPIs are experienced as an important tool. The empirical material suggests that companies do not have an ideal number for KPIs but it is stated that less is more. Focusing on too many KPIs at the same time is perceived as not focusing to anything at all. The alignment of the amount of KPIs is not easy for the case organizations. As suggested by Horngren et al. (2010), cost accounting is about measuring, analysing and reporting financials and non-financials.
The research data suggests that the case organizations use both formal and informal management control methods to monitor, evaluate and make corrective actions. The need for formal forums such as leadership team meetings are perceived as an important controlling method now and in the future. Even the development of new communication methods is not seen to be able to replace the need for face-to-face meetings. Through these forums, leaders, managers and employees can share knowledge and information about what is happening in other service lines or in different business environments. Management controlling is used mainly for two purposes. First, it provides information about the historical financial data, mainly related to the generated sales and costs. This information is important as an illustration of the direction of the business and so provides insights for the decision-makers. If the organization is targeting on growth, the historical information should reflect top-line metrics on a high and detailed level. In this case, the decision-makers want to know how much the organization has grown historically, what is the relation to the original plans and the trend for the future. Second, the organizations are interested in non-financial data such as employee and customer satisfaction. These historical metrics provide information about the future direction of the business. The empirical data suggests that in growth organizations following these non-financial metrics is perceived even more important than following financial metrics.

As an example of corrective action, a drop in one local franchisee’s revenues during one week can illustrate issues in employee satisfaction or personal issues with an employee or manager. This again requires corrective actions that are beyond financial methods. Another case company uses one-off metrics such as an accomplished project. These metrics are presented in the scorecard reflecting a long-term target. However, the case organizations also follow the sales as one of the most important long-term metrics. The sales metrics are usually split by funnels and other categories such as the number of meetings, the average offer and the total orders. These metrics provide information about the performance of the sales and provide an insight for the usage of the resources.

The research data suggests that some of the case organizations follow their revenue growth as a relative number together with the relative cost metrics. In some cases, the incremental numbers are insignificant for the purposes of the business since
early-stage growth companies are on a mission to prove their business model. The goal is to prove a well-working business model that can be scaled rapidly with external capital. The controlling required for this purpose is naturally different from controlling for the existing lines of services and business areas. Interestingly, the data used for controlling is in many cases highly customer-related and collected through the product such as a mobile app or webpage.

Only some of the case organizations use financial or other incentives for engaging and motivating employees to the long-term plans. In the case organizations that are in a more mature phase formal processes such as a month-end close are established. Reporting the financial metrics in a formalized form is seen to satisfy the needs of external stakeholders instead of adding significant value for the internal decision-making.

6.2 In Which Ways Can Management Accounting Make a Significant Contribution to the Strategic Planning of a Growth Organization

The empirical data suggests that the most significant contribution from management accounting to the strategic management process comes in a form of provided supportive information for both short- and long-term decision-making. Accordingly, the need for management accounting tools and methods in the strategic management process depends on the such factors as the maturity, complexity and size of the organization. It seems that more complex organizations with a broad spectrum of business lines require more sophisticated cost management systems. It seems that these companies are in a more mature phase and working with a proven business model. As Abdel Al and McLellan (2013) suggest organizations with a good alignment between the management accounting practices and the strategy employed face both a positive and a significant effect on the operational performance. This could be due to the informative nature of management accounting which enables the growth organizations to analyse important metrics, make informed decisions and control the progress more efficiently. It helps them to stay on the path they have visioned.
It seems that the case organizations are mostly interested in gathering, organizing and analysing the customer- and employee-related data since these metrics are viable for their long-term business opportunities. For a growth organization, it is crucially important to understand where the profitability comes from and so analysing the sales and costs even in an informal and simple way is experienced as important. This enables the organization to focus on the most significant contributors of the business and confirm an efficient usage of the resources. The empirical data supports the argument from Chenhall and Langfield-Smith (1998) that management accounting plays a pivotal role in the development and execution of business strategy. They also suggested that a well-tailored management accounting system may turn into enhanced performance. In the literature this is supported by Noble (1999) who suggested that ineffective strategic planning is in many firms the main reason for failure to achieve expected performance.

The empirical data suggests that management accounting makes a significant contributions throughout the strategic management process with three distinctive main contribution areas: controlling the employees' motivation, guiding short-term decision-making and monitoring, controlling and evaluating the process. Benchmarking and a performance analysis are important in understanding the business context in the first step but also helps the organization to vision their position in the future markets. Scenario-building and forecasting are also important in the second step providing information to support the creation of the actual strategy. The implementation of created plans requires the usage of short-term plans and budgets. In this step, the companies at very latest decide on the KPI metrics that they are going to evaluate. The last step, evaluating, monitoring and taking corrective actions is supported with different management controlling methods and systems.
Figure 3. Strategic management process split by steps and presented with the most significant management accounting tools for a particular step. Modified from (Pitcher, 2015).

Overall, it seems that management accounting provides the most significant support for the strategic management process in the form of information gathering and analyzing the financial and non-financial data and as a validation of the strategic decisions.
7 CONCLUSIONS

This section provides a summary of the study, the conclusions of the results and suggestions for future research. The section starts with explaining the purpose and objectives of the study, the positioning in the management accounting literature and the relation to the previous studies. The limitations and concerns are followed by suggestions for the future research.

7.1 Summary of Results, Analysis and Key Findings

The objective of this study is to explore how management accounting can support the strategic management process in growth organizations and in which ways it can have a significant impact on the strategic management of a growth organization. As Hopwood (2008) suggests there is increasingly a need for the integration of several different theoretical and methodological approaches to the creation of new knowledge. This argument guided the search for theoretical point-of-views for this study and motivated to look outside the traditional boundaries of management accounting literature. The foundation of this study is rooted in the CIMA commissioned study from Pitcher (2015) Management Accounting in Support of the Strategic Management Process. Pitcher has a different interest in and point-of-view of the study but provided with an inspiration to apply similar research methodologies in a different business context. The motivation to apply the methodologies to growth organizations comes from a genuine interest in entrepreneurship, global business opportunities and the management of growth organizations.

While management accounting has a role of providing information for decision-making, or as Horngren et al. (2010) describe: “Management accounting is the process of identifying, measuring, accumulating, analysing, preparing, interpreting and communicating information that helps managers fulfil organizational objectives.”, strategic management is more focused on analysing the internal and external environments to form and achieve long-term goals and objectives. These two areas of academic literature complement each other and provide interesting points-of-view for an analysis in a context of growth organizations.
The research was conducted by using semi-structured theme-interviews, interviewing four CEO, COO or CFOs from four different case organizations. The research questions that the study aimed at answering were as follows:

- How do growth organizations utilize management accounting in the strategic management process?
- In which ways can management accounting make a significant contribution to the strategic management of a growth organization?

The main findings of this study are related to the management accounting methods that growth organizations utilize to support the strategic management process. The results can be divided into three key points. Management accounting can make significant contribution through the strategic management process of a growth organization with a focus on:

- Controlling the employees’ motivation
- Providing guidelines for short-term decision-making
- Enabling the monitoring, controlling and evaluating of the progression of the process.

Management accounting tools can also add significant value with benchmarking and a performance analysis in the first step providing information about the business environment and positioning in the market. They help the organization to vision the future positioning in the future markets. Tools such as scenario-building and forecasting can also add value in the second step of the process when they provide information to support the creation of the strategy. Management accounting tools add value in the third implementation-of-plans step, by enabling the organization to break down the strategy into short-term financial and non-financial goals and plans such as budgets and task-lists. During the last step the organization evaluates, monitors and takes corrective actions and uses management control systems to create objective information for the decision-making purposes.
The study supports the arguments from Kallunki and Silvola (2008) who stated that management accounting systems differ across the stages of an organizational life cycle due to a change in the need for information. The need for formal management accounting systems and a cost control system increases with the maturity stages. However, few studies have linked organizational life-cycle variables and management control dimensions.

The results of this study are in line with the suggestions from Mazzarol et al. (2009) that small growth-oriented organizations should have a clear strategic vision and be able to communicate it to the employees. This is also supported by Hamel and Prahalad (1989) who suggest that within a strategy the most important focus is most likely the firm's strategic intent, including a clear vision and mission that will unite and guide the key stakeholders and employees. Mazzarol et al. (2009) also ended up with the same conclusion as this study that even though a formal, documented business plan is not a guarantee of successful growth the process of developing such a document is likely to drive the organization to the direction of the vision, mission and external market environment. It will force the organization to evaluate the internal and external information, which allows them to monitor their financial performance. For this purpose it would be highly desirable to use systems and methods that collect and report important information.

7.2 Limitations, Concerns and Cautions

The selected comparative case study method implies a few limitations. Since the study focused on four different companies it lacks the depth that would have been possible to reach if the interviewees were from one company. Therefore it is possible that some important information has been missed. Even though the number of companies is relevantly high for a case study the sample is too small to create realistic generalizations, only hypotheses instead. These hypotheses can be tested afterwards. This view is in line with Scapens (1990) who argued that case studies provide an interpretation of the social system being studied instead of a pure objective representation.
This study was conducted by a single researcher and so the study is subject to a researcher bias. The researcher may have interpreted the empirical material incorrectly or in a biased manner. Due to the amount of the data available for the case studies an all-encompassing objective representation of the social system is hard to give.

Limitations also concern the half-structured theme interview method since the answers given by the interviewees may have been affected by their personal opinions, prejudices and the desire to give a positive answer. The interviewees are also subject to a recall bias meaning that they may recall the past events incorrectly or in a biased manner. The empirical material was collected through conducting one interview per company and so it cannot be verified if the answers would have significant differences inside the company.

7.3 Opportunities for Future Research

Studies have already shown that management accounting and strategic management are important topics for growth organizations, yet the area is still relatively under-researched and provides an interesting space for research. The future research should give more attention to the growth organizations for a variety of reasons. First, the growth organizations are economically an important phenomenon and therefore it is important to understand how the management of these organizations could be optimized. Second, growth organizations do not utilize management accounting tools and methods as much as they could. Third, growth organizations usually imply the direction where the businesses are moving and so studying their actions might enrich the understanding of the tools and methods that an organization prefer using in the future.

The study revealed many interesting avenues for future research. Since the growth organizations utilize management accounting and strategic management methods and processes it would be important to conduct more in-depth studies on what would be the best way to use the methods and in which maturity phase. Additionally, researchers could study the key characteristics of the strategic decision-making process in growth organizations with a focus on how it can be supported by
management accounting. The future studies could be divided between early-stage and mature growth organizations as well as by areas of business.

It could also be interesting to focus on one strategic management stage and conduct more in-depth interviews related to that part of the process although it seems that it could only be possible with mature organizations. As Woods & Joyce (2003) argue, there remains little published research on how owner-managers within small firms handle the practice of strategic management. Thus, a longitudinal study on the strategic management process of growth organizations and how management accounting can support the process would be interesting to conduct with one case organization, following the process from the beginning to the end. In this way, we could explore more in-depth how the need for management accounting methods evolve over time and in relation to the maturity of the organization. These results could support the decision-making in growth organizations.
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REFERENCES

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ACADEMIC AND COVER DESIGN

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TABLE OF CONTENTS

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INDEX

[Provide an index]

APPENDICES

[Include any appendices]

ACKNOWLEDGEMENTS

[Include acknowledgments]

REFERENCES

[Include references in APA style]

ACKNOWLEDGEMENTS

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APPENDIX 1 – INTERVIEW STRUCTURE

General Discussion

Interviewee background and position

Management Practices:

Employee motivations, engagement and management style

Culture

Strategy & Strategic Planning:

Strategic management process

Stages of the process

Formal / Informal decision-making methods and processes

Usage of data

Management Accounting:

Usage of management accounting

Different management accounting methods in use / perceived valuable

Ideal management accounting data for strategic management purposes
APPENDIX 2 – LIST OF INTERVIEWS

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