The Evolution of a Management Accounting Idea: 
The Case of Beyond Budgeting

Sebastian Becker 1*
Martin Messner 2
Utz Schäffer 1

1 Institute of Management Accounting and Control (IMC)
WHU – Otto Beisheim School of Management
Burgplatz 2,
56179 Vallendar, Germany

2 Department of Accounting and Management Control
HEC School of Management
1, Rue de la Libération,
78351 Jouy en Josas, France

* Corresponding author: Phone: +49 (0) 179 542 9527, E-mail: Sebastian.Becker@whu.edu

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Abstract

This paper analyses the evolution of Beyond Budgeting as a theoretical concept and as a phenomenon in practice. We draw from diffusion theory to explain why Beyond Budgeting has not enjoyed the same success as other management accounting ideas, such as Activity-Based Costing or the Balanced Scorecard. Our particular focus is on the way in which the identity of Beyond Budgeting was initially defined—namely, as a comprehensive management model rather than as a particular tool or technique. We demonstrate how some proponents of Beyond Budgeting have actively defended this identity and consequently abandoned the label “Beyond Budgeting” because of its misalignment with that identity. Others have distanced themselves from the idea of a full management model, choosing instead to focus on promoting particular components of Beyond Budgeting. Ultimately, neither strategy has fostered diffusion of the concept itself. We use these observations to reflect upon the trade-off between a concept’s identity and its plasticity, and we explain why, in some cases, this trade-off may be difficult, or even impossible, to overcome.

Keywords: Budgeting, management accounting, diffusion, adoption, institutional work, innovation
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1. Introduction

Budgeting is commonly regarded as a cornerstone of a firm’s management accounting system. It was one of the first management accounting practices to attract researchers’ attention, featuring in Argyris’ (1952) pioneering study as well as in the subsequent works of Wildavsky (1964) and Hopwood (1974). All of these studies provided early evidence on the dysfunctional consequences that budgeting can have. Today, there are probably few practitioners who do not echo at least some of the concerns to which this early work on budgeting has already sensitised us (Hansen et al., 2003).

Misgivings about budgeting have found their most radical expression in the idea of “Beyond Budgeting”, a concept developed in the late 1990s and culminating in an eponymous book written by Jeremy Hope and Robin Fraser in 2003. The main idea behind Beyond Budgeting, as envisaged by these authors, is to abandon budgetary contracts and the *ex ante* performance targets that go along with them. As an alternative, they suggest that organisations follow a set of principles that releases them from the “annual performance trap” associated with traditional budgeting. These principles include: the use of benchmarking and other forms of relative performance evaluation; the replacement of annual plans by rolling forecasts; increased decentralization of decision-making; and other means through which employees are “empowered” (Hope & Fraser, 2003a; Bogsnes, 2009).

Practitioners’ discontent with the budgetary process would suggest bright prospects for the concept of Beyond Budgeting. One might expect Beyond Budgeting to mirror the widespread diffusion of previous innovations in management accounting, such as Activity-Based Costing (ABC) and the Balanced Scorecard (BSC), and become another successful management
accounting innovation—a “blockbuster” in the market for management ideas. However, a few years after the birth of the concept, initial interest in Beyond Budgeting seems to have waned. Although the idea has enjoyed public attention and is referred to in most contemporary management accounting textbooks, it has not had an important impact on practice. In the most recent survey on the topic, Libby and Lindsay (2010), using a sample of North American firms, find that “budgeting systems continue to play a key role in firms’ control systems and that most companies have no plans to abandon this practice, although many are planning to take steps to improve [it]” (p. 12).

This paper pursues two aims. The first is to document the emergence and evolution of Beyond Budgeting and thereby to add to a “genealogy” of management accounting innovations (e.g. Burchell et al., 1985; Loft, 1986; Miller & Napier, 1993; Jones & Dugdale, 2002; Alcouffe et al., 2008; Qu et al., 2009). The second is to offer an explanation for why Beyond Budgeting has not enjoyed the same success as other more recent management accounting innovations, such as the Balanced Scorecard (BSC) or Activity-Based Costing (ABC). Our analysis of Beyond Budgeting is guided by selected theoretical concepts from diffusion research and seeks to contribute to this research by furthering our understanding of why some innovations diffuse more easily than others.

Existing literature approaches the diffusion of management (accounting) concepts from different perspectives, each one emphasising a particular set of reasons why an innovation does or does not diffuse. One approach is to focus on the attributes of an innovative concept. Reviewing this literature, Rogers (1995) lists five characteristics that many successful innovations have in common: they offer a relative advantage over current practice; they are compatible with important existing norms and values; they are of low complexity in terms of how they are understood or applied; they can be experimented with; and their use and benefits can be easily observed. In a similar vein, it has been argued that the likelihood of adoption depends on how well the concept aligns with existing institutional norms (Strang & Meyer, 1993) and how much it allows for adaptation to local needs - what Benders and van Veen
(2001) call “interpretative viability”. The influence of an innovation’s attributes is, of course, subject to motivations and perceptions on the part of potential adopters. A second stream of research therefore takes a “demand side” perspective and seeks to identify characteristics of organisations that explain their adoption or non-adoption of a given concept (e.g. Anderson, 1995; Gosselin, 1997; Fiss & Zajac, 2004; Ferlie et al., 2005; Kennedy & Fiss, 2009; Jonsson, 2009). Third, there are studies that examine the activities promoting a concept on the “supply side”, a perspective traditionally paid less attention in diffusion research (Ax & Bjørnenak, 2007). This includes considering the activities of the innovators, of the role of different types of “allies”, such as consultants or professional organizations, and of the types of institutional arrangements, such as conferences, membership models, or awards, whereby a concept can gain in visibility and importance (e.g. Ask et al., 1996; Ax & Bjørnenak, 2005). All of these elements can be regarded as “institutional work” on the supply side (Lawrence & Suddaby, 2006). Finally, it has also been recognised that supply and demand sides interact when it comes to adoption or non-adoption of a concept. Accordingly, some studies have sought to combine both these perspectives (e.g. Bjørnenak, 1997; Malmi, 1999; Malmi, 2001).

Our genealogical examination of the evolution of Beyond Budgeting primarily foregrounds the concept’s attributes (Rogers, 1995) and the way in which it has developed over time. We also highlight the influence of significant actors, such as academics, consultants, or professional organisations, in creating, modifying, shaping, promoting, ignoring, or resisting the concept on the supply side (Lawrence & Suddaby, 2006). Finally, we also consider how Beyond Budgeting has come to be perceived on the demand side. Since the concept has not been adopted to an extent that would allow testing for differences between adopters and non-adopters, a large-scale quantitative approach is not feasible. Instead, we shed light on the demand side by taking an in-depth look at selected firms that were endorsed by the Beyond Budgeting movement (Ferlie et al., 2005; Modell, 2009).

As mentioned above, our genealogy of Beyond Budgeting invites comparison with other management accounting innovations, such as Activity-Based Costing or the Balanced
Scorecard, which have become more widely disseminated. Two recent management accounting studies have looked at the evolution of these two concepts. Jones and Dugdale (2002) trace the rise of ABC and shed light on how proponents of ABC created networks of alliances which enabled the concept to diffuse. They describe ABC as a “bandwagon” that gained momentum as it found support in other management ideas or organisational practices with which it could be associated. In the same vein, Qu et al. (2009) examine the popularisation of the BSC, going back to its origins in organisational practice and the first publications of Kaplan and Norton in which these practical experiences were translated into an abstract concept. They show that, similar to ABC, the subsequent development of the concept of the BSC and its diffusion in practice was fostered by the work of institutional actors such as professional organisations, consultants, and software firms.

Whilst our paper follows the genealogical thrust of these two studies, our examination of Beyond Budgeting draws out one important contrast. The genealogies by Jones and Dugdale (2002) and Qu et al. (2009) address the emergence and evolution of management accounting ideas that have successfully spread into practice. However, compared to ABC and the BSC, Beyond Budgeting would appear to have diffused to a much lesser extent.¹ This difference in diffusion must somehow be related to the way in which each of these innovations was conceptualised, promoted, or perceived. In our analysis of the emergence and evolution of Beyond Budgeting, we thus draw upon the insights developed by Jones and Dugdale (2002) and Qu et al. (2009), respectively, in order to address, in a more explicit way than these two studies, the drivers of diffusion. At the core of our paper is the argument that, for a concept to gain momentum over time, it needs to exhibit both a stable identity and a sufficient level of plasticity (Benders & van Veen, 2001; Star & Griesemer, 1989). Our analysis of Beyond Budgeting suggests that the way in which the identity of this concept was defined—namely, as a comprehensive management model rather than as a tool—has not allowed for much

¹ This also becomes evident when looking at the discourse on Beyond Budgeting in practitioner or academic journals – a criterion often taken as a proxy for the success of an innovation (Abrahamson & Fairchild, 1999). The number of such publications is much smaller for Beyond Budgeting than for ABC or the BSC, even once the different lifetimes of the concepts are taken into consideration (ABI/Inform key word search).
plasticity in its interpretation and use. It seems that Beyond Budgeting has encountered greater difficulties diffusing than either the BSC or ABC because, among other reasons, it did not have the same tool-like character.

Before we move on, a general disclaimer is in order. Our reconstruction of the evolution of Beyond Budgeting is based upon our reading of the literature as well as upon our interviews with key actors who experienced this development first hand. Although our interview partners have been kind enough to share their stories with us, we need to stress that the resulting narrative is ours and ours alone. Storytelling always involves interpretation and a creative blend of different sources of data. Not every interviewee or reader of this paper will necessarily agree with how we have reconstructed the events and narrate the story of Beyond Budgeting. Suffice it to say that, here, we tell the story to the best of our knowledge and understanding, driven as we are by a particular theoretical interest in spotlighting those elements of the story we deem theoretically insightful.

2. Research design

The focus of a genealogical analysis, as we understand it here, is on the “piecemeal fashion in which various calculative technologies have been invented and assembled” rather than on the study of “immobile forms that appear to move without difficulty across space and time” (Miller & Napier, 1993, p. 633). Thus, instead of taking Beyond Budgeting as a black box and examining its pattern of adoption and diffusion, we trace the emergence of the concept and its subsequent evolution.

We rely on both primary and secondary data sources. Secondary data were obtained from publications on Beyond Budgeting, such as books, research papers, articles in practitioner journals, published case studies, websites, white papers, and the like. We also reviewed some writings that did not directly relate to Beyond Budgeting, such as some early publications by Jeremy Hope (Hope & Hope, 1995, 1997), in order to better contextualise the work on Beyond Budgeting. These publications are informative in three main respects: they help us
understand the concept itself and its development over time; they provide information on the role of different actors and institutions in shaping this development; and they reflect the experiences of firms that implemented, or experimented with, Beyond Budgeting.

With respect to the latter two points, secondary sources arguably provide for only a limited understanding of what “really” happened. Often, they present information in a highly “purified” form (Latour, 1993) and in line with the assumed expectations of the particular target audience. We therefore considered it critical to combine the secondary data with data collected through interviews and observations. Two types of primary data were collected. Firstly, we conducted ten interviews with actors who experienced the development of Beyond Budgeting “first hand” and whom we therefore expected to be knowledgeable about some of the issues not addressed in the literature. These included insiders from the Beyond Budgeting Round Table (BBRT), consultants, academics, and representatives of professional organisations (see Appendix 1). Interviews were supported by a semi-structured interview protocol and typically lasted between 30 minutes and 2 hours. They were conducted in either German or English and were subsequently transcribed. Furthermore, we were able to attend several public conferences and workshops in which the BBRT presented the Beyond Budgeting concept. We took notes during these events and collected material that is otherwise not publicly available (see Appendix 2).

Secondly, we set out to learn more about firms’ actual experiences with Beyond Budgeting. Our goal was to obtain a more detailed, and perhaps critical, perspective on the case study material publicly available. We therefore approached firms cited as examples in the literature as having successfully abandoned budgets. Contact information was obtained through participation in workshops and seminars taking place in the summer of 2008 in which corporate representatives talked about their experiences with Beyond Budgeting. In total, we

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2 We are not claiming that primary data are more reliable than secondary ones. We are simply suggesting that interviews and observations helped us to gain a more diverse and comprehensive picture of the evolution of Beyond Budgeting than we could have achieved with secondary sources alone.
identified four firms that we subsequently approached and in which we eventually conducted interviews.

Data collection in these firms took the form of interviews carried out between September 2008 and October 2009. In total, we conducted twenty-two interviews, resulting in more than 38 hours of interview time (see Appendix 1). Interview partners were management accountants and operational managers, typically people who had been responsible for implementing Beyond Budgeting in their respective firms. The interviews were conducted with the help of a semi-structured interview protocol and were subsequently transcribed. In addition to interviewing, we had a number of opportunities to communicate informally with respondents and their colleagues during lunchtime or coffee breaks.

Out of four company cases, we choose two that we will refer to in more detail in this paper. These two cases inform our understanding of the challenges facing Beyond Budgeting in organisations particularly well and corroborate some of the points that emerge from our analysis of the concept and the institutional work around it.

3. The emergence and subsequent evolution of Beyond Budgeting

3.1 The context

In 1984, when Bob Kaplan reviewed recent developments in management accounting, he came to the conclusion that for several decades there had been very little innovation in management accounting thought (Kaplan, 1984). Ten years later, the situation was apparently quite different. By introducing ABC and the BSC, Kaplan himself had reacted to his own diagnosis that management accounting needed new tools to regain its relevance for organisations (Johnson & Kaplan, 1987). Both ABC and the BSC supposedly improved on or surpassed “traditional” management accounting practice that was considered outdated. In the case of ABC, it was argued that increasing levels of overhead costs called for a new costing technique (Jones & Dugdale, 2002). As for the BSC, it was designed to overcome the
exclusive focus on financial indicators as decision criteria (Ittner & Larcker, 1998; Qu et al., 2009).

In a sense, Beyond Budgeting originated from a similar feeling of relevance lost. The critique of the “old” was even more visible in this case, since the concept explicitly focused on breaking with traditional forms of budgeting. Such a critique of budgeting was not entirely new, to be sure. Discontent with the budgeting process had been voiced and documented ever since budgets came into widespread use in organisations (e.g. Argyris, 1953; Barrett & Fraser, 1977; Churchill, 1984; Merchant, 1985). Even the specific arguments against budgeting that proponents of Beyond Budgeting put forward did not considerably differ from earlier criticisms. Indeed, in his textbook analysis, Parker (2002) outlines the critical discourse on budgeting in the 1930s and 1940s and basically points to the same limitations identified by proponents of Beyond Budgeting some 60 years later.

What was new, however, was the systematic effort to create a conceptual antithesis to traditional budgeting. Proponents of Beyond Budgeting did not settle for criticising budgeting for its dysfunctional effects; their agenda was to offer a solution to the problems they identified. And this solution included, at its core, the suggestion to abandon budgets altogether. The rhetoric was unambiguous in this respect, with budgets being described as “an unnecessary evil” (Wallander, 1999) or as “figures of hate” (Hope & Fraser, 2001).

3.2 The origins: Beyond Budgeting as “something to be found”

If the story of Beyond Budgeting were to be written as a story of “great inventors”, then the people starring in this story would certainly be Jeremy Hope and Robin Fraser. Their book Beyond Budgeting, published by Harvard Business School Press in 2003, became the most important manifesto for the idea of managing without budgets. They were the “founding fathers”, those who motivated others to join the movement. So, even though our story of Beyond Budgeting features a whole network of actors around Hope and Fraser, they are the ones we start with.
The first time they met was in 1997, at the 25th anniversary meeting of CAM-I. CAM-I is a US-based research and development organisation sponsored by well-known industrial organisations, big professional accountancy firms, and government agencies. It is financed through annual subscription fees as well as discretionary contributions for projects of particular interest to its sponsors (Jones & Dugdale, 2002). Working within CAM-I typically afforded access to a large network of actors interested in the development of new concepts. Both Jeremy Hope and Robin Fraser were speakers at the CAM-I anniversary event and both spoke on the problems of budgeting (Daum & Hope, 2005). Hope took stock of budgeting on the basis of his experiences as a practitioner. He had worked in finance and accounting positions for several UK companies. At the same time, he was not “only” a practitioner, for he had recently co-authored two books with his brother Tony, a chartered accountant and former professor of accounting. These books were: Transforming the Bottom Line: Managing Performance with the Real Numbers (Hope & Hope, 1995) and Competing in the Third Wave: The Ten Key Management Issues of the Information Age (Hope & Hope, 1997), both edited by Harvard Business School Press. While these books were not about budgeting, they already pointed to several ideas that Hope and Fraser would later develop in their joint work. In their 1997 book, for example, Hope and his brother argued in favour of a new organisational model that would be better adapted to the needs of the “third wave” (i.e. the information age) than the traditional “multidivisional M-form model” of the second wave (i.e. the industrial age), pioneered by firms such as DuPont and General Motors in the 1920s and still dominant in most businesses. The new model, called the “network N-form model”, turned front-line managers into entrepreneurs, strategists and decision-makers, regarded middle managers as horizontal integrators, and saw the role of top managers as providing inspiration and challenging the status quo. Hope and Fraser would later argue that firms trying to shift from one model to the other would be held back by the invisible power of traditional budgeting systems (Hope & Fraser, 1997; Daum & Hope, 2005).

Robin Fraser dedicated his speech at the CAM-I event to summarising the findings of a research study he had carried out on “Advanced Budgeting” on behalf of CAM-I. Fraser was
at that time consulting partner at Coopers & Lybrand, where he had worked on Zero-Based Budgeting and Activity-Based Budgeting. One of his colleagues at Coopers & Lybrand, Jim Brimson had close contacts with CAM-I and was leading the Activity-Based Budgeting group there. Brimson and Fraser worked together on questions of ABC and budgeting and when Brimson eventually left Coopers & Lybrand, Fraser took over his role as the firm’s representative in CAM-I. He intensified his engagement in CAM-I over the years and became co-chair of the European branch of the organisation in 1993. As co-chair, he led a project on “Advanced Budgeting” in which Fraser and other members of the CAM-I reflected upon firms’ discontent with budgeting and came to the conclusion that budgeting was a real barrier to many organisations (Bunce et al., 1995).

“So we agreed it was a problem, but we did not know what the solution was.” (Robin Fraser, interview)

Having shared their thoughts on budgeting at the CAM-I anniversary event, Hope and Fraser agreed to team up to work on possible solutions to the problems they identified with budgeting. They decided to refer to their project as “beyond budgeting”, in the sense that there must be something beyond the traditional reliance on budgets, but it was not yet clear what this could be:

“Well, [we called it beyond budgeting], because it grew out of the Advanced Budgeting study, and the conclusion of that was that budgeting was incompatible with the way companies needed to manage in the future. In our project we were obviously looking beyond traditional budgeting. It was no more than that. We did not know at the outset what was beyond budgeting, for example, whether it was simply no budgeting, or doing something else instead, or something more?” (Robin Fraser, interview)

In one of their first joint articles, published in Management Accounting, Hope and Fraser review findings from the Hope and Hope (1997) book and results from some prior CAM-I projects. Also, they specify a range of deliverables for their new research project:

“... Case reports – These detailed reports on the target company visits will provide a rich source of knowledge. We have little doubt that we will unearth a picture of trial and error, success and failure, feedback and learning.
· Guidelines - We expect to develop and enrich our understanding of the context for the changes required to meet the new business needs of the information age and will present guidelines and diagnostic tools that interested firms can follow, supported by practical examples.

· Shared learning – The opportunity for sponsors to steer and participate in the project will ensure that they receive far greater insights into its results than they would from just reading its conclusions when these are ultimately released” (Hope & Fraser, 1997, p. 23).

Although the initial idea was to run this as a one-year project, work continued after the first year:

“Coming up to the end of 1997, our preoccupation was with forming a network of companies interested in this project. We launched it initially as a one-year project. At the end of the first year we wrote a report called the ‘Final Report’. I remember Michel Lebas3 telling us, ‘No, it is not the Final Report. There is a lot more life in this thing!’” (Robin Fraser, interview)

In the beginning of 1998, Hope and Fraser founded the “Beyond Budgeting Round Table” (BBRT), together with CAM-I, whose manager was Peter Bunce (Daum & Hope, 2005; Bunce et al., 2001). Bunce was at that time a member of staff working for CAM-I and was, in the beginning, mainly looking after the membership side of the BBRT, organising its meetings and trying to get more members enrolled. Hope and Fraser considered it a good idea to team up with CAM-I, because they could then benefit from CAM-I’s existing membership network and expand into North America.

“It was our belief that [budgeting] was the hidden barrier to change that persuaded us to form a partnership with CAM-I and establish the BBRT. We thought that there must be an alternative management model that allows even the large organizations of today to act by using its full potential – without all the gaming and mistrust culture of the budgeting system.” (Jeremy Hope, in Daum & Hope, 2005, p. 169)

The idea was to find companies that had already gone beyond budgeting, and to see how they had managed to do so. Through his engagement in CAM-I, Robin Fraser got to know Pertti Akerburg, a practitioner, who had heard about a conference in Stockholm where Swedish firms reported upon the idea of “non-budget management”. This idea was advanced and promoted in the publications of Jan Wallander (e.g. 1979, 1994, 1999), former chairman and

3 Michel Lebas was one of the academic advisors to the BBRT (more on his involvement below).
CEO of Svenska Handelsbanken. It influenced the control systems of a number of Swedish firms, including Svenska Handelsbanken itself, Volvo and SKF (Ax & Bjørnenak, 2005). After attending the conference, Akerburg came back with the names of firms that obviously had found ways to manage without budgets. Svenska Handelsbanken, as one of them, would later become the most frequently cited Beyond Budgeting case study. For Hope, Fraser and Bunce, their self-appointed task was now to find companies that were willing to share their solutions to the problem of budgeting.

3.3 Studying local solutions

“Companies are responding to changes in their environment by introducing new organizational arrangements and new technology for producing their outputs. They may even be introducing new measurement systems in their organization. The challenge for academic researchers is to discover the Pierre du Ponts, Donaldson Browns, Alfred Sloans, and Frederick Taylors of the 1980s; to describe and document the innovative practices that seem to work for successful companies. The research will be more inductive than deductive, but likely productive, both for the individual researcher and for the management accounting discipline.” (Kaplan, 1984, p. 415)

The inductive research strategy suggested by Kaplan (1984) aptly describes the early-stage approach taken by the BBRT. In the first three years, Hope and Fraser visited around 15 companies and wrote up case studies that described these companies’ practices. Hope described the aim of this research as follows:

“We focused our research on three questions: First, how are leading companies that have abandoned, radically changed, or significantly de-emphasized their centralized planning and budgeting processes, now fulfilling their well-established purposes?

Second, is there a coherent new management model emerging that will enable companies to introduce more effective management processes and steering mechanisms?

And third, what lessons have been learned by those that have adopted the new model and how should it be implemented by others?” (Jeremy Hope, in Daum & Hope, 2005, p. 437)

In their work, they were advised by a small group of academics who shared their interest in budgeting. One of them was Michel Lebas, then professor at HEC Paris, and a member of
CAM-I since the early 1990s. He was involved in some of the case study work and would from time to time come together with the other researchers to report and accumulate their findings.

“I mean we sort of looked around for bits and pieces of good ideas. And what Robin [Fraser] and Jeremy [Hope] did was to pull together into a coherent set of knowledge all these experiences. None of them were perfect, but all of them had a little bit that was good. So, it was more a complexion of the best that you can find, and extracting the gems from the rock, so you could actually make it into a coherent philosophy.” (Michel Lebas, interview)

Initial research sites where those of firms that were “now [still] fulfilling their well-established purposes [but] have abandoned, radically changed, or significantly de-emphasized their centralized planning and budgeting processes” (Fraser & Hope, 2001, p. 437). Publications often make reference to the sizes and leading market positions of these firms, emphasising that they are “large multinational corporations not prone to managerial experiments” (Hope & Fraser, 1997, p. 22). In light of Figure 1, which depicts the firms that operate according to Beyond Budgeting principles, it becomes clear that the firms identified in the early years are predominantly Scandinavian or European, large and well-known companies active in a variety of industries. All firms are presented as successfully operating in dynamic business environments with control systems that are superior to comparable firms in their industries. The early (as well as later) publications of the Beyond Budgeting movement presented a common line of thought in that they established it as proven that “traditional budgeting” or the “traditional performance management model” had been developed for a different environment. The BBRT thus divides the history of organisations into two eras, an earlier one in which “market conditions were stable, competitors known, relatively few people took decisions, prices reflected internal costs, strategy and product lifecycles were lengthy, customers had limited choice, and the priority of shareholders was good stewardship”, and a later one whose “competitive climate is far more uncertain, many people are required to take decisions, the pace of innovation is increasing, costs reflect market

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4 Other researchers involved in the project were Prof. David Otley and Prof. Michael Bromwich.
pressures, customers are fickle, and shareholders are more demanding” (Fraser & Hope, 2001, p. 438).

Although the BBRT’s “primary quest was to contrast the management practices used in the ‘industrial age’ with those that are now required for the ‘information age’” (Bunce et al., 2001, p. 56), readers might have been inclined to read this as implying that the model were only applicable to certain types of companies. However, later publications, as well as the endorsed firms themselves, show that the concept was intended to be relevant to any private or public organisation.

Case studies obviously played an important part in trying to promote the concept of Beyond Budgeting. The “success stories” were supposed to convince readers of the positive effects of the concept as well as of the feasibility of implementing it (Strang & Macy, 2001). In contrast to the BSC, however, this was not supported by an institution such as the BSC Hall of Fame (Qu et al., 2009).

3.4 Synthesising the ideas: Beyond Budgeting as an answer

In the years following the foundation of the BBRT, Hope and Fraser wrote several articles in which they reported upon the findings of their field studies and in which they invited firms to participate in their research (Hope & Fraser, 1997, 1998, 1999a). Their publications subsequently synthesised the ideas gained in the field such that a concept or model was now slowly emerging.
In their first article in 1999, Hope and Fraser identify ten key principles of what they then called the “emerging model” (of Beyond Budgeting). They also describe their agenda for 1999, which was (a) to create an overall framework, (b) to understand the new steering components (targets, forecasts etc.) on different levels and visit firms successfully using these, (c) to develop a three-stage implementation approach consisting of planning, introducing the steering components and removing budgeting, and evolving the emerging model over time, and (d) to enrich the understanding of the emerging model further and to develop a company diagnostic (Hope & Fraser, 1999a, p. 21). Further publications in 1999 report on the project but do not contain any considerable model extensions (Hope & Fraser, 1999b, 1999c, 1999d).

It is not until 2000 that the concept was explicitly referred to as “Beyond Budgeting” (Hope & Fraser, 2000, p. 32). While early publications did include the term “beyond budgeting” (Bunce & Fraser, 1997; Hope & Fraser, 1997), this was arguably more in the sense of raising the question of what can be found beyond budgeting. The answer was at that time formulated in terms of a “new organisational model”, the “N-form philosophy”, the “N-firm model” (Hope & Fraser, 1997), the “new management model” (Hope & Fraser, 1999c) or the “emerging model” (Hope & Fraser, 1999a). The Beyond Budgeting model was given this title only in 2000.

In 2000, for the first time, the authors also list twelve principles of Beyond Budgeting and package these principles into two groups: those relating to “organizational design and devolution” and those relating to “performance management” (Hope & Fraser, 2000). However, the principles are not exactly the same as those presented eventually in the book published in 2003. The latter were, to our knowledge, first presented in the fall of 2001 (Fraser & Hope, 2001; Bunce et al., 2001).

The book Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap published in March 2003 by Harvard Business School Press (Hope & Fraser, 2003a) summarises the research up to that point and provides a good understanding of the development of the concept. While the first publications do not contain any principles, the
two 1999 publications feature ten rather precise “principles and practices” (Hope & Fraser, 1999a) or “key issues” (Hope & Fraser, 1999d). These are then subdivided into two parts and presented as somewhat less clear-cut “features” (Hope & Fraser, 2000). In turn, they are delineated more precisely in Bunce et al. (2001) and Fraser and Hope (2001), but less so in Hope and Fraser (2001) and Bunce et al. (2002b). Interestingly, in their 2003 paper in the Harvard Business Review (Hope & Fraser, 2003e) and in Hope and Fraser (2003c, 2003d), the authors neither mention Beyond Budgeting prominently nor list all the principles, nor even refer to any such principles.

In retrospect, from 1999-2003, the numbers of the principles, their presentation in two parts and their status as “principles” or “features” varied. There was not one concept of Beyond Budgeting from the very beginning on. Rather, there were ideas that developed over time. And there were different allies that shaped the development of the concept. In the beginning, the BBRT was connected to CAM-I. By 2003, at the time the book was published, the BBRT became organisationally separate from CAM-I.

“CAM-I became very weak as membership fell in America. And it had fallen in Europe as well. (...) So, CAM-I was pulling out of Europe, effectively, and so we mutually decided that we will go separately.” (Robin Fraser, interview)

The new and “independent” BBRT held its “First Annual Beyond Budgeting Summit” in July 2003, which was a culmination point of the development work of the past 5 and a half years of the BBRT (in fact it was the first public event of the BBRT) and a launch pad for spreading the news further and for entering the ‘marketing phase’ of the Beyond Budgeting movement” (Daum, 2003).

Figure 2 provides a graphical overview of the organisational and conceptual development of the BBRT and the Beyond Budgeting concept.
3.5 The “business model”

The main institution behind the development of Beyond Budgeting has been the Round Table (BBRT). It is designed as a research group or “think tank” and, as such, its activities are mainly “to identify those companies that had abandoned the budgeting model, visiting them, and through case reports and presentations, reporting back to the BBRT members, who were funding our research with their membership fees” (Daum & Hope, 2005, p. 4).

Membership has been decisive in financing the activities of the BBRT, and there seems to have been a certain trade-off between working to develop the content of Beyond Budgeting, on the one hand, and making the concept appeal to the public, on the other:

“We sort of went wherever we felt there would be some people willing to share their experience that local people could relate to, so that we could add more members. And it is like the life of any organization of this type: You are caught between the purity of the message and getting more members to get more money. And there was always a mix between marketing and content. We were marketing to get more members, and we were delivering content.” (Michel Lebas, interview)

The BBRT publishes a number of so-called “white papers”, which are accessible for free either directly from the authors or through a website. Its proponents also speak at conferences to promote Beyond Budgeting. Generally, the Beyond Budgeting movement appears to be a rather open network (cf. Qu et al., 2009 for a discussion of this aspect for the BSC); in most publications, for example, telephone and email contact are given, readers are invited to contact the BBRT and firms to join, etc.
As an active network of member companies, the BBRT offers exclusive access to (new) case studies and the right to participate in annual meetings called “Beyond Budgeting Summits”, where members can attend presentations by Beyond Budgeting firms and its proponents. Member firms can also use a comprehensive version of the diagnostic tool that the BBRT offers on its website and that helps firms evaluate the case for changing their current management practice. Founded in 1998, the BBRT already had 33 members by 1999 (Hope & Fraser, 1999a), more than 45 in 2001 (Fraser & Hope, 2001; Bunce et al., 2001), and currently has about 60 (Scarlett, 2007), reporting more than 150 overall between 1999-2007 (Pfläging & Borck, 2008). These numbers must not be mistaken to represent firms that would operate without budgets. Rather, they refer to firms that might have been members for a short time only or some that are simply interested to get access to the case study data. As our empirical data tell us, firms wishing to implement the concept may contact the BBRT to receive help in doing that. In this respect, it is interesting to note that the BBRT sees itself as a research institution without any commercial interest. This stands in contrast, for example, to the Balanced Scorecard Collaborative, which was established as a professional service firm (Qu et al., 2009). Membership fees collected by the BBRT serve the purpose of financing its research activities. What arguably distinguishes the BBRT from a pure research institution, however, is its interest in promoting the concept.

“The idea of BBRT was always to create a vibrant community. And all those things – the research and the publications, the presentations, seminars, the consulting work the BBRT directors would perform – should all serve the community, in order to grow a community that would, at some point, also be active in implementing the new model. We had these ambitions and we said: ‘Well, we can continue to do the research alone forever, but we also want, of course, companies to apply it in practice.’” (Niels Pfläging, interview)

Figure 3, taken from material published by the BBRT, illustrates that there was a conscious effort to promote the concept by accompanying companies through different steps of the “Beyond Budgeting journey”.

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Claims that the BBRT does not engage in consulting work must therefore be taken with caution. Individual directors have had their own consulting firms through which they have tried to promote adoption of the concept. Moreover, there were some initial efforts to team up with big consulting companies in order to diffuse Beyond Budgeting more widely. As we will see later, however, these efforts were to little avail.

Although the BBRT’s origins were in the UK, the organisation quickly expanded into other countries and regions such as the Netherlands, France, Germany, Norway, Sweden, Switzerland, and the USA where a number of member firms were located (Bunce et al., 2001). The BBRT then also created sister organisations in order to “provide strategic support” and “further research in implementation issues” (Daum & Hope, 2005, p. 169). By 2007, there were regional BBRTs for North America, Australia/Asia, the German-speaking countries, the Middle East and, for some time, South America. In North America, it was Steve Player who started to become involved around 1999 and was formally made the director of this “sister-BBRT” in 2002. Fraser knew Player from his involvement in CAM-I, where Player served as treasurer. In a similar vein, the Australian BBRT was set up by a former colleague of Fraser from Coopers & Lybrand who had already retired. At a conference in Frankfurt, Fraser met Franz Röösli, professor at a Swiss polytechnic, who then became director for the German-speaking countries.

The fact that the BBRT created sister organisations in these countries or regions was not entirely a deliberate strategy but happened somewhat “by chance” (Robin Fraser, interview), insofar as there happened to be people in these countries who were interested in engaging with the BBRT. There was also an awareness of the importance of having a presence in some critical “markets”, however:
“We imagined that Australia might expand into the Far East. We wanted to have as wide a coverage as possible, because it helped us with our research and membership. The membership was the income side, which helped us keep going. (...) But the more contacts you have in a country, the more chance you have of finding and developing useful case studies. So geographical expansion served two objectives: building membership revenue and expanding our research.” (Robin Fraser, interview)

There was also a BBRT for South America that existed from 2003 to 2008 and was headed by Niels Pfläging. Pfläging, a German, was working as a management accountant in Brazil when he learnt of the BBRT and its concept of Beyond Budgeting. In 2001, he entered into contact with Robin Fraser and signalled interest in supporting the Beyond Budgeting movement. He soon started to give presentations on the topic in Brazil and to publish articles in German-speaking practitioner journals dedicated to management accounting. In 2002, a German publisher asked him whether he would be interested in writing a book about Beyond Budgeting, because there was apparently a market for such a publication. So, in 2003, Pfläging published his first book on Beyond Budgeting in German and in the same year, he was appointed director of the BBRT for South America. Pfläging was then actively promoting the concept, but five years later, in early 2008, split from the BBRT to pursue with a colleague a different way to develop the ideas of Beyond Budgeting further by founding an organization he called the BBTN (Beyond Budgeting Transformation Network). This is interesting insofar as Pfläging’s split with the BBRT was partly rooted in disagreement about the concept and its further development.

“The focus of the BBRT is research and the focus of the BBTN was to be to ‘make it real’ – that is to say, we try to help the world make [the concept] its own. […] Today, I also work with consultants from different backgrounds, systemic organizational consultants, large group specialists, personnel management specialists. […] Beyond Budgeting, as it is not a tool, but a way of thinking, has required its own method development for implementation. Here, systemic approaches, large group methods, open source approaches etc. come to mind […] You need to change methodologies that are foreign to large consulting firms and that weren’t very familiar to most of the current BBRT members and directors either.” (Niels Pfläging, interview)
3.6 Developing the concept further

When Hope and Fraser published their book in 2003, it seemed as if a tipping point had been reached. Michel Lebas remembers:

“And honestly, when I left in 2004, personally, I did not think there was much more to do in terms of conceptual framework, because we had dealt with most of the elements in the conceptual framework. And when Robin and Jeremy wrote the book, that was it.” (Michel Lebas, interview)

While it was certainly true that the book synthesised the work up to that point and, for the first time, presented all the ideas in a comprehensive way, that was not the end of the story for Beyond Budgeting. Part of this had to do with the fact that the book actually reflected a compromise:

“It is not true to say that the model was ‘stable’ [in 2003]. Nor would it be true to say that we had a harmonious agreement on what we produced from the work we had done up to the point of writing the book. So Jeremy and I had a difference of opinion. And we had some really difficult discussions with Harvard Business School Press as to what we are going to do about it.” (Robin Fraser, interview)

Jeremy Hope, who had a finance background, apparently wanted the book to have a financial emphasis, with a focus on the first six principles on adaptive processes. Fraser, in contrast, felt that Beyond Budgeting had much wider ramifications and was first and foremost a decentralised management model.

“And therefore the book should first of all talk about the leadership principles, and then go on to explain why different performance management processes are required, and what those processes should be. The title of the book remained Beyond Budgeting, because that’s what Harvard wanted us to write about. So, the book turned out to be an uncomfortable compromise with the adaptive processes tackled first, and the decentralised principles tackled second (…). But if we had not been constrained in the way that we were, I would have preferred it to have been written the other way around (as we did in the BBRT diagnostic) with the leadership principles first and the adaptive processes second, because they are in support of radical decentralisation.” (Robin Fraser, interview)
Hope and Fraser were dealing with the finance section of Harvard Business School Press, which explains why the book had to have an emphasis on finance. The title preferred by Harvard was not the best one in the eyes of Fraser:

“The part of Harvard Business School Press that we were dealing with was responsible for financial publications. That’s why they liked the title ‘Beyond Budgeting’ and wanted the primary focus to be on performance management processes. They were not ready to accept us as ‘mini Gary Hamels’ transforming the management model. (...) So, the book was published under the title ‘Beyond Budgeting’. It raised quite a bit of interest with CFOs, but not surprisingly only with CFOs. The title was obviously wrong for the book’s real message of ‘transforming the management model’ which is for the CEO and the board.” (Robin Fraser, interview)

The book was published in 2003 and, despite the aforementioned differences in perspectives, Hope and Fraser continued to work together in the BBRT thereafter.

By 2006, Pfäging had published a second book and, although it had the notion of “Beyond Budgeting” in the title, its focus was clearly on changing the management model more broadly. In this respect, Pfäging was arguably more in line with Fraser’s understanding of Beyond Budgeting as a general management concept rather than with a particular focus on finance and performance management. In his third and most recent book published in 2009, Pfäging radicalizes his critique of traditional forms of management and presents 12 laws of what better management should look like. His ideas are very much in line with the second set of principles laid out by Hope and Fraser (2003a), but he now avoids using the notion of “Beyond Budgeting” altogether:

“In order to increase the effectiveness of the Beyond Budgeting movement, it is necessary to use a different label, or brand (...) For budgeting is only the symptom of a deeper problem, namely Taylorist management and control.” (Niels Pfäging, interview)

What Pfäging is referring to here is the fact that the origins of the BBRT lay mostly with management accountants or finance managers. However, this is not the ideal target audience for a new management concept.

“Beyond Budgeting has long been perceived as a management accounting concept, but what we really wanted is to get in touch with HR people and
CEOs, and the management community as a whole. And this is the direction we pursue today [within the BBTN].” (Niels Pfläging, interview)

Around the time Pfläging founded the BBTN, Robin Fraser retired from the BBRT. He has remained interested in the topic, however, and by the end of 2009 was preparing a book project.

“I am writing a new book with Lennart Francke, who is a former senior executive with 35 years in Handelsbanken. (…) We are not using the term ‘Beyond Budgeting’ at all. And [the new book] is focusing on the decentralised management model in its totality. We are using Handelsbanken as the core case for two reasons: firstly it is a mature and coherent management model, and secondly the way it was implemented is a model for today’s implementers – a transformation followed by years of evolution. But Handelsbanken will not be the only case. We are introducing at least six other cases, several that are new, to show that the model is just as applicable in other industries. My personal goal is to tell the story the way it should have been told in 2003, but with new insights and cases, and written with the benefit of Lennart’s deep understanding of the model.” (Robin Fraser, interview)

After the exits of Fraser and Pfläging, the BBRT is now working intensively on a Beyond Budgeting implementation guide. This reflects the growing need, in the view of the BBRT, to support organisations in managing the comprehensive change process that Beyond Budgeting involves. Jeremy Hope remains active as research leader within the BBRT, after having temporarily moved on to explore the role of the CFO (Hope, 2006). In North America, Steve Player regularly organises BBRT meetings but does so with a focus on performance management processes. Together with Steve Morlidge, a former financial controller from Unilever, he published a book on how to master business forecasting (Morlidge & Player, 2010). This reflects a rather pragmatic approach to Beyond Budgeting in which the holistic idea of the model is traded off against its flexibility and adaptability. This is also evidenced by the presentation of Beyond Budgeting as “a set of [only six] performance management principles” on the North American BBRT website (BBRTNA, 2010).

“And I think Steve Player, from what I see from the advertisements for his conferences, is not throwing the budget away. He is taking account of the budget and relaxing some of the constraints of the budget to make it more flexible, more adaptable”. (Michel Lebas, interview)
“In the US, the BBRT is strongly focused on performance management rather than on the transformation and leadership aspects of Beyond Budgeting. There has always been a certain tension within the BBRT, for example between North America and the UK, or [between North America] and me. […] We say that it must be all 12 principles, or nothing. And on the other side, in the US, for example, the colleagues chose what they sometimes call a more pragmatic stance.” (Niels Pfläging, interview)

Also more pragmatic in his appropriation of Beyond Budgeting is the Dutch scholar, André de Waal, associate professor at Maastricht School of Management in the Netherlands. De Waal was an early ally of the Beyond Budgeting movement and published several books and papers on the topic, among which was the first book ever published on Beyond Budgeting (DeWaal, 2002). He also went to the BBRT’s meetings and engaged in discussions with Hope and Fraser. In 2003, however, he stopped being a member of the BBRT. He still continued to work on Beyond Budgeting for some time, but eventually turned away from a concern with budgeting to do research on what he calls “High Performance Organisations” more generally:

“Beyond Budgeting is of course a management model, and if you really look at the management model, then let’s look at it in an even wider manner – so more like the ‘Jim Collins Way’. So I decided that the ‘High Performance Organisation’ was much more exciting than Beyond Budgeting.” (André de Waal, interview)

In this respect, de Waal pursued a path similar to those pursued by Robin Fraser or Niels Pfläging. While still working on Beyond Budgeting, he took an interestingly pragmatic perspective on the topic. In his relevant publications, he argues that companies can introduce only some of the Beyond Budgeting principles and still remain high performance organisations. De Waal himself had assisted several organisations partially to implement Beyond Budgeting. One of them was Beckers, a subsidiary of the Dutch firm Royal Wessanen. De Waal’s approach in these consulting projects was apparently in contrast to Hope and Fraser’s insistence that all 12 principles must be followed.

“I remember that I had a discussion with Jeremy Hope when (…) we had a seminar organised by Eelco Bilstra, I think four years ago. I was a speaker and Jeremy Hope was a speaker. I was sitting with Jeremy Hope before the seminar drinking coffee and so on. And at a certain moment he said to me ‘Beckers is not a BBRT company’. And he was quite firm about this. And I said ‘well, why not, because they are doing this and this’ and then he said ‘well, because they had not implemented all 12!’ And I said ‘well, basically
Jürgen Daum, an early ally of Beyond Budgeting based in Germany, approached the topic from a perspective similar to de Waal’s. In the early 2000s, Daum was working as a product manager at SAP, the German software company, advising customers, CFOs, and controllers in Europe on finance transformation, performance management and business planning concepts. He is also an active writer on accounting, finance and management topics and, in 2002, published a book on the growing importance of intangible assets (Daum, 2002), which included a small chapter on Beyond Budgeting. He got into contact with the BBRT in 2000, and subsequently published several papers and a book on the topic (Daum, 2005). In workshops and seminars, Daum often used Beyond Budgeting as an “eye opener” to challenge customers’ existing views on their budgeting process. This did not mean, however, that he advocated the implementation of Beyond Budgeting in the way it was envisaged by Hope and Fraser. Since his main target group for the topic was the finance and accounting community, most of his consulting projects involved improving performance management, planning, budgeting, and forecasting processes, rather than radically abandoning them. According to Daum, this more pragmatic stance reflects firms’ actual concerns with budgeting and their rather pragmatic reactions to the discussions that the BBRT helped to initiate.

“Today, firms do not discuss so much whether they need a budget or not. They are nearly all already through or in the middle of a major change process. And they typically start this by saying: ‘We need more flexibility and dynamism in our performance management process’. And that puts the planning, budgeting and forecasting processes on the table. So they ask, ‘How can we apply a more dynamic and more rolling approach that works in our company?’ And then we are in the middle of the whole topic and in the middle of a very productive and constructive discussion – without engaging in a philosophical debate about whether I am doing Beyond Budgeting, Better Budgeting or Advanced Budgeting. It’s really about working on the future performance management concept and on the new planning, budgeting and forecasting processes.” (Jürgen Daum, interview)

3.7 Implementations: the role of consultants

Consulting companies can play a powerful role in the promotion and implementation of management innovations. They can add to the credibility of innovations (David & Strang,
and, through their network of clients and business partners, can create strong momentum for the diffusion of a concept. This was very much the case for the Balanced Scorecard, around which a whole new consulting industry developed (Qu et al., 2009). Similarly, although to a lesser extent, the dissemination of ABC also benefitted from the work of consultants (Jones & Dugdale, 2002).

To better understand the role of consultants in the case of Beyond Budgeting, we spoke to two experienced partners of two leading consulting firms in Germany (Horváth & Partners and CTcon). Both firms are specialised in planning and control. One of the firms (Horváth & Partners) was very active in debates around Beyond Budgeting and some of its partners actually translated Hope and Fraser’s book (2003a) into German (Hope & Fraser, 2003b). Both firms were also active in organising conferences and seminars on the topic.

In general, contact points between consulting firms and the BBRT clearly existed, as there were a number of attempts by the BBRT to enrol consultants:

“We have tried to work with several large consulting companies, Deloitte and so on up to IBM Business Consulting Services. So we tried everything possible to establish all kinds of collaborations.” (Niels Pfläging, interview)

But not only was there a push from the suppliers of the concept, there was also a pull from consulting firms to be involved in the Beyond Budgeting movement. This is not surprising, since the development of a management innovation provides consultants with a new source of revenues (Qu et al., 2009).

“For a consultancy active in management accounting […] the abandonment of budgeting, and this is how it is sold, is, at first glance, a very exciting topic.” (Partner Horváth & Partners, interview)

Because Beyond Budgeting apparently benefited from considerable attention in the public sphere, it seemed a good idea for consulting firms to “position” themselves within this discourse:

“For course, selling is always an important point for a consulting company. […] So on the one hand, we wanted to have thoroughly reviewed the topic
Our interviewees said that, in the beginning, they were uncertain about the exact characteristics of the concept and its potential benefits, yet they report that their clients became increasingly curious about whether Beyond Budgeting was something for them to consider. This motivated consultants to make up their mind on the topic. Such efforts of sense-making are important for the consultants to feel comfortable and confident in working with concepts and to outline a potential value and usefulness to prospective clients (Qu et al., 2009). The consultants we interviewed did this not only through literature analysis, but were also highly active in a variety of ways.

First, they talked to the endorsed firms themselves or to BBRT directors about the concept.

“…We informed ourselves with the help of the literature and discussed it. Then, we also […] spoke to the BBRT.” (Partner Horváth & Partners, interview)

“…Even more important for us as a market leader in control topics is that we understand the topics that are en vogue out there […]. So that for any topic our clients ask us about, we know our business! […] What is the thinking behind the concept? And how does that fit with what we know so far as a consulting firm? […] So we looked at the presentations [of the endorsed firms]. Where was the concept implemented? How do we feel as a company, how do we think about control, and how does the concept fit into our client landscape? […] Then we explicitly went to talk to the players in the market that had presumably implemented it.” (Partner CTcon, interview)

Second, as also evidenced by the list of participating companies available online, a number of consulting firms became members of the BBRT in order to acquire first-hand knowledge from case studies and research efforts:

“We had some consulting firms as members. Accenture joined, for a year or two. And so did PwC, KPMG and some others. But generally, these were just individuals.” (Robin Fraser, interview)

Third, consultants conducted “market tests” by discussing with potential clients to see whether the topic would be of interest to them. This revealed the first disenchantments about Beyond Budgeting.
“We did feel resistance in the firms regarding the inconsistency of the concept, and in that moment we knew the concept was flawed with considerable risks and that, moreover, it cannot be applied just like that to any other firm! […] The first question they would ask is ‘please tell me three of my peers that also do this’. So this is the killer-argument par excellence. Then if you say ‘I don’t really know one either’, they will tell you ‘then I don’t want to be the first one!’ Then a lot of persuasion would need to be done.” (Partner Horváth & Partners, interview)

For both consulting partners we talked to, their information gathering resulted in their seeing relatively few market opportunities for the concept. On the one hand, this was because they saw only a few companies to which the concept could be applicable.

“So the concrete ‘Beyond Budgeting’ concept does not work because we believe it may only work in companies that exhibit little complexity and which are organised in a very decentralised way.” (Partner CTcon, interview)

“From my point of view, this only works in exceptional cases.” (Partner Horváth & Partners, interview)

On the other hand, it was a view of the difficulties potential adopters would encounter with the implementation of the concept. Interviewees did acknowledge that Beyond Budgeting was about changing corporate culture. This, however, was argued to be difficult to reconcile with the typical approach of how implementations were carried out in the market. The main argument that emerged was that either organisational culture was not usually fully addressed in short-term projects and/or that implementation would simply be too complex.

“All cultural change projects take about three to five years. If it takes three, management is really good; five is what you would typically need. But this also shows: Consultants cannot be with the firm for such a long time. […] Usually, projects do not last that long.” (Partner CTcon, interview)

“People either say ‘Hey, I really want to change something radically’. Or they say ‘That is too radical for me, I don’t want to do that’. There is no firm that says we want to be here and there in five years. People want quick wins and calculable risks!” (Partner Horváth & Partners, interview)

To be sure, this does not mean that consulting firms did not take up some of the ideas from Beyond Budgeting. Some of them, like Horváth & Partners, developed their own concepts (Horváth & Partners, 2004):
“In a phase where it was too early to say whether Beyond Budgeting will function as a [concept] or not, we really had to position ourselves in between. We did say to ourselves that there really might be firms that could control without budgets. Svenska Handelsbanken is one such example. But we also said to ourselves that we can imagine firms that may well keep budgets but might integrate a number of important elements from Beyond Budgeting.” (Partner Horváth & Partners, interview)

This concept, called “Advanced Budgeting”\(^5\), was partly motivated by the Beyond Budgeting movement and partly by the increased market pressure of having to provide solutions to clients’ concerns with budgeting. Today, the concept is a very important product for Horváth & Partners.

Proponents of Beyond Budgeting, however, were rather critical when comparing these consulting concepts with their “original” model:

“‘Well, it is because Advanced Budgeting has nothing to do with Beyond Budgeting, really nothing. So Beyond Budgeting always rests on the assumption that bringing these once formulated 12 principles to life is what Beyond Budgeting is about. Beyond Budgeting has nothing to do with improving either planning or budgeting. That is just not what the 12 principles are about. Even though there is nothing to say against that kind of approach, and it is fair to promote it, it is simply another playing field.’” (Niels Pfläging, interview)

To sum it up, consulting firms have had little involvement in diffusing the concept of Beyond Budgeting. When they were active, they promoted modified concepts that took only parts of Beyond Budgeting and packaged them in a different way. Beyond Budgeting as a “management model” does not seem to be easily sellable for consulting firms:

“They naturally found this to be an exciting prospect, but it is very long-term. Consulting firms have most of their business in today’s problems and performance management processes, not with transforming the whole management model. […] They like to generate or be associated with new ideas, but they also have to maintain an adequate revenue stream. That is the reality.” (Robin Fraser, interview)

“Essentially CFOs are promoting [Beyond Budgeting] implementations. Not consulting firms. It was mainly in-house. […]. [Beyond Budgeting] is not a tool. It is a way of looking at how you mobilize the resources in the firm. And… it is not based on software. It is not based on data analyses. It is really

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\(^5\) Interestingly, this is the same name as the research project that Robin Fraser conducted within CAM-I. There is, however, no link between the two.
a change of vision. [...] It will be slower, because it is not sellable by consulting firms. And that is my big problem. It is more a cultural change. It is a question of attitude. It is a question of educating people. It is a question of trust. That is very important. And no consulting firm, of the traditional consulting firms, can do that. If they had a branch in cultural change, and they had a branch in development of trust, they might be successful with Beyond Budgeting. But they… they want to sell software.” (Michel Lebas, interview)

All this suggests that consulting firms were far less active in promoting Beyond Budgeting than was the case with the Balanced Scorecard or Activity-Based Costing. And if consultants are not on board, a concept is likely to be more difficult to diffuse into practice.

3.8 Debating the concept: academics and professional organisations

Consultants are not the only institutional actors who may or may not promote a management idea. In this section, we consider in more detail how academics, practitioners and professional organisations have engaged in debates on Beyond Budgeting. While, overall, the level of debate was rather low, there have been some critical voices that may have informed companies’ attitudes towards Beyond Budgeting.

Arguably the most important channel through which academics and practitioners can influence other people’s opinions on a topic is through publications. In terms of audience, publications in practitioner journals are more relevant in this respect than papers in scientific journals. For the case of ABC, Jones and Dugdale (2002) document critical voices that saw in it not much more than a new “in vogue management technique” (Piper & Whalley, 1991, p. 54) not to be taken too seriously by practitioners. A similar type of critique was made on Beyond Budgeting, with some academics (Schäffner & Zyder, 2003; Rieg & Oehler, 2009) arguing that the concept would be one of the many products of the “management theory industry” (Kieser, 1997). Others criticised Beyond Budgeting for its radical critique on budgeting in general, according to which budgeting has no value at all (e.g. Dugdale & Lyne, 2006, Greenberg & Greenberg, 2006; Groot & DeWaal, 2007). To some extent, it seems that the harsh critique on budgeting prompted some people to voice their appreciation of budgets, provided that the latter were used correctly. The only “debate” on this issue that we could find
in a journal took place in *Financial Management* in 2007, where a consultant recommended avoiding the fashions of the Balanced Scorecard and Beyond Budgeting, in the latter case because budgeting was, in his view, a viable alternative (Shaw, 2007). In reaction to this, Robin Fraser argued that the consultant had misunderstood Beyond Budgeting (Fraser, 2007).

As documented for other diffusion processes (Newell et al., 1997; Parush, 2009), professional organisations have also had some impact on the Beyond Budgeting movement, especially through courses and public statements. Robin Fraser gave courses on Beyond Budgeting for CIMA and “the courses peaked (...) during the first two or three years after the book was published” (Robin Fraser, interview). Later, the initial enthusiasm waned, and at one point, no more courses were offered on the topic. However, CIMA did not actively position itself vis-à-vis the concept, reflecting its rather agnostic stance in general, as one of their lecturers tells us:

“So, CIMA allows me to really dictate my own material on what I am doing. So, what I do in the master courses, it is really saying, here are some cutting edge best practice concepts in budgeting. Rather than saying ‘This is CIMA’s view on budgeting, and this course reflects CIMA’s view.’ It's not that (...) I think they are pretty broad based. They certainly don’t say, ‘we are in the Beyond Budgeting camp, and you shouldn’t be doing budgeting in any other way’. I think they are very tolerant of a whole range of different ways of doing budgeting.” (Lecturer with CIMA, interview)

Compared to CIMA, the professional organisation for management accounting in German-speaking countries, the Internationaler Controller Verein (ICV), took a more active role in the debate on Beyond Budgeting. In these countries, the concept had garnered a lot of attention – not least because of the work of the regional BBRT-unit and because of the BBRT director from South America who is German. The ICV publishes its own “statements” on different tools or concepts, such as on sustainable accounting, the Balanced Scorecard, or budgeting. These statements “intend to be orientation guides as well as a means of practical support. […] They represent the agreed-upon opinion of the ICV” (ICV website).

The ICV says that it has been quite open to discussing the new concept and has repeatedly met with Beyond Budgeting proponents to discuss the concept and potential possibilities for
cooperation. It also analysed the new concept in a number of local workgroups, having internally distributed the twelve Beyond Budgeting principles to its members at annual congresses in Germany and Austria. It also gave Beyond Budgeting proponents the opportunity to speak at ICV congresses and events. The receptiveness of the ICV towards Beyond Budgeting, it is argued, is primarily based on the shared critique of command-and-control systems and traditional budgeting as well as its agreement with some, if not all, of Beyond Budgeting’s principles.

“Basically, we do support taking away budgeting’s old hats and giving people more freedom to be more customer-oriented, to use planning more strategically, or to implement rolling forecasts. These are all things we have been supporting for the last 30 years. These are all requirements we claim since our foundation in 1975. So from that perspective, Beyond Budgeting is preaching to the converted. But we cannot support throwing everything overboard which has proved to have value - especially those centrally coordinated tasks and processes which are, in the end, determined by a company’s technology or value creation and which are necessary in order to comply with the promises made to the customer.” (ICV executive, interview)

At the same time, the ICV openly criticised the radical suggestions that were implied in the concept of Beyond Budgeting. In 2007, it published a statement entitled “Beyond Budgeting – No thanks!”, thereby publicly discrediting the concept. In the two-page statement, the authors cite several successful firms working with “strict budgets”. The work imparts a rather clear message:

“If a prophet of Beyond Budgeting argues, ‘We do not have a crystal ball in which we can explain the future, thus we cannot plan’, then one can only contradict, because if we knew what expected us, we would not need planning. […] The thesis of ‘Beyond Budgeting’ misses reality and what is to be desired. Still, there are some correct points in the critique made by Beyond Budgeting. […] The general critique made by Beyond Budgeting is in the fixed performance agreements. […] The problem is not the target agreements but the financial greed of some few irresponsible managers that will not be reduced with Beyond-Budgeting. […] In Beyond Budgeting, the Internationaler Controller Verein does not see a solution for the control of firms – even less so in today’s dynamic, globalized markets. Our recommendation is: MODERN BUDGETING.” (ICV, 2007, pp. 1-2)

The statement was subsequently published online (ICV, 2007) and was succeeded by a heated discussion as evidenced in an online forum of a business network, where Beyond Budgeting proponents discussed issues related to Beyond Budgeting. Discussion participants were from
a variety of backgrounds such as company controllers, the BBRT, consultants, and ICV members. Those in favour of Beyond Budgeting criticised the ICV for imposing its will on its members:

“You as ICV executives are now trying to manipulate your members, that is something different from publishing the results of an independent research group [the BBRT]. [...] What you are doing there has a notion of paternalism [...]!” (Anonymous online discussion contribution)

The counter-position taken in this debate, backing the opinion of the ICV, was that abandoning budgeting was too simple a solution. There were further debates of this kind, taking place, for example, at the 2007 Annual Congress of the ICV in Austria, with competing presentations by the regional BBRT director and the chief executive of the ICV, respectively.

In November 2007, the ICV launched a research initiative with the aim of systematically developing a scientifically grounded, consistent, and practicable budgeting concept. The working group involved a number of university professors, practitioners, and consultants. This work resulted in a practitioner article published in May 2008, a white paper presented at the ICV 2009 Annual Congress, and eventually a book that claims to represent the current state of “modern budgeting” (Gleich & Klein, 2009). The book also contains a “critical analysis” of Beyond Budgeting arguing that it contains “unrealistic assumptions”, a “dogmatic claim”, and “internal contradictions” (Rieg & Oehler, 2009).

Whereas it is difficult to ascertain the precise extent to which the ICV has influenced practitioners’ opinions, it seems reasonable to assume that these debates and “counter-voices” account for some of the difficulties that Beyond Budgeting proponents have encountered when trying to get their concept accepted in the practitioner communities.

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6 The concept is called “modern” because it embodies the adaptations to the current demands of the business world. Arguing that their century-long use has inflated budgets, the ICV wants to cut budgeting back to a useful and control-relevant extent (Gleich & Klein, 2009).
3.9 Experiences in the field

The development of Beyond Budgeting as we have documented it up until this point relates to its evolution as a concept and the institutional work around it. As we have seen, this development has been strongly driven by the experiences of firms, especially in its early stages. In this section, we want to explore these experiences in more detail by looking at how selected firms’ budgeting practices evolved over time. How Beyond Budgeting practices develop within firms is potentially informative for our analysis of the concept, insofar as it may bring to light certain attributes of Beyond Budgeting that render its adoption more or less likely (Rogers, 1995). Our intention here is neither to promote nor to criticise Beyond Budgeting through either success or failure stories. Rather, we seek to highlight several critical issues concerning Beyond Budgeting implementations that can potentially explain why such implementations may prove difficult to realise or may even be overlooked in the first place.

As explained in Section 2 in greater detail, we examine two companies that abandoned budgets and were subsequently endorsed by the BBRT as success stories of Beyond Budgeting. Both companies (a) engaged in rather big change projects to get away from their “traditional” budgeting regime, (b) did so without initially knowing about the concept of Beyond Budgeting, (c) subsequently became role models for Beyond Budgeting, with organisational members talking about their firms’ experiences at conferences or BBRT meetings, and (d) operated successfully for a number of years with the new system in place before eventually moving back to a more “traditional” regime.

For reasons of space, we limit ourselves to a rather synthesised account of what happened in the two firms. The names of both the firms and the interviewees have been changed to protect their identities.
Case study 1: PriBa

SwiBa is a large, diversified, global bank headquartered in Switzerland. Its private banking business group, PriBa, in which the study was conducted, employs about 50,000 staff at the time of our presence. It is split into three business units, i.e. private banking outside the US, private banking in the US, as well as a unit which serves Swiss private and corporate clients. Its business units are supported by back office business units such as production, IT, and finance.

PriBa abandoned budgets in 2002, shortly after a new CEO was appointed to lead the business group. Until 2002, the organisation had been managed on the basis of a “traditional” budgeting process, which started in June and ended in December of each year. Budget targets were negotiated between a desk head and her respective client advisor. Budget emphasis in performance evaluation was very rigid with detailed comparisons between budgeted and actual values. Budget achievement was the most important single factor within the organisation’s incentive system.

“We budgeted very intensively, down to the last nook and cranny. Kept many people busy, just to be able to calculate and allocate all the services down to the last franc!” (Former country CFO, interview)

The rather rigid budgeting process was supported by a hierarchical management style. Client advisors and desk heads had little room to manoeuvre when it came to decision-making. They were constrained by the budget and, if they wanted to go beyond the budgeted numbers, had to ask their supervisors for approval, “who in turn had to ask theirs” (Former head of planning, interview).

As a consequence, there was constant dissatisfaction with the budgeting process. Because performance evaluation was focused on budget achievement, client advisors did not have an incentive to try and sell more once they had reached their target figures. Running the process was said to keep about 30% of the finance staff busy with even stronger peaks in the budgeting process; endless negotiations throughout the whole organization “paralyzed the
bank”. The budgeting process was “cumbersome and time-consuming” and prevented people from focusing on arguably more important things (Former head of planning, interview).

All this generated a lot of frustration within the organisation, but change only occurred when a new CEO for the wealth management business group joined the company in 2002. His agenda was to change the firm’s culture and to align it more with industry practice, which had seen a migration from a reactive pull-logic to a proactive push-logic:

“I would call [our previous culture] sunshine banking. Today it is the total opposite […] the urge of client advisors to go out there and face the market and not say ‘Come here, you want something, what should that be, my dear client?’ It was a real paradigm shift!” (Branch manager, interview)

In the past, tight budgetary control had enabled the bank to cut costs and operate at high levels of profitability. The new CEO now shifted strategic focus from efficiency to growth. His agenda was to encourage employees to assume more responsibility and to act more autonomously. To enable this change, the CFO and his team were mandated to think of a control system that would empower the organization and, in particular, the client advisors. Conscious of the bank’s experiences with budgeting, their idea was to abandon budgets. At first, this idea was perceived with extreme scepticism by the corporate centre.

“First, they said ‘you cannot do this’. You are part of our corporation. But [our CEO] pushed it with [the CFO] and they just said, ‘go ahead and do this’. And they told corporate, sorry, you won’t get these [numbers] from us any longer.” (Former country CFO, interview)

Budgets were eventually abandoned and this was mainly due to the critical role of the CEO:

“It would not have worked had it only been implemented by the CFO. It was successful because the CEO liked it. The backing was there. And the CEO has spread this new mentality and diffused it down via his managers.” (Former country CFO, interview)

Instead, the organisation focused on measuring performance by comparing it to previous years’ figures as well as to peer performance. Every business unit was given eight key performance indicators (KPIs) to be reported on a monthly basis. This also meant resource allocation was not planned and controlled in the detailed way as it had been before. The
coordinating purpose of the annual budgets was replaced by a number of frequent meetings that served to align the sales and the back-office departments. Concurrently with the changes in the control system, the finance organization was also reorganised, dividing the former finance staff into three groups: those who would do accounting, those who engaged mainly in reporting, and those who acted as business partners for line managers. This reorganization resulted in a change in job position for 30-40% of the former finance staff.

After a rather rapid abandonment of budgets and other control system changes, however, the management team quickly deemed it necessary to install a leadership seminar program which was to enable staff to cope with the new situation by helping employees develop into entrepreneurs within PriBa and requiring every member of the organization to participate in quite intensive trainings. At the same time, strong communication actions by a united leadership team were regarded as important in mobilizing the firm to change.

“When you change a system but keep using the same terms, then it will be difficult! We have worked hard to dispose of all terms from the budgeting world and to forge new ones. This was done to make it already emblematic regarding the wording: ‘We want to achieve something different!’” (Former country CFO, interview)

In retrospect, the change in control systems itself was unanimously described as radical in nature, representing a fundamental change in paradigms and sometimes deemed to have required “a huge amount of energy”.

“Abandoning budgets is a paradigm shift in an incredible dimension for the whole organization! […] Actually a colossal, maybe initially underestimated tour de force!” (Branch manager, interview)

“We did work on both [our processes and culture], obviously, but adjusting processes is much easier. Simply adjusting processes without adjusting culture is also unlikely to work!” (Former head of planning, interview)

Increasing a line manager’s responsibility was not always easy as the following anecdote illustrates, and to see the organization as a whole change accordingly was also a long process.

“And then they [in the branch] said ‘I think we need a new safe. We don’t have budgets any longer, so what shall we do?’ I asked, ‘Do you need a new
safe?’ That’s the thing, had it been budgeted then we would have replaced the safe. But the core of the question is: Do we need it for any reason? […] Are clients somehow [happier], do we make more profits with it? These were the typical discussions. There was a big uncertainty because people did not know how to act.” (Former head of planning, interview)

“We had training courses on how to become an entrepreneur. Everything was changed and the cultural shift came later: about three, four years, but one was always aware of that.” (Former country CFO, interview)

PriBa, and SwiBa as a whole, performed very well for several years until 2007 when they were struck by the global financial crisis. Concurrently, respondents at PriBa argued that, while an actual-vs.-actual orientation had helped boost revenues, the missing control function of the budget had led to a decrease in efficiency as evidenced by the firms’ cost/income-ratio and its disregard of risks.

“You improve your profits, but not necessarily your profitability!” (Former head of planning, interview)

Also, while the focus on growth had brought success, the cultural change towards more entrepreneurship was perceived by some to have been very slow and difficult. People were “overburdened” by their new demands (Head of reporting, interview).

For SwiBa, the impact of the financial crisis, which was partly homemade too, also meant that the CEO of the bank (who was the former CEO of PriBa) had to resign. The new top management then thoroughly scrutinized the non-budgeting control system.

“[The new CEO] comes in and says ‘Now tell me what you want to spend on consulting fees [in the next year]’. Then we tell him that we don’t know and that we can only tell him what we spent last year. What we will spend this year, we don’t know [because we did not plan it]. Because these are decisions taken by the decentralised units. So this makes him a bit nervous, I suppose because he does not know what happens there. That touches on the control instinct a little bit.” (Former head of planning, interview)

This eventually led to the re-introduction of budgets and planned-vs.-actual comparisons.

“Today, the trump card is to become more efficient again. Get costs down. Trim the structures. So we see again top-down guidelines that are being converted into plans.” (Former country CFO, interview)
Case study 2: SpecChem

SpecChem is an Austrian-based petrochemicals company that was created through the merger of two Scandinavian petrochemical companies in the mid 1990s. At the time of the study, the company employed more than 5,000 staff and had revenues of close to €7 billion.

In the first year of SpecChem’s existence in 1995, its control system was heavily influenced by those of its former parents, both of which had a “traditional” budgeting process for planning and control. Managers at SpecChem were dissatisfied with the budgeting process, not least because it was also said to have resulted in artificial negotiations that did not result in realistic numbers.

“There was clearly a high level of control, a high level of detail. […] [It] was pretty labour-intensive, took a lot of time and a limited amount [of] it was used afterwards.” (Business unit head, interview)

“It was a yearly process, it was a lot of work. And as I said, some things were in so much detail that basically, you know, you cannot plan them in that detail. And you have no value in that detail. If you try to plan what someone is going to do on an hourly basis for the next year. Basically useless.” (Business unit head, interview)

It was in that year that dissatisfaction intensified especially due to the recent merger as well as in reaction to an abrupt change in industry profitability.

“These two [merged firms] have different cultures. And they want to make a budget together in an environment that swings from minus-minus to plus-plus. I think you can imagine the quality of the resulting budget! […] I could not imagine anything worse than that!” (Management accountant #1, interview)

“Worthless the minute the ink dried!” (Management accountant #2, interview)

This dissatisfaction led the finance team to move away from the traditional budgeting system.

“There, somebody said, ‘Why do we even do this budgeting? Let’s just stop with it, it is not useful for anything.’ And then, people started thinking, ‘What can we do then? If we don’t have a budget […] what do we use the budget for, and how can we find the tools for each of these objectives, that are the most effective?’” (Management accountant #3, interview)
The appointed reengineering team took a very structured approach to abandoning budgets. The team knew that a budget had fulfilled several purposes at the company before and put specific instruments in place to fulfil the same purposes, namely a Balanced Scorecard designed to become the new target-setting tool, a rolling financial forecast for an annual outlook, Activity-Based Costing and benchmarking to control fixed costs and trend reporting for investment management:

“We [wanted to] make people more responsible for the return on capital, so that they also have this balance sheet responsibility’. So, it was […] really about […] empowering people, giving them more responsibility, and the underlying assumption was then, of course, that they would take more responsibility in steering their individual business with this extra freedom.” (Management accountant #3, interview)

Of these technical changes, the most crucial for SpecChem was, as respondents argued, to have achieved a separation of financial forecasts and performance measurement.

“If you have industry margin and volume outlook, you can fairly accurately predict our financial statements from that.” (Management accountant #3, interview)

“You will never get a realistic and honest forecast if the bonuses and performance evaluation of those carrying out the forecast depend on it.” (Management accountant #1, interview)

The non-budgeting approach at SpecChem was followed for several years. Over time, it encountered several challenges. First, there was an ownership change with the new owner demanding a more traditional budget in order to integrate it into his own budgeting process.

“In their capacity as our owners, they want to know the details, but for their own budgeting process, […] so, […] [we give them] these key financials. […] They of course review our budget in very great detail. So, they go quite [into the details] and challenge us.” (Management accountant #3, interview)

Second, the finance team became suspicious of the approach it had taken for investment management since they observed sub-optimisation that meant SpecChem came close to breaching its banking covenants.

“At a certain time, we were very close to breaching our banking covenant. So, we were in a quite a stressful situation, and in such kind of situation […]
it is my opinion that you cannot just allow people to spend just because [...] they might have a good investment opportunity, [...]. When the question is whether we breach covenant, or not, I think you have to take stricter control of your liquidity!” (Management accountant #3, interview)

Third, there was a change in management in 2001 involving the positions of CEO, CFO, Executive Vice President and HR Vice President. The former, predominantly Scandinavian managers were replaced by Anglo-Saxon managers who felt the need to take more control. For them, the idea of having no budgets was tantamount to having no control:

“Clearly, our new management came in with some strong views on how to steer and how to execute the financial steering, and they also came in [...] at a time, when we were in a situation of financial distress, and the mandate was really to tighten up on things and implement a turnaround. They were sceptical about this whole idea of non-budgeting. And they started on a path towards a more traditional financial steering approach, and a more traditional budgeting approach.” (Management accountant #3, interview)

“You are sitting in an executive meeting, and the executive says, ‘how is this comparing to budget?’ And you say, ‘well, we have a frame on, you know, all fixed costs, but we don't have a specific fixed cost budget for travel.’ – ‘Huh?! We don't?!”’ (Management accountant #2, interview)

Fourth, SpecChem was operating in a consolidating industry. In fact, it was for this very reason that SpecChem had been created through a merger. While, initially, the firm operated a number of sites rather independently from each other, these processes were increasingly centralised as time went by. Installing a control system based on decentralised empowerment was thus increasingly difficult with the business logic working in the opposite direction.

“This has been a trend over all these years and it continues to persist.” (Management accountant #1, interview)

“It is a capital intensive industry. There is a great need for coordination and integration, and integration is one of the key success factors [...] and there is a natural tendency towards centralisation. But of course, there are a lot of good things to be said about decentralization and empowering people, and I think that was one of the ideas also embedded in this model. [But] I think in an industry like ours, [...] it is very dangerous to push the investment decisions too low in the organization, there is no coordination.” (Management accountant #3, interview)

Responding to these challenges, the SpecChem finance team eventually reintroduced budgeting into the company.
“In the 2003 budget, there was more detail, and it took one level down every year. So, you start on the total group level in 2002, and then in 2003 you have… if we are talking about departments… you have the total group level, but then you have also the 32 VP level departments. And then in 2004 you go to one level more, and you have the departments below the VP level department. This was a kind of slow creep back, and at some point we just said, let's just say we are a budgeting company, because that's reality now.” (Management accountant #2, interview)

Taken together, the implementation itself together with the discussion on the conceptual characteristics of SpecChem’s control system created some confusion in the organisation. Some employees even argued that budgets had never really been abandoned and that the Beyond Budgeting initiative concerned mostly the semantics of budgeting. Others pointed out that the company perhaps only needed more time to ‘really’ go beyond budgeting:

“Maybe SpecChem did not have enough time to prove the concept can work well. […] If you argue Beyond Budgeting is a lot of management philosophy and soft facts, can you really implement this in a company that was spread all over Europe and foster it in people’s hearts and minds in just a few years? I would argue: No. If you don’t consider this, you can’t really judge whether Beyond Budgeting could have been a success since, otherwise, the implementation period would have had to be longer.” (Management accountant #1, interview)

This last quote reflects a sentiment that is shared by some of the proponents of Beyond Budgeting we interviewed who were familiar with the cases of PriBa and SpecChem. According to their understanding of these two cases, the firms’ change initiatives simply did not go far enough.⁷ Thus, one should not use the case studies as evidence for alleged flaws in the model of Beyond Budgeting. This is indeed not our intention here. However, what the two cases clearly show is that implementing Beyond Budgeting is not an easy undertaking. In both firms, we observe that Beyond Budgeting was seen to require a new management style, but realising this proved challenging in both organisations. Furthermore, both firms eventually moved back to a more traditional budgeting regime: after times of crisis and financial distress, managing without budgets came to be perceived as a rather risky strategy. We think that this illustrates the challenges and difficulties that may lead to the failure of such implementations

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⁷ It should be stressed that neither PriBa nor SpecChem implemented the Beyond Budgeting model per se. Rather, the BBRT later endorsed the two firms as role models for their concept – at least during the period in which they were pursuing the Beyond Budgeting path.
or that may easily discourage potential adopters from going further. As we argue in greater
detail in the next section of this paper, our view is that these difficulties can be linked to the
specific attributes of Beyond Budgeting (Rogers, 1995), thus shedding more light on why
Beyond Budgeting had difficulties diffusing in practice.

4. Reflections on Beyond Budgeting – and beyond

4.1 On the promotion and adoption of Beyond Budgeting

“Beyond Budgeting is not a toolset designed to fix a specific problem with
budgets or anything else. Nor is it a set of processes that can be cherry-
picked to suit the requirements of senior managers who claim to have
identified particular weaknesses in their information systems. (…) Rather, it
offers an alternative management model based on the decision-making needs
of front-line managers.” (Hope & Fraser, 2003a, p. xix)

In their numerous publications, Hope and Fraser repeatedly emphasised that Beyond
Budgeting was not a tool or technique, but rather an integrated management model. At the
same time, our analysis reveals that there was some level of disagreement about the relative
importance of the different parts within that model. Robin Fraser wanted a clear focus on the
principles of decentralisation, whereas Jeremy Hope preferred to spotlight the performance
management principles. They did agree, however, that an organisation really went beyond
budgeting only when it applied all 12 principles.

In this respect, the model can perhaps be described as an “ideal state”:

“I do not believe that the BBRT model can be applied fully. It is a
framework. It is a guide that managers should learn to reflect on their own
management system and see where they can tweak it a little bit to help bring
it closer to the model. But nobody will ever get a Beyond Budgeting
implemented fully. It is a utopian idea, but utopian ideas are very useful.
And in that sense, it is… it is what you create, when you create the perfect
man by taking the best parts of everybody. That is what we did with Beyond
Budgeting. That is what Jeremy Hope and Robin Fraser put in their book.
They really put down what the best of the best parts of the system that we
have observed, or they have observed, are; and it makes it into a beautiful,
good looking person, but it is not a person that is human. I mean, it does not
take into account human frailties. But it is definitely a canon of beauty,
against which we can benchmark everybody’s practices.” (Michel Lebas,
interview)
Although not everyone might agree with this perspective, it seems to resonate with the difficulties that Beyond Budgeting has had in diffusing into practice. As Beyond Budgeting is not primarily about a change in tools or techniques, but about a different management style and culture, it is a comprehensive undertaking for an organisation. And the more comprehensive and complex an innovation is, the less likely it is to be adopted by organisations (Rogers, 1995). Furthermore, the implementation of Beyond Budgeting implies that “the CEO or CFO will have to make a radical change in his or her way of working” (Niels Pfläging, interview). In this sense, Beyond Budgeting is in most cases not compatible with predominant norms (Rogers, 1995), but rather fundamentally challenges these norms. It is not obvious that managers within a firm are willing to change their own management style. Further, management accountants and finance managers, for whom the budget is an integral part of their traditional practices and thus closely linked to their professional identity, seem even less likely to welcome such a radical change. It is far less problematic in this respect to introduce a new costing system or a set of additional performance indicators. But even if a large-scale change in culture is deemed desirable, it may be impeded by the perceived scope of the undertaking and uncertainty regarding its final outcome. Beyond Budgeting is “scary to a lot of people”, because it means living with uncertainty (Michel Lebas, interview). And “there is such a fear of uncertainty that [companies] would rather go for one percent gain with certainty, and with a mechanical controlling system called a budget, than have the flexibility of [Beyond Budgeting]” (Ibid.).

Uncertainty relates to the nature of the concept, which is not about adding something to the organisation, but about abandoning something and replacing it with something else, as pointed out by Charles Horngren in his foreword to Hope and Fraser (2003a):

“Most of the solutions generally proposed for management problems involve putting something new into the organization. In this regard, beyond budgeting is very different. Perhaps uniquely, it proposes taking something powerful out to make room for something new and even more powerful.” (Horngren, 2003, p. xi)
This arguably constitutes a more radical, and risky, change than when a tool or technique is added to the existing management toolbox. Organisations may, for example, experiment with a Balanced Scorecard or an alternative costing system, without fundamentally challenging their existing way of managing (Modell, 2009). There is little harm done if a BSC is designed and “implemented” but not used to the full extent of its claimed potential (Speckbacher et al., 2003). The same can be said for Activity-Based Costing. Indeed, Hope and Fraser (2003a) themselves point out that “[t]he innovative management tools of the past decade have been used to fundamentally transform the performance management process” (p. 9). But whereas, for them, this demonstrates the insufficiency of these tools as stand-alone solutions—“marginal improvements to a broken system” (ibid.)—we would argue that it is precisely their incremental aspiration (Jones & Dugdale, 1998) and their “trialability” (Rogers, 1995) that have allowed tools such as the BSC or ABC to become so widely adopted in organisations. In contrast, the decision to go Beyond Budgeting, and as a consequence to abandon budgets, is substantial. It is not only a change in techniques but involves “changing the whole management model and establishing a new coherence among all of its components: leadership, organization, management processes, systems and tools” (Robin Fraser, interview). Managers who are aware of this may consequently shy away from going Beyond Budgeting. Moreover, our case studies suggest that the relative advantage (Rogers, 1995) that managers may initially see in Beyond Budgeting is likely to lose its attraction once difficult questions of cost control, responsibility, or coordination begin to emerge. Actual experiences with Beyond Budgeting or with abandoning budgets may ultimately remind managers that budgets do fulfil some essential roles in an organisation rather than being an “unnecessary evil”. As the examples of PriBa and SpecChem illustrate, this is particularly likely to be an issue in times of financial distress, to which organisations tend to react by increasing, rather than loosening, their budgetary controls (van der Stede, 2000).

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8 One may counter here that the BSC also was envisioned to bring about a radical change in management. Indeed, such aspirations are visible especially in Kaplan and Norton’s later publications on the BSC. We do not deny this potential of the BSC to become a radical instrument of change. We simply suggest that it may easily and “successfully” be implemented and used in organisations without unleashing this potential. We further elaborate on this point in Section 4.2.
One may, of course, argue that the concept needs more time to diffuse and that organisations need to feel enough “pressure and urgency” finally to opt for Beyond Budgeting (Nils Pfläging, interview). It may well be that “companies that plan too much will lose out more and more compared to their competitors that have gone Beyond Budgeting” (ibid.), which could, in turn, lead to more companies going Beyond Budgeting. But such a contagion effect can work only if there is a critical level of adoption already in place (Tolbert & Zucker, 1983; Bjørnenak, 1997), resulting in many “success stories” against which other companies can benchmark themselves. Currently, this is clearly not the case (Libby & Lindsay, 2010). As far as the BSC is concerned, Kaplan and Norton (1992, p. 73) have no trouble demonstrating that “several companies have already adopted the balanced scorecard” and that “[t]heir early experiences using the scorecard have demonstrated that it meets several managerial needs”. Hope and Fraser (2003a) likewise refer to successful implementations of Beyond Budgeting, but their in-depth case studies also show that potential adopters may find it hard to observe the potential benefits of Beyond Budgeting (Rogers, 1995). Even when success can be observed, it may not be so easy to explain or to imitate—not least because it cannot be traced back to a single tool that purportedly makes all the difference.

The particular characteristics of a concept, and their perception on the demand side, are influenced by various forms of “institutional work” (Lawrence & Suddaby, 2006) on the supply side. The actors involved in such institutional work include the founding fathers of a concept, consulting firms, academics, members of professional organisations and the like. When aimed at promoting the concept, their activities can trigger a process of diffusion, even though it does not guarantee permanent institutionalization of the concept (Perkmann & Spicer, 2008). In this respect, our empirical data show that Beyond Budgeting has been promoted in a way similar to comparable management accounting ideas, such as the Balanced Scorecard or Activity-Based Costing. There were a number of publications that made the concept available to the academic and practitioner communities; there was an organisation (BBRT) that promoted the concept through workshops and other activities; and there were case studies that illustrated the claimed benefits of the concept for potential adopters.
However, whereas several independent intermediaries contributed to the diffusion of the concepts of ABC (Jones & Dugdale, 2002) and the BSC (Qu et al., 2009), Beyond Budgeting was promoted mainly by the BBRT, with few outside activities by other allies. This lack of “partaking” (Dorado, 2005) is problematic insofar as it does not lead to the creation of a critical mass of independent but converging promotion activities (Perkmann & Spicer, 2008). One important group of promoters was particularly absent: consulting firms apparently did not endorse the concept to the same extent as they did with Activity-Based Costing or the Balanced Scorecard (Jones & Dugdale, 2002; Qu et al., 2009). Their lack of involvement in the institutional work partly reflects the sentiment among potential adopters that consulting firms “tested” before deciding whether to engage in Beyond Budgeting or not. Those consulting firms that did react to the Beyond Budgeting discourse did so by appropriating the concept in their own terms, such as in the form of “Advanced Budgeting” in the case of Horváth & Partners. While it appears that such budgeting projects account for an important part of consulting firms’ revenues, they do not promote the concept of Beyond Budgeting itself. Consequently, perhaps it comes as no surprise that the BBRT, which considered the full-scale model to be workable in practice, did not entirely approve of the efforts of “allies” who did not promote this full-scale version. This was as true for Horváth & Partners and their variant of “Advanced Budgeting” as it was for André de Waal who assisted in implementation projects reflecting only part of the Beyond Budgeting model. In these cases, the BBRT established rather clear frontiers to their own concept:

“And in the BBRT, we paid attention to these things and said: ‘Well, this is not Beyond Budgeting, what you are doing here. We think it is good that you are interested in the topic and that you want to contribute something, but we would like to make sure that Beyond Budgeting stays Beyond Budgeting and does not somehow degenerate into Better Budgeting.’” (Niels Pfläging, interview)

The BBRT was run as an open network to which potential allies could connect. Of course, this openness involved the possibility that some of these allies appropriated the concept in their own terms and not necessarily in line with the ideas of the “founding fathers”. Such was the case even within the BBRT itself. Steve Player’s strategy in North America has apparently
been to take quite a pragmatic stance and to promote tools for business forecasting or performance management, rather than the Beyond Budgeting model in its entirety. This is a strategy that the proponents of the full-scale model are not particularly happy with:

“We are not running the BBRT as a centralized business where we are able, if we wished to, to guard rigorously the branding. Of course I am not happy with the situation that BBRT North America is not presenting what we in Europe believe Beyond Budgeting is: a new management model, not a set of tools that can be implemented incrementally. However, I am happy that over the past 12 years all BBRT directors have moved to a common understanding that Beyond Budgeting is not a tool, but a new management model. Budgeting was our entry point to this discovery, but ‘no budgeting’ was not our destination. We have been on a journey and it was natural that we did not all reach identical points in understanding at any particular time.”

(Robin Fraser, interview)

The activities of allies in adapting the concept to their own interests did not represent “ideological beliefs” in a different sort of identity. Instead, they clearly emerged out of “practical concerns” with the feasibility of the model in practice. This suggests that there has been a tension within the Beyond Budgeting movement between conceptual identity and practical feasibility – a tension that invites closer examination. Hence, whereas we addressed different elements explaining the non-diffusion of Beyond Budgeting in the above discussion, the next section focuses on one such element. We do not claim this to be the only or most important aspect to explain the non-diffusion of the concept; rather, we pay particular attention to it because of the interesting theoretical insights it has to offer.

4.2 On the identity and plasticity of a concept

“Beyond Budgeting cannot be a ‘pick-and-mix’ approach to change. It is an alternative coherent model or it is nothing.” (Hope & Fraser, 2003d, p. 76, our emphasis)

“Or it is nothing…” The identity of Beyond Budgeting as a coherent management model, involving adherence to all 12 principles, has obviously been of concern to its proponents. Perhaps this was simply out of an ideological belief in the benefits of the concept as it was designed; or perhaps it was also to help the concept maintain its uniqueness and identity so that it can establish itself as a brand. But is a clearly delineated identity always beneficial for
diffusing a concept? Not necessarily. The diffusion of a concept can be slowed down if it is defined in such a way that it does not allow for a sufficient degree of *plasticity* regarding its interpretation and use (Ax & Bjørnenak, 2005). Benders and van Veen (2001) refer to this quality as the “interpretative viability” of a concept (see also Ortmann, 1995):

“[A]ny concept must necessarily lend itself for various interpretations to stand a chance of broad dissemination. The interpretative viability allows that different parties can each ‘recognize’ their own version of the concept. These parties may thus accept and even embrace a concept because they see it as being beneficial to their interests.” (Benders & van Veen, 2001, p. 38)

Accordingly, as a concept diffuses, the number and variety of interpretations is likely to increase, as Giroux (2006) illustrates for the total quality movement. Yet although Benders and van Veen (2001) rightly emphasise the importance of a certain degree of interpretative viability or plasticity in a concept, they do not discuss potential problems of too much plasticity. We suggest that the trade-off between a concept’s identity and its plasticity potentially works in both directions. On the one hand, too strong an identity may endanger diffusion of a concept, if potential adopters cannot interpret or apply the concept in a flexible enough way. On the other hand, if a concept is too malleable, it risks losing its unique identity, insofar as the applications of the concept may no longer be recognisable as realisations of *one and the same* idea.

Existing accounting studies have alluded to this trade-off between identity and plasticity. Qu et al. (2009) argue that the success of the BSC can partly be explained by the fact that the BSC can be appropriated by organisations in a variety of ways, while also maintaining its identity across sites. In other words, each variation of the BSC is different but at the same time sufficiently recognisable as a variant of the BSC. Similarly, Quattrone and Hopper

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9 Giroux (2006) speaks of “pragmatic ambiguity”, which she defines as the “condition of admitting more than one course of action” (Ibid., p. 1228). She thereby explicitly builds upon Benders and van Veen’s (2001) notion of “interpretative viability”.

10 Qu et al. (2009) refer to the notion of a “boundary object” as introduced by Star and Griesemer (1989). Such objects are “both plastic enough to adapt to local needs and the constraints of the several parties employing them, yet robust enough to maintain a common identity across sites” (Star & Griesemer, 1989, p. 393). Whereas Star and Griesemer (1989) focus on an organisational context that requires direct *cooperation* among actors from different social worlds, Qu et al. (2009) apply the notion to objects that gain or maintain relevance
in a case study addressing the use of SAP in a multinational organisation, link the success of SAP to both its homogeneity and heterogeneity across sites. While SAP is a unique software package and thus a commodity, its “ambiguous features and functionalities, the malleability granted by its programming language (i.e. the ABAP code), and its compatibility with other technologies (e.g. spreadsheets) and management practices (i.e., accounting)” create space for flexibility and by that “help make it a best seller” (Ibid., p. 244). And Jones and Dugdale (2002) observe something very similar for ABC, namely that:

“On the one hand, ABC may appear to be becoming a fixed certainty, something in particular, a black box, something that is pinned-down in social practices, as it is codified and inserted into computer software. On the other hand, it can appear to remain open, to offer a toolbag of disparate elements into which anyone can dip and extract what they want.” (Ibid., p. 155)

These three studies provide converging observations: ABC, SAP and the BSC all managed to overcome the trade-off between identity and plasticity that management innovations are potentially subject to. Each concept was conceptualised in a way that allowed it to achieve high levels of plasticity without endangering its unique identity. But while the existing literature illuminates this point in rich detail, it does not explain why some innovations succeed in overcoming or balancing this trade-off, while others do not. It is in this respect that the case of Beyond Budgeting promises valuable insights. We suggest that one reason why Beyond Budgeting did not take off was because it was conceptualised in such a way that the trade-off between identity and plasticity was particularly problematic – in fact so problematic as to be eventually “unmanageable”.

As we have seen above, Beyond Budgeting was defined and promoted as a comprehensive management model, and adherence to all its twelve principles was deemed critical for across independent sites – such as when a management tool or concept diffuses across a population of organisations (see also Briers & Chua, 2001).

11 Quattrone and Hopper (2006) introduce the notion of “heteromogeneous object” to characterise those objects that allow for both identity and plasticity. This is very similar to the notion of a boundary object (Star & Griesemer, 1989), except that Quattrone and Hopper (2006) reflect more strongly on the ontology of such objects. They stress that if an object is both homogeneous (identical) and heterogeneous (plastic) at the same time, then it is no longer one and the same object. Thus, SAP or the BSC are not clearly identifiable objects, but are always already many things at once.
unleashing the true potential of the concept. The BBRT defended this identity and, accordingly, did not really approve of the more pragmatic approach taken by some of its members or allies who treated Beyond Budgeting more as a “toolbox” from which to choose certain items. This clear delineation of what Beyond Budgeting was and what it was not created an identity that offered little interpretative flexibility. Beyond Budgeting came to be perceived as a radical approach and, as such, faced resistance from consultants, professional organisations, academics, and potential adopters.

Should the BBRT have therefore chosen a more lenient definition of Beyond Budgeting? Should the concept have been promoted in a more pragmatic way, allowing for more flexibility in its interpretation and use? In practice, this would have meant giving up the insistence on adhering to all 12 principles, as one observer and early ally of the Beyond Budgeting movement explains:

“One could have done one thing, namely to say that the 12 principles represent the building blocks of a framework or model which describes a kind of ideal state of a management system. And then you use it as an ‘eye opener’ to start off the discussion. And if someone comes and says he wants to do it all [i.e. implement the whole management model], then fine. But my experience was that in 90% of the cases the project scope was only on performance management, meaning that the main focus was on the management accounting function. And then only the 6 Beyond Budgeting performance management principles were relevant and in most cases only parts of them – depending on the needs of the specific company and on the opportunities for change that existed at the moment when the project started.” (Jürgen Daum, interview)

The idea behind this is that a more pragmatic approach would have allowed the BBRT to forge a stronger “alliance” with those who did not opt for the full-scale management approach. With more people promoting variations of the same idea under one and the same label, Beyond Budgeting could perhaps have achieved greater momentum as a concept.

Should we therefore conclude that a more lenient definition of Beyond Budgeting would have helped diffuse the concept more widely? Perhaps we could, but there remains one important caveat. What a more lenient definition of Beyond Budgeting implies is that organisations can “pick” some of the principles or tools, without adopting the full management model. And if
organisations – successfully or not – start introducing only some of the tools or practices that can be associated with Beyond Budgeting, such as rolling forecasts or a Balanced Scorecard, then there seems little reason to speak of “Beyond Budgeting” implementations. After all, Beyond Budgeting does not provide new tools, but rather puts existing tools into a new frame:

“Beyond budgeting’ is a guiding set of principles. It is not a model or set of tools. These already exist in the form of shareholder value models, benchmarking models, Balanced Scorecards, activity-based management, customer relationship management models, and enterprise wide information systems.” (Bunce et al., 2002b, p. 47)

Accordingly, Ax and Bjørnenak (2007) refer to Beyond Budgeting as an example for an innovation that houses other innovations and that can therefore be regarded as a “combination of other innovations” (p. 373). However, it is not only a combination of other things. What Beyond Budgeting aspires to do is to put existing tools and practices into a new context:

“We have all the tools and techniques we need. What we lack is the right overall context for them to work effectively.” (Horn gren, 2003, p. xi)

If this “overall context” is eliminated, all that remains are the tools that already exist. And tools such as rolling forecasts or the Balanced Scorecard are “strong” concepts in and of themselves and can also be promoted as such. They may well become “allies” for the implementation of Beyond Budgeting, but they may equally impede diffusion of the concept because of their own institutional power. Hence, when organisations implement only a subset of the full Beyond Budgeting model, it may no longer be “recognisable” as Beyond Budgeting—simply because it would be more natural to talk about the introduction of a “Balanced Scorecard” or a “rolling forecast” in such cases. In other words, for Beyond Budgeting to gain attention as something new, it needed to be more than a mere collection of already existing techniques—and this is exactly how it was promoted by its founding fathers and the BBRT. In contrast, many firms seem to have opted instead for small-scale changes (Libby & Lindsay, 2010), implementing selective tools such as rolling forecasts or Balanced Scorecards to complement, rather than abandon, their existing budgeting systems. Accommodating or “housing” such tools does not seem to be a problem for budgeting.
Moreover, this plasticity of budgeting makes it all the more difficult for proponents of Beyond Budgeting to make a successful case for full-scale implementations of their model.

As far as the relationship between identity and plasticity is concerned, it is instructive to compare Beyond Budgeting with Activity-Based Costing and the Balanced Scorecard. Both of them are somewhat caught in between being a management accounting tool and a broader management concept, especially in their later versions. Even though the proponents of ABC and the BSC basically promoted a new tool in their early writings, they later put this tool into a broader context and “aggrandized [it] into a management philosophy” (Jones & Dugdale, 2002, p. 159): ABC progressed from a costing technique to “Activity-Based Management” (Jones & Dugdale, 2002) and the BSC was transformed from a specific measurement tool into a broader philosophy of management (Bible et al., 2006; Qu et al., 2009). There is, however, one striking difference between ABC and the BSC on the one hand, and Beyond Budgeting on the other: although ABC and the BSC are promoted as broader management systems, their unique identity is grounded in their being tools. Even if organisations implement ABC or the BSC without changing their management models, they can claim to have adopted these innovations and both remain recognisable as such. Beyond Budgeting, in contrast, cannot be looked upon as a simple tool or technique without losing its unique identity. It is based on the adherence to a set of principles that address “management as a whole” (Bunce & Fraser, 1997, p. 26) and that, taken together, constitute its identity. Realising only a subset of these principles would effectively mean taking away its identity. This would explain why some proponents of Beyond Budgeting have insisted so much on full-scale implementations, and why the concept did not achieve the same recognition in practice as ABC or the BSC.

Comparing the diffusion of Beyond Budgeting with that of ABC or the BSC may invite criticism. If Beyond Budgeting really is a management philosophy, whereas ABC and the BSC are mainly management accounting tools, then it may be unfair to compare them in the first place. It may perhaps make more sense in this respect to compare Beyond Budgeting with other management philosophies, such as Total Quality Management or Value-Based...
Management. However, although our analysis does show that Beyond Budgeting is *conceptualised* as a general management philosophy, it has effectively been *perceived* by many as falling into the domain of management accounting or financial management, especially in its early years. This is evidenced, for example, by the fact that the main journal publications on Beyond Budgeting by Hope and Fraser have appeared in management accounting outlets (i.e. *Management Accounting* and *Strategic Finance*) and that the concept was mainly promoted at conferences and seminars for the finance and accounting community. This trend is also visible in textbooks and research papers that explicitly mention Beyond Budgeting alongside other management accounting innovations (e.g. Ax & Bjørnenak, 2007). The concept’s very label has certainly contributed to this perception – apparently to such an extent that proponents of Beyond Budgeting have openly expressed their concerns about it. According to Robin Fraser, the label “Beyond Budgeting” was not particularly helpful for diffusing the concept,

> “because people have generally assumed that the solution lies within the area of responsibility of financial people in a company. And financial people are not able to make all of the changes that are necessary to change a management model, obviously.” (Robin Fraser, interview)

Indeed, membership of the BBRT consisted mostly of corporate representatives with a background in finance or accounting, rather than of managing directors or general managers. And “it is difficult, when you have got a network established, to change” it (Robin Fraser, interview). To bring about such a change, some, like Fraser or Pfläging, have moved away from the initial label and now talk of “radical decentralisation” and “the Beta Codex”, respectively. Whether this will help them to attract more attention in the marketplace for their ideas remains to be seen.

Coming back to our question of *why* some innovations succeed in balancing or overcoming the trade-off between identity and plasticity, while others do not, the case of Beyond Budgeting offers an important insight. Existing research suggests that a new concept’s ability to establish associations with successful existing practices is likely to promote its diffusion
(Jones & Dugdale, 2002; Quattrone & Hopper, 2006; Ax & Bjørnenak, 2007). The story of Beyond Budgeting adds an important caveat in this respect, namely that strong “allies” may turn out to be “false friends”. The fact that Beyond Budgeting “houses” (Ax & Bjørnenak, 2007) a variety of existing tools and practices has not really helped the concept diffuse. Instead, it turned the trade-off between identity and plasticity into a real double-bind: the identity of Beyond Budgeting as something new depended on it being more than simply a combination of existing techniques. Thus, there was no real alternative for the proponents of Beyond Budgeting than to promote the management model in its entirety. This, in turn, did not allow for creating momentum, because it did not offer sufficient plasticity. The trade-off between identity and plasticity was, in a sense, “unmanageable”.

5. Conclusion

In this paper, we explore the emergence and evolution of the Beyond Budgeting movement. Whereas the content of Beyond Budgeting is accessible through publications on the topic, the way in which this content came into being and the reasons for its development over time have not yet been documented. In this respect, our paper adds to a genealogy of management accounting practice that emphasises the process through which new ideas or tools emerge and evolve (Miller & Napier, 1993). It thereby replies to calls for detailed studies on how such ideas occur through the interplay of consultants, academics, and professional associations and how and why they are, or are not, introduced in organisations (Malmi, 1999; Abrahamson & Fairchild, 1999).

In our analysis, we consider attributes of the concept (Rogers, 1995), institutional work on the supply side (Lawrence & Suddaby, 2006) and experiences on the demand side (Ferlie et al., 2005; Modell, 2009) to reconstruct the reasons why Beyond Budgeting has not enjoyed the same success as other management (accounting) innovations. Our particular contribution in this respect is to elucidate the trade-off between a concept’s identity and its plasticity. The case of Beyond Budgeting suggests that the way the identity of a concept is defined is crucial to its potential to diffuse. Although the theoretical groundwork for this finding has been laid
in earlier research (Star & Griesemer, 1989; Benders & van Veen, 2001), our paper is, to our knowledge, the first to analyse empirically this trade-off between identity and plasticity in any depth.

That Beyond Budgeting has not diffused widely by no means implies that it has nothing to offer. With respect to budgetary control, it provides a “cogent and insightful analysis documenting the weaknesses of budgeting” (Libby & Lindsay, 2010, p. 12) and puts forward some interesting ideas for how to overcome or alleviate these weaknesses, such as the increased use of rolling forecasts (Morlidge & Player, 2010) or the evaluation of performance relative to peers. Looking to improve their management practice, many organisations now also consider some of the managerial principles that Beyond Budgeting has called for, such as greater decentralisation or empowerment. In most cases, this does not happen under the label of Beyond Budgeting, and sometimes occurs without any knowledge of the corresponding movement, and it arguably takes on forms less radical than those envisaged by the proponents of Beyond Budgeting. Nevertheless, such changes are underway and are worthy of more in-depth investigation. There is still relatively little research on how budgeting practice develops over time and on how organisations go about making changes to that practice (Frow et al., 2005, 2010; Østergren & Stensaker, 2010). What Hope and Fraser did to challenge extant budgeting practice—namely to study firms’ experiences through detailed field studies—also provides a promising way forward to further our understanding of the dynamics of budgeting practice itself.
## Appendix 1: Interviews

### Interviews with significant actors

<table>
<thead>
<tr>
<th>#</th>
<th>Interviewee</th>
<th>Affiliation</th>
<th>Duration (min.)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Franz Röösli</td>
<td>BBRT Director for German-speaking countries</td>
<td>125</td>
</tr>
<tr>
<td>2</td>
<td>Anonymous</td>
<td>Executive board member, Internationaler Controller Verein (German Association of Management Accountants)</td>
<td>80</td>
</tr>
<tr>
<td>3</td>
<td>Niels Pfläging</td>
<td>Former BBRT Director for South America</td>
<td>100</td>
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<tr>
<td>4</td>
<td>Michel Lebas</td>
<td>Former academic advisor to the BBRT and professor of management accounting</td>
<td>80</td>
</tr>
<tr>
<td>5</td>
<td>Anonymous</td>
<td>Lecturer for CIMA and consultant</td>
<td>80</td>
</tr>
<tr>
<td>6</td>
<td>Robin Fraser</td>
<td>Co-founder of the BBRT</td>
<td>95</td>
</tr>
<tr>
<td>7</td>
<td>André de Waal</td>
<td>Early ally of the BBRT in the Netherlands</td>
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</tr>
<tr>
<td>8</td>
<td>Anonymous</td>
<td>Partner with Horváth &amp; Partners, consulting company, Germany</td>
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<tr>
<td>9</td>
<td>Anonymous</td>
<td>Partner with CTcon, consulting company, Germany</td>
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<tr>
<td>10</td>
<td>Jürgen Daum</td>
<td>Management and CFO adviser for SAP, speaker and book author on Beyond Budgeting and other finance and management topics</td>
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</table>

### Interviews in companies operating without budgets

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<td>PriBa</td>
<td>Management accountant (former line manager)</td>
<td>95</td>
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<tr>
<td>12</td>
<td>PriBa</td>
<td>Management accountant (former line manager)</td>
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<td>PriBa</td>
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<td>14</td>
<td>PriBa</td>
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<td>16</td>
<td>PriBa</td>
<td>Former country CFO</td>
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<td>PriBa</td>
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<td>24</td>
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<td>25</td>
<td>DrugRe</td>
<td>Two management accountants (one of them a former line manager)</td>
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<tr>
<td>29</td>
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<td>Two management accountants</td>
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<td>HeatEq</td>
<td>CFO</td>
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<td>32</td>
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<td>Chief sales officer</td>
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## Appendix 2: Public observations

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<td>1</td>
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<td>Management accountant, PriBa</td>
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<td>2</td>
<td>Practitioner conference (March 2009)</td>
<td>Management accountant, PriBa</td>
<td>65</td>
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<td>3</td>
<td>Practitioner conference (June 2008)</td>
<td>Management accountant, DrugRe</td>
<td>60</td>
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<td>4</td>
<td>Public presentation (March 2009)</td>
<td>Founder and non-executive director, DrugRe</td>
<td>60</td>
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<tr>
<td>5</td>
<td>Annual meeting of the ICV (German Controller Association) (April 2008)</td>
<td>BBRT Director</td>
<td>60</td>
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<tr>
<td>6</td>
<td>Beyond Budgeting seminar in Switzerland (May 2008)</td>
<td>BBRT Director</td>
<td>60</td>
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<tr>
<td>7</td>
<td>Beyond Budgeting presentation in Germany (June 2008)</td>
<td>Niels Pfläging</td>
<td>85</td>
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<tr>
<td>8</td>
<td>BBRT Summit (June 2005)</td>
<td>Various speakers</td>
<td>n/a</td>
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**Figure 1:** The endorsed firms in the Hope/Fraser-publications 1997-2003 (Source: our compilation)

<table>
<thead>
<tr>
<th>Source</th>
<th>Companies referenced</th>
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<td>Bunce &amp; Fraser, 1997</td>
<td>IKEA, Svenska Handelsbanken, Volvo, ABB, Hewlett-Packard, Nuclear Electric for abandonment of budgets or other changes</td>
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<td>Hope &amp; Fraser, 1997</td>
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<td>Hope &amp; Fraser, 1998</td>
<td>GE, HP, 3M, Svenska Handelsbanken, Borealis, SKF, Volvo, BP, Shell</td>
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<td>Hope &amp; Fraser, 1999a</td>
<td>Svenska Handelsbanken (in depth), Volvo, IKEA, SKF, Borealis, KF, Schlumberger, Boots, Ericsson</td>
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<td>Hope &amp; Fraser, 1999b</td>
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<td>Hope &amp; Fraser, 1999d</td>
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<td>Hope &amp; Fraser, 2000</td>
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<td>Fraser &amp; Hope, 2001</td>
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<td>Hope &amp; Fraser, 2003a</td>
<td>Rhodia (in depth), Borealis (in depth), SH (in depth), Ahlsell (in depth), Leyland Trucks (in depth)</td>
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Figure 2: The progress of the Beyond Budgeting movement (Source: our compilation inspired by Tschandl & Schentler, 2006)
Figure 3: How the BBRT supports companies in introducing a Beyond Budgeting management model (Source: Hope, 2003)
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