

Empowering middle managers in social services using management control systems

Empowering
middle
managers in
social services

Per Nikolaj Bukh and Anne Kirstine Svanholt

Department of Economics and Management, Aalborg Universitet, Aalborg, Denmark

Received 26 June 2019

Revised 30 October 2019

24 December 2019

Accepted 24 December 2019

Abstract

Purpose – This paper examines how a public sector organization combined management control systems (MCS) to comply with increased uncertainty and conflicting objectives of tight budget control, flexibility, and quality care simultaneously. It also analyzes how middle managers interpret management control intentions and manage conflicting objectives, and how locally developed MCS are coupled with top management goals.

Design/methodology/approach – This paper uses a case-study approach, based on interviews with top and middle managements, as well as document studies conducted at a medium-sized Danish municipality.

Findings – Both constraining and enabling control systems empower middle managers and facilitate tight budget controls. Furthermore, middle managers play a crucial role in the use of MCS, develop local control systems, adjust existing control systems and influence the decisions and strategies of top management.

Research limitations/implications – This paper is context-specific, and the role of accounting in professional work varies due to the specific techniques involved.

Practical implications – This paper shows how MCS, including budgeting and planning systems, can be applied in social services to help middle managements obtain tight budget controls while also improving service quality.

Originality/value – This paper adds to the limited extant research on the role of middle management in a control framework and demonstrates how MCS can balance conflicting goals in social services when uncertainty increases. Furthermore, this paper shows how the vertical coupling of MCS is tight when budgeting is employed for planning purposes.

Keywords Budgeting, Empowerment, Levers of control framework, Management control systems, Middle managers, Public sector, Social services

Paper type Research paper

1. Introduction

In the wake of financial crises, austerity politics (Bracci *et al.*, 2015) has increased pressure on local government organizations (Ahrens and Ferry, 2015; van der Kolk *et al.*, 2015), as indicated by the growing emphasis on tight, i.e. formal and excessive, budget controls (cf., Van der Stede, 2001), in times of budget turbulence (Johansson and Siverbo, 2014, p. 272). Some researchers suggest that budgeting becomes more important in times of crisis (e.g. Collins *et al.*, 1997; Colignon and Covalski, 1988), while others argue for loosening control (e.g. Czarniawska and Hedberg, 1985) or even abandoning budgets (Hope and Fraser, 2003). Becker *et al.* (2016) argue that the diversity of the findings can be explained by the multiple uses of budgets where economic crisis increases their importance for planning while reducing the importance of budgeting for performance evaluation due to increased uncertainty.

As noted by Batac and Carassus (2009), public sector organizations responsible for delivering public welfare services, such as social services, must continuously manage multiple objectives. Several authors, including Ahrens and Ferry (2015), van der Kolk *et al.* (2015), and Llewellyn (1998), have demonstrated that demands may be in conflict with each



When collecting the data, Anne Kirstine Svanholt was an industrial Ph.D. student. The project was funded by Innovation Fund Denmark, KMD, COK and the Association of Municipality CFOs. None of the funders had any influence on the selection of research site, or the research process. We wish to thank the participants from the municipality for participating in this research project.

other. It has been argued that complying with potentially conflicting goals may require using management control systems (MCS) that balance various forms of controls (Kober *et al.*, 2007; Kloot, 1997. Moreover, several researchers (Bedford *et al.*, 2016; van der Kolk *et al.*, 2015; Malmi and Brown, 2008; Simons, 1995) suggest that control systems should be studied as a control package rather than studying the technical aspects or function of specific control systems.

Among the various analytical frameworks suggested for studying MCS as a package (e.g. van der Kolk and Schokker, 2016; Malmi and Brown, 2008), the levers-of-control (LOC) framework (Simons, 1995) explicitly focuses on the opposing forces that manage tensions “between freedom and constraint, between empowerment and accountability, between top-down direction and bottom-up creativity, and between experimentation and efficiency” (Simons, 1994, p. 4). Of the four levers identified by Simons, two (belief systems and interactive control systems) have an enabling role, and two others (boundary systems and diagnostic control systems) have a constraining role (Tessier and Otley, 2012).

Simons (1995) studied MCS from the perspective of top management, defined as “those responsible for ensuring that strategies are formulated and implemented” (Simons, 1990). Although subsequent research, as mentioned in Martin *et al.*'s (2016) review of the empirical use of the LOC framework, extended the framework to lower management levels, few studies (Deschamps, 2019; Frow *et al.*, 2010; Pettersen and Solstad, 2015; Tuomela, 2005) actually incorporated lower management and discussed how controls at lower and higher levels of management are coupled.

Top management may decide on a strategy and overall MCS design, but local MCS and vertical coupling, i.e. coupling between hierarchical levels, of MCS are important in achieving objectives and implementing strategies (Frow *et al.*, 2010; Deschamps, 2019). Most literature on MCS as a package of control systems only consider horizontal couplings, e.g. coupling between control elements at the same hierarchical levels or between intended and actually used control packages. Noticeable exceptions include Van der Hengel *et al.* (2014), who focused on 12 Dutch municipalities and found that control systems were often loosely coupled across various organizational levels, and van der Kolk and Schokker (2016), who found that municipal plans and departmental plans were tightly coupled.

The present paper investigates MCS in the social services of a Danish municipality and purports to answer the following three research questions: (1) How can budgeting processes balance tight budget with flexibility and quality? (2) How do middle managers develop and use MCS to comply with potentially conflicting objectives? and (3) How are locally developed MCS coupled with top management goals?

In addressing these research questions, this paper uses Simons's (1995) LOC as an analytical framework and conducts a qualitative study of a psychiatry and disability department in a Danish municipality, referred to as Alpha, focusing on both top-management's intentions and middle managers' interpretations and reactions. This paper is relevant for practitioners because it connects management accounting with managerial work (Berry *et al.*, 2009; Hall, 2010; Van der Stede, 2015) and explores how accounting systems and practices in public services might be designed, implemented and operated to generate positive consequences that outweigh associated risks (Jacobs and Cuganesan, 2014; Cuganesan *et al.*, 2014). In particular, this paper contributes to practice by demonstrating how tight budget control in social services can improve flexibility, quality and professional judgment.

Becker *et al.* (2016) noted that previous research on budgeting almost exclusively focused on the performance evaluation function of budgets while “rarely accounting for other functions budgeting plays in organizations” (Becker *et al.*, 2016, p. 1,509). The present paper contributes to literature by addressing Becker *et al.*'s (2016) call for more research on the functional emphasis of budgeting and their diagnostic or interactive use. This paper shows in line with Frow *et al.* (2010) and Sandalgaard and Bukh (2014) that budgets play an important

role in organizations that simultaneously face uncertainty and a need for financial control. Specifically, this paper demonstrates that increased focus on budgeting in planning processes not only reduces perceived uncertainty and increases budget compliance but is also instrumental in increasing flexibility and improving quality.

By showing how MCS is used by middle managers positioned close to the end service in the public sector, this paper adds to the growing literature about MCS in the public sector (Kloot, 1997; Batac and Carassus, 2009; Kober *et al.*, 2007; Abernethy and Brownell, 1999; Kominis and Dudau, 2012). The study shows that middle managers design local control systems or add methods to existing control frameworks in order to make them comply with local conditions and to tighten the coupling with top management goals and upper hierarchical levels.

This paper also adds to the limited literature (Deschamps, 2019; Frow *et al.*, 2010; Marginson and Bui, 2009; Tuomela, 2005) regarding the perspective of middle management when applying the LOC framework. Moreover, it contributes to the literature on how middle management uses MCS to interact with top management (van der Kolk and Schokker, 2016; Marginson, 2002; Raes *et al.*, 2011) when strategies are implemented and when MCS are supplemented with local control systems. Previous studies of the vertical coupling of MCS focused on results controls and the use of MCS for performance measurement (e.g. Van der Hengel *et al.*, 2014; van der Kolk and Schokker, 2016), where loose coupling between MCS at hierarchical levels are common. The present paper supplements this literature by not only showing that vertical coupling becomes tighter when budgeting is used for planning purposes but also indicating how the interactive use of budget and planning systems facilitate this process.

The remainder of this paper is organized as follows. Section 2 introduces the framework for the empirical analysis, including the LOC framework and the role of middle management and budgeting in turbulent times. Section 3 presents the empirical setting and describes the methodology, while Section 4 empirically presents the components of the MCS at Alpha from the perspective of top management. Finally, Section 5 shows how middle management interprets and uses MCS, while Section 6 discusses the empirical results and concludes the paper.

2. Analytical framework

MCS are often described as systems used to align organizational behaviors with goals and strategies (Deschamps, 2019; Otley, 1980). While management accounting techniques, such as budgeting, are central to management control (Otley, 1999, p. 370), MCS is a broader term that encompasses other forms of control (Malmi and Brown, 2008). Moreover, in the MCS literature, conflicting demands have been shown to create tensions between predictable goal achievement and the need for flexibility, innovation and learning (Abernethy and Brownell, 1999; Di Francesco and Alford, 2016; Frow *et al.*, 2010; Kastberg and Siverbo, 2013).

Many researchers (Otley, 1999; Ferreira and Otley, 2009; Broadbent and Laughlin, 2009; Malmi and Brown, 2008) argue that the function and effect of control systems should be studied as a control package (Bedford *et al.*, 2016; Malmi and Brown, 2008), rather than focusing on the technical aspects or functions of a specific control system. The present paper adopts the LOC framework (Simons, 1995) to analyze the MCS package in Alpha. Although we use this framework to analyze the empirical material, we focus especially on the role of the budget and planning process within the overall MCS package and how locally developed MCS are coupled with top management intentions and MCS.

2.1 The levers of control framework

Simons (1995) identified four types of control systems, two of which (belief systems and interactive control systems) were defined as “positive” and two of which (boundary systems

and diagnostic control systems) were defined as “negative.” Following [Tessier and Otley’s \(2012\)](#) arguments, to avoid confusion with the quality of the controls, we call the control systems “enabling” and “constraining.” The dual role of controls implied by the LOC framework creates dynamic tensions that influence the attainment of organizational goals and instigates a “search for opportunities to solve problems” ([Mundy, 2010](#), p. 499).

Belief systems facilitate search for new and attractive opportunities by communicating values, purposes, and direction and by inspiring organizational members to commit to corporate objectives. Thus, belief systems are enabling systems that publicize goals and values to managers that may not be reflected in routine MCS.

Boundary systems specify the scope and the limits of search activity. According to [Simons \(1995\)](#), they limit exposure to strategic risk by establishing “rules of the game,” specifying what is acceptable and identifying actions and pitfalls that employees must evade to avoid wasting organizations’ resources. Any MCS, including financial or non-financial data that sets out minimum standards or guidelines for behavior can be used by managers as a boundary LOC ([Frow et al., 2010](#)). Besides, budgetary rules and financial restrictions, boundary systems in social services may also be guidelines that regulate professional competency, establish consistency in social work, and align the strategies and direction of political councils.

Diagnostic control systems coordinate and monitor the implementation of intended strategies and identify exceptions and deviations from plans ([Simons, 1995](#), p. 59). These diagnostic processes represent the traditional use of MCS, in which corrective actions result from performance feedback ([Mundy, 2010](#); [Marginson and Ogden, 2005](#); [Bedford, 2015](#)). Diagnostic controls require clear, non-ambiguous and measurable performance goals that are consistent with goal achievement.

Interactive and diagnostic control systems are similar in that they both are feedback and measurement systems ([Martyn et al., 2016](#)). However, the distinction between these two types of control systems relates more to information use than to technical design. [Simons \(2000](#), p. 216) stated that interactive control systems were used by managers “to personally involve themselves in the decision activities of subordinates.” Interactive MCS often implies dialog and knowledge exchange, examining assumptions underlying both current and new, emerging strategies ([Batac and Carassus, 2009](#); [Kominis and Dudau, 2012](#)) and leading to frequent face-to-face meetings among managers from different parts of the organization.

Some researchers conclude that controls constrain behaviors and reduce creativity ([Gilson et al., 2005](#); [Hirst et al., 2011](#)). However, recent studies that applied the LOC framework ([Deschamps, 2019](#); [Speklé et al., 2017](#)) show that control systems can create productive tension between control and flexibility, which, in turn, empowers management. This is especially due to the role of interactive control systems that stimulate and guide emergent strategies by enabling top-level managers to focus on strategic uncertainties, understanding and responding to threats and opportunities as competitive conditions change ([Janke et al., 2014](#)). Within the public sector, studies drawing on [Simons’s \(1995\)](#) LOC framework have shown that interactive control systems enable organizational learning, innovation, and strategic development ([Kloot, 1997](#); [Kober, 2007](#)).

2.2 Applications of the LOC framework

The development of the LOC framework was based on field studies of private-sector companies ([Simons, 1990, 1991, 1995](#)). The framework has, however, been applied within the public sector as well. Among the 45 LOC studies identified by [Martyn et al. \(2016\)](#), 11 involved the public sector, and one was conducted with a non-governmental organization.

Rather than studying only the technical aspects of control systems, LOC research has demonstrated the importance of analyzing the interplay and use of different MCSs. On the one hand, a combined and balanced use allows the four levers to reinforce each other.

According to [Kominis and Dudau \(2012\)](#), financial and non-financial information, used in traditional diagnostic control systems to measure performance against budgets and goals, can also be used interactively to identify new challenges and to reduce risk and uncertainty. Alternatively, as shown by [Widener \(2007\)](#), they can be used to structure and facilitate interactive debate, helping the organization produce new solutions.

On the other hand, failure of this usage to create balance may cause slower decision-making, wasted resources, instability, and ultimately, lower performance. [Henri \(2006\)](#) argued that poor use of diagnostic processes could result in lack of focus, whereas excessive use could inhibit innovation and creativity. Additionally, according to [Sprinkle et al. \(2008\)](#), the inability to employ balanced use-of-boundary systems could make them too rigid, preventing employees from seeking alternative and possibly better solutions.

The LOC framework focuses on managing the tension between creative innovation and predictable goal achievement, in which traditional, constraining control systems complement other more enabling forms of control ([Bisbe and Otley, 2004](#)). Regarding the public sector, an emerging stream of LOC literature focuses on the crucial role of interactive controls, in particular, to create organizational learning ([Kloot, 1997](#); [Batac and Carassus, 2009](#); [Abernethy and Brownell, 1999](#)) and to deal with uncertainty and risk ([Kominis and Dudau, 2012](#)).

The literature that draws on [Simons's \(1995\)](#) LOC framework noted an unclear demarcation between different MCS ([Bisbe and Otley, 2004](#); [Tuomela, 2005](#); [Widener, 2007](#)), asserting that different control systems likely reinforce each other ([Widener, 2007](#); [Kominis and Dudau, 2012](#)) and positing that the distinction between enabling and constraining control systems is not always clear ([Mundy, 2010](#); [Tesser and Otley, 2012](#)).

2.3 The role of middle management

[Simons \(1995\)](#) studied MCS from the perspective of top management, defined as “those responsible for ensuring that strategies are formulated and implemented” ([Simons, 1990](#)). Although subsequent research, as mentioned in [Martin et al.'s \(2016\)](#) review of the empirical use of the LOC framework, extended the framework to lower management levels, few studies ([Deschamps, 2019](#); [Frow et al., 2010](#); [Pettersen and Solstad, 2015](#); [Tuomela, 2005](#)) incorporate lower management and discuss how controls at lower and higher levels of management are coupled. As shown by both [Frow et al. \(2010\)](#) and [Deschamps \(2019\)](#), although top management may decide on a strategy and overall MCS design, middle management MCS are important for achieving objectives and implementing strategies.

According to [Woolridge et al. \(2008\)](#), including the perspective of middle management is crucial for identifying and generating new ideas. Moreover, in their vicarious positions in the hierarchy in which they coordinate the delivery of an organization's end service ([Dutton et al., 1997](#)), middle managers must continuously position themselves between top-down and bottom-up processes ([Balugon and Johnson, 2004](#); [Floyd and Woolridge, 1997](#); [Conway and Monks, 2011](#)).

[Deschamps \(2019\)](#) argued that, when studying the consistency of MCS and their role in implementing strategy, the actions and intentions of managers at different hierarchical levels are important. He also argued that an autonomous use of MCS at each hierarchical level may be important to understand the control package. Similarly, [Frow et al. \(2010\)](#) found that middle managers may have difficulty determining when to use a particular control system, how much emphasis to apply, or how to combine different MCSs deployed by top management and [Tuomela \(2005\)](#) found that diagnostic control systems developed by senior management can be used interactively by middle management.

2.4 Budgeting in turbulent times

In recent years, traditional annual budgets have been criticized for creating “fixed performance contracts” ([Hope and Fraser, 2003](#)) that are unsuitable in turbulent times or in

fast-changing environments (Sandalgaard and Bukh, 2014). Consequently, it is suggested that budgets should be replaced with a more adaptive control package, based on management accounting techniques such as rolling forecasts, non-financial performance measures, and relative performance evaluations. However, previous studies (e.g. Sandalgaard and Bukh, 2014; Bourmistrov and Kaarbøe, 2013; Frow *et al.*, 2010; Henttu-Aho and Järvinen, 2013) show that budgets play an important role in organizations that simultaneously face uncertainty and require financial control.

Bhimani *et al.* (2018, p. 307) mention that “early budgeting studies more generally argued for the greater relevance of traditional financial controls such as annual budgets in uncertain environments, and cost-focused strategies,” whereas other budgeting studies over the last 15 years argued that accounting systems should remain relevant and beneficial in more unstable environments (Johansson and Siverbo, 2014; Marginson *et al.*, 2014). Moreover, previous research stated that budgeting and the management of ambiguities in organizations can positively impact managerial behaviors (Johansen and Siverbo, 2014). Furthermore, Becker *et al.* (2016), in their study of changes in budgeting processes during an economic crisis, indicated that increased uncertainty can result in an increased focus on continuous planning, through re-budgeting or preparation of forecasts. Regarding the role of budgeting in performance evaluations, Becker *et al.* (2016, p. 1508) showed that “performance evaluations with budgetary targets became less important and gave way to other indicators.”

van der Kolk and Schokker (2016) not only draw attention to the importance of studying MCS elements as a package of techniques but also to studying the vertical coupling of MCS elements between different hierarchical levels. Most studies of vertical coupling of MCS focus on results controls and the use of MCS for performance measurement (e.g. Van der Hengel *et al.*, 2014; van der Kolk and Schokker, 2016), where loose coupling between MCS at hierarchical levels is common. Focusing on the role of budgeting for planning purposes, as in the present paper, the results from Becker *et al.* (2016) might imply that vertical coupling becomes tighter when budgeting is used for planning purposes.

3. Methodology

3.1 Case study setting

Denmark has a long history of publicly funded social services, which are provided by municipalities and regulated by the Danish Social Services Act. The social services can be broadly divided into three areas: elderly care, special needs for children, and special needs for adults. These services, part of the Social Services Act, are regulated separately and usually organized in different municipal departments.

Alpha, a medium-sized municipality with about 65,000 inhabitants, is situated in the vicinity of Copenhagen, the capital of Denmark. It was chosen for this study because it has been mentioned in reports and by experts in social services as having successfully balanced the budget within the social services. The municipality has three divisions, organized by the type of services provided. The Social, Health and Work division includes four separate departments: Elderly Care, Health, Work, and Psychiatry and Disability. In addition to the service divisions, the municipality has established transverse support departments for human resources, finance and digitization. The Department of Psychiatry and Disability (DPD), which is responsible for social services to adults aged over 18 years, is organized with centralized teams and decentralized units.

The centralized teams include a quality and development team run by the deputy head, an administration team led by a department head, and a purchasing team headed by a purchasing manager. The purchasing team buys services and assesses clients' needs and eligibility, provides referrals to residential homes, workshops and home care and follows clients' progress in all cases.

The decentralized part of the department consists of a number of service provider units that, for instance, provide residential homes of varying sizes and workshops for the mentally and physically disabled, with each unit led by a provider manager. It also includes one large unit that delivers services, such as home care, residences and workshops, to people with psychosocial disorders.

3.2 Data collection and analysis

The data was collected as part of a larger study of management control systems within social services in Danish municipalities. This area has in most municipalities experienced higher expenses, greater difficulties in complying with budgets, and limited insights into the cost and quality of social services compared with other parts of the public sector. The study of the Department of Psychiatry and Disability in Alpha was conducted in May 2012, using semi-structured interviews and document studies.

We interviewed 13 individuals, including five senior managers, five middle managers and three staff specialists. The top-management interviewees included the Director and Deputy Director in the Social and Health Care Division, the Department Head and Deputy Head of the Psychiatry and Disability Department, and the municipality's Head of Budgeting and Analysis. Interviews with middle management included the manager responsible for purchasing and referrals in the Department of Psychiatry and Disability and four managers responsible for provision of services. The interviewees also included two staff specialists responsible for planning social work initiatives in the Department of Psychiatry and Disability and one controller from the Finance Department.

The study was initiated by holding a meeting with the Department Head and Deputy Head of the Psychiatry and Disability Department, one staff specialist from the department and one controller from the Finance Department. The research project was presented, and we obtained an initial understanding of the department's organizational design. The meeting also clarified the interview protocol.

Documents such as budgets, annual reports, strategy papers and political memorandums were collected onsite, and other documents were found on the municipality's website. Using documents as a data source implies that these data are available without the intervention of the researchers. Thus, such documents represent "what participants are actually doing in the world—without being dependent on being asked by researchers" (Silverman, 2014, p. 276). By cross-referencing interviews with each other and with documents, multiple data-collection methods increase the data's validity. Using a semi-structured interview protocol helped the interviewees focus on issues important to them, thereby making it possible to explore relevant issues.

The interview protocol was based on the LOC framework and structured into six themes. The first theme addressed background questions about the position, education and experience of the interviewees, while the second theme focused on the organization and their perspectives about the history of the organization, along with their views about present and future challenges. In relation to the LOC framework, the questions under this theme gave the interviewees an opportunity to address strategic challenges and uncertainties.

Within the third theme, the interviewees were asked what they found to be the most important aspect about the control framework. On the one hand, these questions addressed the framework in a more general sense, while on the other hand, they addressed how the interviewees perceived specific control elements such as budget compliance and responsibility in this respect.

The fourth theme established an understanding on how budget control and professional competency are related in daily operations, for example, by asking about managers' tools and methods. Moreover, the interviewees were asked about decision processes and communication, and how managers and employees perceived constraints and trade-offs.

The fifth theme addressed how long-term planning was regarded and prioritized, both as part of the control framework and in daily practice. Finally, questions in the sixth theme queried internal and external collaborations to understand the level of influence in daily practice, the political organization, and its collaboration with the administration. Overall, themes three to five addressed the control elements within the LOC framework.

Interviewees were assured confidentiality, and the interviews lasted 1–2 h. All interviews were recorded, fully transcribed, and together with the collected documents, analyzed using the NVIVO 10 qualitative software package. This made it possible, using a systematic approach for data reduction, classification and interpretation, to reduce the qualitative data's analytical bias, which improved the study's reliability. It also improved validity by establishing a fit between the research themes and what was actually observed and identified during data collection and analysis.

The data was initially coded to identify specific control elements and how these elements were used. Next, the role of the control elements in relation to the four levers of the LOC framework was coded. Further, coding was done to identify the use of accounting information and control systems, and to determine how middle managers interacted with employees and top management. In order to improve reliability, the initial coding was conducted by both researchers and differences were discussed.

4. Alpha's management control systems

4.1 Direction and target setting

The management control systems at Alpha reinforce the municipality's hierarchical organization and cascade political and administrative intentions and objectives. Every four years, a city council is elected, and political committees governing various activities are formed. As one of its first major tasks, the city council decides on a strategy for the electoral period. Furthermore, a common practice in Danish municipalities is that the committees make explicit declarations or policies for their major service areas. Both the declarations and strategies are in practice formulated at the administrative level but in close interaction with the committee governing the area in question.

In Alpha, a new so-called Disability Declaration was introduced in 2010. The declaration did not specify exact initiatives, but it set the direction for the administration:

We are on the edge of implementing a whole new approach to the field, which is the rehabilitation perspective. With this new way of thinking our future work will focus on what clients are capable of and not so much on what they need to be compensated for. (Disability Declaration, 2010–2013)

The top management at the Department of Psychiatry and Disability complemented the chosen strategy and declaration with two action plans: one for clients with impaired physical and mental functions and another for those with psychosocial disorders. Although these plans are termed "action plans" they are long-term policy directions and can be seen as part of the belief system:

The plan, representing our effort within social psychiatry, and focusing on recovery and rehabilitation, must be anchored in an organization where creativity, availability, holistic and adjoined effort, user involvement and interdisciplinarity thrive. (Action Plan of Social Psychiatry, 2020)

The action plans are termed 10-years plans to indicate the long-term perspective. At the department level, an elaborate performance management system translates the vision of the "action" plans to specific yearly targets, which become part of the budgeting process, and function as a diagnostic control system. For example, an objective in 2011 was to increase the purchasing of services from Alpha's own service providers, and a target of improving from

64.9% to 67% was set and included in a so-called performance contract (Greve, 2000) for the purchasing department.

4.2 *Quality standards*

To ensure case management consistency and to comply with legislation, formal quality standards, functioning as a boundary system, clarify the service level that can be expected by clients. Moreover, these quality standards not only specify the methods used by the department to assess the needs and eligibility of clients but also clarify the processes and principles used to refer clients to adequate services.

Although the boundary system did not specify financial limits and targets, the interviews and several documents made clear that quality service implied cost-consciousness and rehabilitation. The Disability Action plan stated that “[t]he goal with rehabilitation is to make clients more self-reliant” and that it “will release resources to clients with increased needs.” Cost-conscious behavior was also implicit in the quality standards, which clarified what is acceptable for social workers and how to prioritize issues in the assessment and referral process. The director of the Social and Health Division explained that:

We expect our social workers to think in costs, but now and then we see that a given explanation for rejection is that the intervention was too expensive. That is not ok. You do your research and find services capable of providing what we request based on the assessment of the client. If one of the adequate services is less expensive than the others, we of course will choose that one, but we will never do anything based on costs alone. (Director)

Finally, the department’s referral practices, which were described in a document that supplemented the quality standards, became an important part of the boundary system. More specifically, it stated that case workers are required to present all recommendations to a committee headed by the purchasing manager, which has the final say in referral decisions.

4.3 *The budgeting system*

Common to all divisions, the backbone of the municipality’s control framework is the budget control system, which is operated by the finance division. The head of the Budgeting and Analysis department, in describing the budgeting culture, emphasizes the dialog it fosters:

It has become culture, and everyone knows that this is how things work. If one of the divisions is overspending, they know to involve us as soon as possible and document whether they are capable of fully or partly financing the additional consumption because they know it will get right back at them otherwise. (Head of Budgeting and Analysis)

As stated in Alpha’s written budgeting regulations, the budget system is based on two overall principles: “management by objectives” and “decentralization.” According to the head of Budgeting and Analysis, these two principles should strike a balance between freedom and constraints. Managers have to focus on tight budget controls and follow the directions set forth by the city council and the belief system. At the same time, decentralization provides managers with flexibility, fostered by the belief that frontline managers know how to manage resources relating to the services that they provide:

If you follow in the right direction, and make sure your budget balance, which is a discipline we all know how to perform, from the mayor and down, then you have a giant room to maneuver. (Director)

All departments with administrative tasks are regarded as cost centers and must comply with budgets. Further, the purchasing team, which is responsible for assessing needs and provide referrals, is a cost center with a fixed budget that is not adjusted by demographic developments either annually or during the budget year. The principle of a fixed budget is

based on the decision that managers must prioritize resources without jeopardizing the needs of clients and compromising the quality of care. However, since the needs of individual clients as well as the number of clients eligible for services change over time, management must continuously focus on these aspects. In addition, on-going dialogues about the development and status of individual client cases are necessary. Such management processes indicate an interactive use of the budgeting system in which a cost-conscious, professional approach improves assessments and referrals by matching clients with the most appropriate services at the lowest cost and following up with revisions when necessary:

We have a fixed budget, because the municipality to some extent believes that the field is controllable. Then we make analyses now and then, e.g., next year we will get extra 650,000 euros, which will be reduced again in following years. Therefore, we will initiate an analysis and from previous analyses we have been able to detect that something is coming and that is why the budget is being increased temporarily. (Deputy Head)

The service provider units are structured as profit centers and funded according to the level of activity in the unit. When the master budget is developed, units are allocated a budget based on capacity and expected occupancy rate. Budgets are regulated quarterly based on actual occupancy rates in the previous budget-year period. This method was chosen in order to focus on capacity utilization and to motivate managers to lower costs and improve quality:

The budget regulation model implies control of the expense budget and rate revenue, and that providing managers should adjust the level of expenses and comply with the budget. On the one hand, this model provides the managers with room to maneuver, and on the other hand, it provides an incentive to keep the occupancy rate high or to adjust capacity promptly if demand decreases. (Principles for Management Accounting 2006)

Decentralization enables individual managers decide how to allocate their budgets, as long as they remain in accordance with political goals and prioritizations. The head of the department emphasized that service provider managers “have room to maneuver and they can use the budget the way they find best.” To motivate managers to undertake tight budget controls, any overspending or underspending in principle can be carried over to the following year. Although overspending generally is carried over, surpluses can be carried over with the approval of the political committee. This takes place in most cases. The head of Budgeting and Analysis explains the reasons clearly:

We have no limits for how much can be brought forward, and that is an important part of our control framework, with the purpose to make sure that everyone is committed and take responsibility, and that happens when you can keep the money you save during the year. If we take the savings from the managers just one year, it will take 10 years to rebuild the trust again. That is why we try to avoid freezing of savings. (Head of Budgeting and Analysis)

The allocation of budgets to departments and units is closely linked with a formal monitoring and feedback process during the budget year, as stated in the following document:

Ordinary budget follow-up is done every month. The task is completed by the individual unit in collaboration with the department/division. As a minimum a more thorough budget follow-up should be completed at every quarter of the year. (Principles for Management Accounting in Providing Units 2007)

4.4 The purchasing budget

While the budget control system focuses on the current budget year, a longer-term perspective is necessary for evaluating individual client cases and determining when investments in rehabilitation are made. The budgeting system and the purchasing budget can be interpreted as feedback and measurement systems, i.e. diagnostic control systems.

However, there is a distinction between the diagnostic and interactive systems in which the personal involvement of managers characterizes the interactive control system (cf. [Simons, 2000](#), p. 216). In Alpha, the purchasing budget enables management to focus on uncertainties and respond to threats and opportunities, thus serving as an interactive control system. The Head of Budgeting and Analysis explained this as follows:

We have proactive management control, which means that we attempt to focus on the longer-term. What do we think will happen? How will the number of elderly client progress? This enables us to identify challenges and how it is expected to influence costs for us to focus on what can be done in advance, so we will not experience what we see in a lot of other municipalities where they do not initiate action in time and suddenly are forced to make big cutbacks. (Head of Budgeting and Analysis)

The Deputy Head of the Department of Psychiatry and Disability also stated the following:

I think it is important continuously to make sure to analyze what the future might bring. Analyses do not necessarily solve the problems, but make sure we are aware of the problems. Analyses also make sure we reach conclusions on what to do. I believe it to be extremely important to be ahead of future changes. (Deputy Head)

The cornerstone in this interactive control system is an Excel sheet referred to as the purchasing budget. Created in the mid-2000s, the spreadsheet contains all relevant information about each client receiving social services from Alpha and has been continuously updated. From the top management's perspective, the purchasing budget serves a dual purpose: On the one hand to control the budget by comparing it monthly with all service purchases and update year-end spending prognoses, and on the other hand to follow-up on individual cases, ensuring that client services remain adequate.

The purchasing budget is also used internally in the purchasing department for analyses and prognoses. Although short-term analyses are largely based on financial information, the interactive processes include both financial and non-financial issues, for example, dealing with a target group's costs, handling the capacity and development of services of new target groups, and developing existing capacity. The head of the Psychiatry and Disability department explained it in the following way:

We are initiating an analysis of how one of our residential homes should look in the future. What kind of residents do we anticipate will be using this particular home? We know it is not the same as those residing there today. Some might be the same, but some of them will be different. Then we also must think about our own needs for capacity and a lot about the needs in the region (other municipalities demand for provision). Should the home be a specialized residential home, or should it be a place capable of managing diversity in the needs of residents? (Head of Department)

The fixed purchasing budget makes the interactive use of the budget more imperative. The ability to identify, for example, new client groups eligible for different services from those provisioned makes necessary to respond to changes and influence future spending. The ability to offer adequate services at the right time is critical, since establishment of more capacity is a long-term process. Moreover, failing to respond in a timely manner may result in the provision of insufficient services, which can lead to higher costs. Another consequence may be the need to purchase adequate services from private suppliers or other municipalities. However, this can be more expensive over the long term due to the limited ability to influence rates and services.

5. The perceptions of middle managers

All middle managers in charge of service provider units displayed insights into the overall control framework and how processes of the different systems comprising it are formally

organized, including knowledge about goals, vision, and overall strategy. Overall, they were most interested in understanding how a chosen direction impacted their own unit and how to implement strategies successfully. Furthermore, they focused on complying with budget goals and taking a cost-conscious approach to daily operations. Even though cost-consciousness was considered part of any manager's responsibility, all managers knew that this was a priority for top management.

We know this is why we are hired. We are here to comply with budget goals and make sure to provide quality services. But we must comply with budget goals and if we don't succeed, it's bye, bye. At least that is what we assume. (Service Provider Manager 2)

One manager explained that she had to deal with overspending for a few years because of a mismatch between the allocated budget and services that should be provided. Although this problem existed when she was appointed manager, she was fully aware of the need for budget compliance:

I do not know what would happen if I did it again, e.g., in two years. I actually think I would leave myself, but I do not think we would need to discuss that very much, because there is no doubt that what happened the first two years could not continue" (Service Provider Manager 3)

5.1 The emergence of local control systems

When the study was conducted, implementation of a new focus on rehabilitation in the assessment and referral process was a top priority of the purchasing manager. In order to have the providing units cooperate in implementing the necessary changes, it was emphasized that local strategies and principles were aligned with the overall strategy as well as the elements in the belief systems. The purchasing manager especially emphasized that

...the disability declaration is the overall strategy for what we are here for, how we should work. That means we have a lot of weight behind us when we explain that . . . we do not, as such, purchase services in other parts of the country. . . It means we have an outline for our work showing us in what direction we are heading. (Purchasing Manager)

Although top management generally executed strict budget control and continuously focused on achieving budget goals, one service provider manager stated the following:

There is a reasoned and realistic perception of the balancing budgets. They know how much things cost. No doubt about that. (Service Provider Manager 3)

The purchasing manager further explained how the control system helped her create sufficiently consistent case management, which also enhanced the quality of social work tasks. Together, the assessment and referral processes and tools provided the manager with a solid platform that helped her closely follow case management, without harming case workers' autonomy, while assessing needs and completing recommendations for services.

To supplement the professional control system, the purchasing manager has a staff specialist, who, as a member of the committee making referrals based on an assessment of client eligibility and adequacy of services, exerts control over case work. The staff specialist also completes an annual quality standard update and provides professional analyses and prognoses. Regarding her work, the staff specialist stated the following:

At the moment I am involved in analyzing what we purchase in other municipalities, why we purchase outside and why are we not offering the services in-house. But I have a professional view on these questions and examine the professional reflections and judgment that led to decisions of

purchasing in other municipalities instead of trying to provide the services in our own units. (Staff Specialist 1)

Although service provider managers generally make autonomous decisions, they are also responsible for budget compliance and for achieving non-financial objectives specified in performance contracts. As one service provider manager explained:

I actually like that we have parameters to measure ourselves against. And I also like that the more you succeed with your projects, the more freedom you get. I mean that follows with the success. . . What I mean is that I am the manager here and it sort of has to be me who make things work. (Service Provider Manager 3)

Most service provider managers have developed local systems to implement action plans and to comply with targets during the year. For instance, one service provider manager's management group produces a master plan every six months, consisting of visions and goals to be implemented in the organization. The master plan is discussed at every management meeting. For this manager, the performance contracts and the action plans are relevant management tools that help him keep on track in implementing strategies and complying with objectives. The manager, though, finds contracts' time horizons problematic because "they have a one-year perspective. It is fine with goals and targets, but a one-year perspective is just not right. You need a long-term focus" (Service Provider Manager 1). For this reason, several service provider managers supplement the department-wide budgeting system and the one-year horizons in contracts with their own systems in order to strengthen the long-term implementation of local initiatives.

When asked about the systems that they used to adhere to targets, all service provider managers said that they developed their own local systems, methods, and principles to improve cost efficiency. One manager, for instance, made work scheduling more efficient by cutting back on expensive temporary workers and reducing absence rates. Her deputy assessed whether or not a temp was needed based on minimum staffing requirements. Noting that many employees preferred working part-time and supplementing the fixed wage with overtime pay at a higher rate, she also changed the principles for granting overtime pay such that more flexible managers could use their own staff, instead of expensive temporary staff. Moreover, since it was decided that overtime work was only possible for employees with less than 5% sick leave in the previous month, the overall sick leave rate decreased.

5.2 Cost-consciousness in professional work

Along with the new direction for social work, the demands for cost-consciousness also increased, and the purchasing manager and her staff specialist continuously focused on costs and required case workers to be cost-conscious when assessing and making recommendations for referrals to services. However, the staff specialist was worried that the strict financial focus will become a barrier for implementing rehabilitation strategies, as stated in the following:

We are still quite far from the optimal. I don't think our clients notice it. I think, perhaps, it is more something our case workers recognize and something I recognize. I recognize it because we are supposed to have all these ideas and continuously focus in that direction, but are stopped because of finances, with the consequence that we cannot proceed all the way. (Staff Specialist 1)

For the purchasing manager, who is proud of managing resources efficiently, being cost-conscious is an integral part of the daily task. For example:

We want to have available resources for the next client who comes through our door. And therefore, it is great to know, that I will have the resources, because the services already provided to our clients match their needs exactly. They do not get too much or too little. (Purchasing Manager)

By continuously analyzing expenses stipulated in the purchasing budget, the purchasing manager has developed her own way of managing potential tensions between quality, cost, and a fixed budget. At the beginning of the yearly cycle, she examines the ten most expensive cases, cases where the client is above 70 years old, and cases where clients stayed in residential care outside the municipality. The main purpose was not to diminish services but rather to assess changes in needs and to negotiate reductions in payments to providers, both outside and inside Alpha.

Professional follow-up is time-consuming because it most often involves visiting residential homes to meet with clients, as well as local management and social workers who assess clients' needs, development, and functions. Whenever it is possible to make changes without jeopardizing quality, the resources saved are usually considerable. For example:

Potentially, we could save 250.000 euros alone on 20 clients and that is a minimum. It is realistic and I myself have been visiting the residential homes with our purchasing manager and talked with case workers to examine what kind of client are we talking about and what are their needs. How much should this cost, not what are we paying, but what is it supposed to cost! (Staff Specialist 1)

5.3 Professional controls

The professional control system, which is supported by top management and based on quality standards and assessments, is not a major focus area for service provider managers because these boundary systems largely address assessment and referral rather than provision of services. Consequently, no common professional control systems were put in place in service provider units. However, several managers explained that they initiated projects in their own specific areas of responsibility and also set up behavioral boundaries. Although these were different between units, a common theme was clarifying and defining acceptable versus unacceptable behavior. One manager noticed that many employees were focusing on their own rights and needs instead of their respective job requirements. In response, the manager decided to create a project focusing on work ethics and values, as stated in the following:

We have had plenty of focus on defining what paid employment actually means, such as what are we here for? We are here to do our job! What is the task? And so on. It has been worthwhile because our employees have a more balanced approach to work now. Their private life does not interfere to the same degree as it used to. We have managed to outline what their employment includes and what tasks they are expected to perform. (Service Provider Manager 3)

Another manager explained how she and her deputy continuously focused on the daily interactions between employees and clients:

We go out on the floor to see with our own eyes how they talk to each other and how they treat each other. And then we talk about it at staff meetings and in the management group. Under most circumstances it is not a problem to keep a civil tone, but if a resident suddenly loses temper and strikes at you, it may result in you getting angry. And those situations we talk about because it can give you a better understanding of how to deal with it. (Service Provider Manager 2)

5.4 Budgeting in practice

The monthly budget follow-up process is perceived by middle managers as one of the most important interactions with top management. As a diagnostic control procedure, although managers find the process rather formal, it motivates them to focus on complying with budget goals. It also signals the importance of budget goal achievement by top management. In this way, the budgeting system also signals that managing budgets is as an essential managerial skill equal important for professional competency.

All of the service provider managers had an educational background as social service professionals, some with master's degrees in, for example, psychology or learning. However, they were not educated in budgeting or management accounting in general. As a result, some managers in their budget follow-ups were assisted by a controller from the budget department:

If everything is looking good it is uncomplicated. If it does not look so good, you are called in for a meeting in the department to talk about what can be done. Those talks I find productive because I also see new things or ways to do things differently. (Service Provider Manager 3)

Since the main focus of these follow-ups is the budget, the term "looking good" implies compliance with the budget in question. According to middle managers, interactions with top management about a unit's budget usually only take place if a significant budgetary deviation occurs and no realistic plan exists to remedy the deviation. Otherwise, managers interact with the controller, who reports back to top management. However, when a representative from top management becomes involved (usually a deputy department head), one manager remarked that this helped her correct budgetary imbalances.

With increasingly tight budgets, managers found it difficult to obtain additional approbation or even to apply for one. As a result, they became even more committed to achieving budget goals. However, they also noted an inconsistency between budget regulation principles and practice. Although budgets should only be regulated when the number of clients changed, they have been revised if underspending occurred for several years.

Managers generally agree with this approach because they need to balance resource allocation between units if imbalances exist. However, reallocations increase uncertainty for individual managers because they affect other managers' budgets in a system where the overall budget is fixed. One manager noted that top-management reallocations significantly influenced her ability to succeed because it created flexibility that helped her attain a balanced budget, as stated in the following:

Eventually the budget was revised in the sense that it is now more realistic according to the needs of the residents and times has changed which has made it more attractive to work with our group of residents again. Today we have a sensible budget and it is possible to reach the budget goals. (Service Provider Manager 3)

Despite the importance of these reallocations, the same manager expressed concerns about them. She noted that their implementation increased uncertainty. Moreover, any changes in priorities and the allocation of resources made within the year, although not common, increased such uncertainty.

The ability to carry over surpluses and deficits to the following year was highly appreciated by service provider managers because the additional flexibility allowed them to prioritize between years without foregoing budgetary discipline. However, the principle was challenged because overall budget achievements were closely monitored, and the total budget for all service provider units remained fixed. Therefore, any additional spending in one unit had to be countered by lower spending in another. In practice, this required dialogue, and managers were called upon to postpone projects to balance the overall budget. Although managers appreciate this approach and encourage such cooperation, it makes future savings transfers more difficult to predict. According to one service provider manager:

I find it very important that it is possible to transfer resources and I do not have any experience with any of our savings being held back. Right now, we are planning to transfer money to buy a new car and I know there is a risk we will not be able to make that transfer. However, I think the dialogue with the department has been very good and it is clear they respect our need to save for a new car. (Service Provider Manager 1)

5.5 *Challenging the system*

The middle managers emphasize how they challenge the system, e.g. when a mismatch exists between budgets or if mistakes occur. For example, one manager stated the following:

I wrote to the department, explaining that [the budget was insufficient] and we had to talk about it. There was a mismatch and I knew we hadn't changed anything, expanded or something like that. (Service Provider Manager 1)

The manager contacted the department and found that mistakes in the preparation of the budget had been made. The purchasing manager also found that complying with budget goals was difficult, especially one year when actual purchases exceeded the budget for the first time in five years:

From 2007 until 2010 I have managed to balance the budget, but in 2011 we exceed the budget, and it is actually only because of few clients. We always focus on changes in needs to accommodate the services we provide without jeopardizing quality. I am very professional, and it is very important to me that I possess substantial knowledge when I match and follow-up. Because of that I have always been able to find resources if we have been spending too much of the budget. (Purchasing Manager)

The manager explained that the additional spending was caused by an increase in the number of young people with autism who after becoming adults were eligible for services from DPD, resulting in a significant increase in expenses. When the cause for excess spending was identified, the department completed analyses and prognoses, informing politicians about these future challenges.

The analyses prepared in the purchasing department also took the number of people ceasing to receive social services during the period into consideration as the exit rates from social services were noted to be only half that of previous years. This made it impossible to balance the budget despite substantial efforts. Ultimately, additional funding was granted, with the condition that the division balance its future annual budgets within three years.

Although this situation perturbed the purchasing manager, she did not have to deal with the challenge herself. Top management provided substantial support, and the political decision to grant additional funding was based on the local council's trust in the division's management group because of its budget management of the previous year. Additional funding also was allowed owing to the detailed analyses and plans presented to politicians regarding future intake patterns. The purchasing manager noted that the situation demonstrated how to balance tensions caused by strict adherence to plans versus exceptions made because of specific and extraordinary situations.

Most managers agreed that strategy and control processes are determined by top managers in the municipality. A service provider manager stated that he only succeeded in getting influence on the producing of the action plan because of pressure on the department:

The plan was initially top down, and we have spent quite a lot of time and energy to get it to our level and negotiated and worked on it, which has resulted in even the clients being able to explain what it's all about. This has been high priority for us. (Service Provider Manager 1)

6. Discussion and conclusion

This paper analyzed how a Danish municipality facing increasing financial pressure and environmental uncertainty attempts to balance tight budget control (c.f. [Van der Stede, 2001](#)) with the provision of flexible and high-quality social services. On the basis of document studies and interviews, we analyzed how MCS components, interpreted within the LOC framework, maintained tight budget control, while also enabling flexibility and improving quality in both the short- and long-term.

6.1 How can budgeting processes maintain tight budget control with flexibility?

Strict rules, concepts, and standardized working methods seem to be important components of MCS, functioning as a boundary system linking social work practice, the budgeting model, and the belief system. Simons (1995) called boundary and diagnostic control systems “negative control systems,” but they are not bad controls (cf., Adler and Borys, 1996). Rather, they are supporting strategic implementations, which Simons emphasized when he explained that “[b]oundary systems are like brakes on a car: without them, cars (or organizations) cannot operate at high speeds” (Simons, 1995, p. 41). Thus, boundary systems can, as mentioned by Deschamps (2019), provide professional and structural boundaries that enable MCS to act freely within these boundaries (Lamon and Monàr, 2002).

We associated, as is common (Ahrens and Chapman, 2004; Ferreira and Otley, 2009), boundary systems with constraining controls. However, both Frow *et al.* (2010) and Mundy (2010) demonstrated that “constraining control systems” may have an enabling role. Deschamps (2019), in a study of a large Belgian public organization, also concluded that boundaries actually empower managers at lower hierarchical levels, but only if they provided a sense of direction, security, and predictability. In studying Alpha, we similarly find that boundary systems, as a professional control system, empower managers. When adequate boundary systems were not in place, middle managers added to the control package to set up boundaries. Thus, this study demonstrated that constraining control systems can empower managers without compromising their capacity to maintain control.

In studying Alpha, we found that middle managers used management control systems to provide a clear structure and that issues that occur within budgeting systems are often well-known and predictable. As noted by Blackman *et al.* (2006) and Head and Alford (2015), tight budget control could constrain creative problem-solving (Gilson *et al.*, 2005; Hirst *et al.*, 2011). This was not the case in the present paper. Conversely, it provided several examples of managers finding creative ways to solve problems, not only because control systems can be used interactively but also because the decentralization of control and responsibility for achieving budget targets can empower front-line managers to “foster innovation and responsiveness” (Hope and Fraser, 2003, p. 158), as Frow *et al.* (2010) mentioned. Consequently, it can be argued that diagnostic controls also enable problem-solving.

In conclusion, this paper shows that budgets play an important role in organizations that simultaneously face uncertainty and require financial control. More specifically, this paper demonstrates that an increased focus on budgeting during the planning process not only reduces uncertainty and increases budget compliance, but also increases flexibility and improves quality.

6.2 How do middle managers develop and use MCS?

Although the MCS initiated by top management can help reduce the consequences of environmental uncertainty, it can also introduce new uncertainties and difficulties for lower-level managers, especially when the demands conflict. Thus, managers actively engaged in designing or adding techniques to local control systems or used components of the MSC. The middle managers we interviewed were eager to comply with objectives and to implement the strategies required of them, but they did not always have the control systems and tools required. Moreover, neither the middle managers nor the employees were experienced in developing control systems and integrating cost information into their work practice. Consequently, they not only had to influence the MCS at higher managerial levels but also had to rework the control systems (Deschamps, 2019) as well as develop reports and analyses that could be used as part of the social work practice.

The challenge of balancing constraining and enabling controls was especially clear in purchasing units, where a suggested rehabilitation approach included a highly intensive, costly, short-term intervention. This helped clients become more self-reliant, eventually

allowing them to live on their own, which ultimately is a low-cost solution. In these cases, complying with measurable budget goals may be the first priority. As a consequence, the client is referred to a less intensive rehabilitation service that may not be the best solution in the long run. In sum, too much emphasis on diagnostic controls can inhibit the innovation and learning needed to solve complex cases.

According to [Simons \(1995\)](#), top management ultimately decides how to best combine the four levers of control. However, as argued by [Frow *et al.* \(2010\)](#), these decisions may cause managers lower in the managerial hierarchy difficulties in managing the interplay and in creating balance using levers, as found in Alpha. Even though Alpha's management focused on clarity (e.g. through elaborate planning), the lack of measurable goals made it difficult for lower-level managers to reconcile these potentially conflicting objectives. This was especially challenging because quality-related goals were less clear and difficult to measure compared with measurable budget goals.

[Simons \(1995\)](#) and the literature on MCS tend to see interactions between top and middle managements as processes initiated by top management and where middle management is involved when it is considered relevant by top management. However, middle managers are also expected to proactively identify new opportunities and challenges and to overcome obstacles by mobilizing top management's support ([Kanter, 1981](#); [Wooldridge *et al.*, 2008](#)). The present paper showed that middle managers are generally proactive and that they not only influence top management through formal communication channels but they also initiate interactions that influence decision-making.

Middle managers have, as [Reimer *et al.* \(2016\)](#) remarked, case-specific knowledge. Therefore, they can sensitively note relevant changes and devise suitable responses. However, solutions by managers low in the hierarchy may be in conflict with MCS constraints. [Deschamps \(2019\)](#) found that frontline managers in public sector organizations prefer to use interactive controls and direct information. This study finds that this is the case for middle managers, especially service provider managers.

In conclusion, the study confirms that middle managers play a crucial role in the development and localization of MCS. In this process, middle managers not only adopt and transform MCS but also proactively influence top management. However, this paper also showed that the MCS deployed by top management can cause challenges for middle managers, especially when they need to balance tight budget control and flexibility. Moreover, this paper indicated that balancing constraining and enabling controls can differ between hierarchical levels. Thus, an important conclusion is that the use of MCS elements, both vertically and horizontally, should be taken into account when analyzing a MCS package.

6.3 How are locally developed MCS coupled with top management goals?

From the perspective of top management, MCS can set directions and tightly control budgets. However, because social services are often handled by managers who work closely with service delivery ([Dutton *et al.*, 1997](#)) and its inherent complexity, enabling control systems may be required ([Kominis and Dudau, 2012](#)). Conflicting demands may lead to a looser coupling between hierarchical levels, especially if external pressure is met with resistance within the organization ([Oliver, 1991](#)). Consequently, MCS may be less effective as a strong tight coupling between MCS employed at top-management level and those MCS employed at lower hierarchical levels can be needed to enhance the realization of the organization's strategy ([van der Kolk and Schokker, 2016](#)).

Regarding Alpha, the middle managers' daily controls were consistent with the top management's MCS intentions, while the vertical coupling of the MCS was tight. Keeping managers focused on a balanced budget, a priority for middle managers, was achieved without jeopardizing other important objectives such as fulfilling clients' needs and providing

quality care. This tight budget control, combined with the ability to carry over surplus and deficit, budget reallocations, and additional funding under special circumstances, gave managers the flexibility to provide quality social work and develop professional competencies in daily operations.

In conclusion, a tight vertical coupling of budgeting and planning processes is possible, even when environmental uncertainty and external pressure are high and local circumstances call for flexibility. In the case of Alpha, the interactive use of budget and planning systems facilitated the tight coupling. Thus, this finding is in line with [Bhimani et al. \(2018\)](#), who found that various budgeting strategies should be considered when the couplings within a MCS package are examined.

6.4 Limitations and future research recommendations

This paper focused on management control systems as “formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities” ([Simons, 1995](#), p. 5) rather than as social processes and systems. Studies exploring professional accountability in the context of New Public Management reforms, such as that by [Kurunmäki \(2004\)](#), demonstrated the challenge of influencing professional accountability and creating a more cost-conscious approach in social services ([Llewellyn, 1998](#)). The present paper indicates that MCS play an important role in shaping organizational members’ perceptions of changes by influencing their understanding of professionalism and the mental models that guide social workers. [Balogun and Johnson \(2004\)](#) argued that middle managers have the opportunity to shape and impose changes before they introduced them to the organization. Moreover, by initiating sensegiving activities to trigger sensemaking processes, middle managers can influence and shape organizational members’ interpretations the changes towards a preferred redefinition of organizational reality ([Gioia and Chittipeddi, 1991](#)).

Since sensemaking is a recursive social process ([Weick, 1995](#)), managers are influenced by the environment in which they engage ([Maitlis, 2005](#)). Thus, the information derived from the interactive use of MCS is important for making managers more proactive and changing employees’ mindsets. However, future studies should focus on managers’ sensemaking and sensegiving processes to better understand the interactions between control processes and mindsets.

Due to the insufficient number of interviewees, it is difficult to conclude how personal characteristics (e.g. sex, education, experience, etc.) influenced the use of the MCS in this paper. Therefore, future research should utilize a larger sample of managers in order to investigate how different managers deal with various challenges in their daily operations and how personal characteristics are relevant.

References

- Abernethy, M.A. and Brownell, P. (1999), “The role of budgets in organizations facing strategic change: an exploratory study”, *Accounting, Organizations and Society*, Vol. 24 No. 3, pp. 189-204.
- Adler, P. and Borys, B. (1996), “Two types of bureaucracy: enabling and coercive”, *Administrative Science Quarterly*, Vol. 41 No. 1, pp. 61-90.
- Ahrens, T. and Chapman, C. (2004), “Accounting for flexibility and efficiency: a field study of management control systems in a restaurant chain”, *Contemporary Accounting Research*, Vol. 21 No. 2, pp. 271-301.
- Ahrens, T. and Ferry, L. (2015), “New castle city council and the grassroots: accountability and budgeting under austerity”, *Accounting, Auditing and Accountability Journal*, Vol. 28 No. 6, pp. 909-933.

-
- Balogun, J. and Johnson, G. (2004), "Organizational restructuring and middle manager sensemaking", *Academy of Management Journal*, Vol. 47 No. 4, pp. 523-549.
- Batac, J. and Carassus, D. (2009), "Interactions between control and organizational learning in the case of a municipality. A comparative study with Kloot (1997)", *Management Accounting Research*, Vol. 20 No. 2, pp. 102-116.
- Becker, S.B., Mahlendorf, M.D., Schäffer, U. and Thaten, M. (2016), "Budgeting in times of economic crisis", *Contemporary Accounting Research*, Vol. 33 No. 3, pp. 1489-1517.
- Bedford, D.S., Malmi, T. and Sandelin, M. (2016), "Management control effectiveness and strategy: an empirical analysis of packages and systems", *Accounting, Organizations and Society*, Vol. 51 No. 1, pp. 12-28.
- Bedford, D.S. (2015), "Management control systems across different modes of innovation: Implications for firm performance", *Management Accounting Research*. Vol. 28 No. 1, pp. 12-30.
- Berry, A.J., Coad, A.F., Harris, E.P., Otley, D.T. and Stringer, C. (2009), "Emerging themes in management control: a review of recent literature", *The British Accounting Review*, Vol. 41 No. 1, pp. 2-20.
- Bhimani, A., Sivabalan, P. and Soonawalla, K. (2018), "The A study of the linkages between rolling budget forms, uncertainty and strategy", *The British Accounting Review*, Vol. 50, pp. 306-323.
- Bisbe, J. and Otley, D. (2004), "The effects of the interactive use of management control systems on product innovation", *Accounting, Organizations and Society*, Vol. 29 No. 8, pp. 709-737.
- Blackman, E., Elliot, T., Greene, A., Harrington, B. Hunter, D.J. Marks, L., Mckee, L. and Williams, G. (2006), "Performance assessment and wicked problems: the case of health inequalities", *Public Policy and Administration*, Vol. 21 No. 2, pp. 66-80.
- Bourmistrov, A. and Kaarbøe, K. (2013), "From comfort to stretch zones: a field study of two multinational companies applying 'Beyond budgeting' ideas", *Management Accounting Research*, Vol. 24 No. 3, pp. 196-211.
- Bracci, E., Humphrey, C., Moll, J. and Steccolini, I. (2015), "Public sector accounting, accountability and austerity: more than balancing the books?", *Accounting, Auditing & Accountability Journal*, Vol. 28 No. 6, pp. 878-908.
- Broadbent, J. and Laughlin, R. (2009), "Performance management systems: a conceptual model", *Management Accounting Research*, Vol. 20 No. 4, pp. 283-295.
- Colignon, R. and Covalesski, M.A. (1988), "An examination of managerial accounting practices as a process of mutual adjustment", *Accounting, Organizations and Society*, Vol. 13 No. 6, pp. 559-79.
- Collins, F., Holzmann, O. and Mendoza, R. (1997), "Strategy, budgeting, and crisis in Latin America", *Accounting, Organizations and Society*, Vol. 22 No. 7, pp. 669-89.
- Conway, E. and Monks, K. (2011), "Change from below: the role of middle managers in mediating paradoxical change", *Human Resource Management Journal*, Vol. 21 No. 2, pp. 190-203.
- Cuganesan, S., Guthrie, J. and Vranic, V. (2014), "The riskiness of public sector performance measurement: a review and research agenda", *Financial Accountability and Management*, Vol. 30 No. 3, pp. 279-302.
- Czarniawska, B. and Hedberg, B. (1985), "Control cycle responses to decline", *Scandinavian Journal of Management Studies*, Vol. 2 No. 1, pp. 19-39.
- Deschamps, C. (2019), "Stages of management control in large public organizations: from top to frontline managers", *Journal of Management Control*, Vol. 30 No. 2, pp. 153-184.
- Di Francesco, M. and Alford, J. (2016), "Budget rules and flexibility in the public sector: towards a taxonomy", *Financial Accountability and Management*, Vol. 32 No. 2, pp. 232-256.
- Dutton, J., Ashford, S., O'Neill, R.M., Hayes, E. and Wierba, E. (1997), "Reading the wind: how middle managers assess the context for selling issues to top managers", *Strategic Management Journal*, Vol. 18 No. 5, pp. 407-423.

- Ferreira, A. and Otley, D. (2009), "The design and use of performance management systems: an extended framework for analysis", *Management Accounting Research* Vol. 20 No. 4, pp. 263-282.
- Floyd, S.W. and Woolridge, B. (1997), "Middle management's strategic influence and organizational performance", *Journal of Management Studies*, Vol. 34 No. 3, pp. 465-485.
- Frow, N., Marginson, D. and Ogden, S. (2010), "Continuous' budgeting: reconciling budget flexibility with budgetary control", *Accounting, Organizations and Society*, Vol. 35 No. 4, pp. 444-461.
- Gilson, L.L., Mathieu, J.E., Shalley, C.E. and Ruddy, T.M. (2005), "Creativity and standardization: complementary or conflicting drivers of team effectiveness?", *Academy Of Management Journal*, Vol. 48 No. 3, pp. 521-531.
- Gioia, D.A. and Chittipeddi, K. (1991), "Sensemaking and sensegiving in strategic change initiation", *Strategic Management Journal*, Vol. 12 No. 6, pp. 433-448.
- Greve, C. (2000), "Exploring contracts as reinvented institutions in the Danish public sector", *Public Administration*, Vol. 78 No. 1, pp. 153-164.
- Hall, M. (2010), "Accounting information and managerial work", *Accounting, Organizations and Society*, Vol. 33. No. 3, pp. 301-315.
- Head, B.W. and Alford, J. (2015), "Wicked problems: Implications for public policy and management", *Administration and Society*, Vol. 47 No. 6, pp. 711-739.
- Henri, J.F. (2006), "Management control systems and strategy: a resource-based perspective", *Accounting, Organizations and Society*, Vol. 31 No. 6, pp. 529-558.
- Henttu-Aho, T. and Järvinen, J. (2013), "A field study of the emerging practice of beyond budgeting in industrial companies: an institutional perspective", *European Accounting Review*, Vol. 22 No. 4, pp. 765-785.
- Hirst, G., van Knippenberg, D., Chen, C. and Sacramento, C.A. (2011), "How does bureaucracy impact individual creativity? A cross-level investigation of team contextual influences on goal orientation-creativity relationships", *Academy of Management Journal*, Vol. 54 No. 3, pp. 624-641.
- Hope, J. and Fraser, R. (2003), *How Managers Can Break Free from the Annual Performance Trap*, Harvard Business School Press, Boston, MA.
- Jacobs, K. and Cuganesan, S. (2014), "Interdisciplinary accounting research in the public sector: dissolving boundaries to tackle wicked problems", *Accounting, Auditing and Accountability Journal*, Vol. 27 No. 8, pp. 1250-1256.
- Janke, R., Mahlendorf, M.D. and Weber, J. (2014), "An exploratory study of the reciprocal relationship between interactive use of management control systems and perception of negative external crisis effects", *Management Accounting Research*, Vol. 25 No. 4, pp. 251-270.
- Johansson, T. and Siverbo, S. (2014), "The appropriateness of tight budget control in public sector organizations facing budget turbulence", *Management Accounting Research*. Vol. 25 No. 4, pp. 271-83.
- Kanter, R.M. (1981), "The middle manager as innovator", *Harvard Business Review*, Vol. 60 No. 4, pp. 95-105.
- Kastberg, G. and Siverbo, S. (2013), "The design and use of management accounting systems in process-oriented health care: an exploratory study", *Financial Accountability and Management*, Vol. 29 No. 3, pp. 246-270.
- Kloot, L. (1997), "Organizational learning and management control systems: responding to environmental change", *Management Accounting Research*, Vol. 8 No. 1, pp. 47-73.
- Kober, R., Ng, J. and Paul, B.J. (2007), "The interrelationship between management control mechanisms and strategy", *Management Accounting Research*, Vol. 18 No. 4, pp. 425-452.
- Kominis, G. and Dudau, A.I. (2012), "Time for interactive control systems in the public sector? The case of the Every Child Matters policy change in England", *Management Accounting Research*, Vol. 23 No. 2, pp. 142-155.

-
- Kurunmäki, L. (2004), "A hybrid profession—the acquisition of management accounting expertise by medical professionals", *Accounting, Organizations and Society*, Vol. 29 Nos 3-4, pp. 327-347.
- Lamont, M. and Molnár, V. (2002), "The study of boundaries in the social sciences", *Annual Review of Sociology*, Vol. 28 No. 1, pp. 167-195.
- Llewellyn, S. (1998), "Boundary work: costing and caring in the social services", *Accounting, Organizations and Society*, Vol. 23 No. 1, pp. 23-47.
- Maitlis, S. (2005), "The social processes of organizational sensemaking", *Academy of Management Journal*, Vol. 48 No. 1, pp. 21-49.
- Malmi, T. and Brown, D.A. (2008), "Management control systems as a package—Opportunities, challenges and research directions", *Management Accounting Research*, Vol. 19 No. 4, pp. 287-300.
- Marginson, D. and Bui, B. (2009), "Examining the human cost of multiple role expectations", *Behavioral Research in Accounting*, Vol. 21 No. 1, pp. 59-81.
- Marginson, D. and Ogden, S. (2005), "Coping with ambiguity through the budget: the positive effects of budgetary targets on managers' budgeting behaviours", *Accounting, Organizations and Society*, Vol. 30 No. 5, pp. 435-456.
- Marginson, D., McAulay, L., Roush, M. and van Zijl, T. (2014), "Examining a positive psychological role for performance measures", *Management Accounting Research*, Vol. 25 No. 1, pp. 63-75.
- Marginson, D. (2002), "Management control systems and their effects on strategy formation at middle-management levels: evidence from a UK organization", *Strategic Management Journal*, Vol. 23 No. 11, pp. 1019-1031.
- Martyn, P., Sweeney, B. and Curtis, E. (2016), "Strategy and control: 25 years of empirical use of Simons' levers of control framework", *Journal of Accounting and Organizational Change*, Vol. 12 No. 3, pp. 281-324.
- Mundy, J. (2010), "Creating dynamic tensions through a balanced use of management control systems", *Accounting, Organizations and Society*, Vol. 35 No. 5, pp. 499-523.
- Oliver, C. (1991), "Strategic responses to institutional processes", *Academy of Management Review*, Vol. 16 No. 1, pp. 145-179.
- Otley, D. (1980), "The contingency theory of management accounting: achievement and prognosis", *Accounting, Organizations and Society*, Vol. 5 No. 4, pp. 413-428.
- Otley, D. (1999), "Performance management: a framework for management control systems research", *Management Accounting Research*, Vol. 10 No. 4, pp. 363-382.
- Pettersen, I.J. and Solstad, A. (2015), "Vertical and horizontal control dilemmas in public hospitals", *Journal of Health, Organisation and Management*, Vol. 29 No. 2, pp. 185-199.
- Raes, A.M.L., Heijltjes, M.G., Glunk, U. and Roe, R.A. (2011), "The interface of the top management team and middle managers: a process model", *Academy of Management Review*, Vol. 36 No. 1, pp. 102-126.
- Reimer, M., Van Doorn, S. and Heyden, M.L.M. (2016), "Where the rubber hits the road: a panel discussion on management control systems at the middle management level", *Journal of Management Control*, Vol. 27 No. 2, pp. 281-287.
- Sandalgaard, N. and Bukh, P.N. (2014), "Beyond Budgeting and change: a case study", *Journal of Accounting and Organizational Change*, Vol. 10 No. 3, pp. 409-423.
- Silverman, D. (2014), *Interpreting Qualitative Data*, Sage, London.
- Simons, R. (1990), "The role of management control systems in creating competitive advantage and new perspectives", *Accounting, Organizations and Society*, Vol. 15 Nos 1/2, pp. 127-143.
- Simons, R. (1991), "Strategic orientation and top management attention to control systems", *Strategic Management Journal*, Vol. 12 No. 1, pp. 49-62.
- Simons, R. (1994), "How new top managers use control systems as levers of strategic renewal", *Strategic Management Journal*, Vol. 15 No. 3, pp. 169-189.

-
- Simons, R. (1995), *Levers of Control. How Managers Use Innovative Control Systems to Drive Strategic Renewal*, Harvard Business School Press, Boston.
- Simons, R. (2000), *Performance Measurement and Control Systems for Implementing Strategy*, Prentice Hall, Upper Saddle River.
- Speklé, R.F., van Elten, H.J. and Widener, S. (2017), "Creativity and control: a paradox—evidence from the levers of control framework", *Behavioral Research in Accounting*, Vol. 29 No. 2, pp. 73-96.
- Sprinkle, G.B., Williamsen, M.G. and Upton, D.R. (2008), "The effort and risk-taking effects of budget-based contracts", *Accounting, Organizations and Society*, Vol. 33 Nos 4-5, pp. 436-452.
- Tessier, S. and Otley, D. (2012), "A conceptual development of Simon's Levers of Control framework", *Management Accounting Research*, Vol. 23 No. 3, pp. 171-185.
- Tuomela, T.S. (2005), "The interplay of different levers of control: a Case-study of introducing a new performance measurement system", *Management Accounting Research*, Vol. 16 No. 3, pp. 293-320.
- Van der Hengel, H., Budding, T. and Groot, T. (2014), "Loosely coupled results control in Dutch municipalities", *Financial Accountability and Management*, Vol. 30 No. 1, pp. 49-74.
- van der Kolk, B. and Schokker, T. (2016), "Strategy implementation through hierarchical couplings in a management control package: an explorative case study", *Journal of Management Control*, Vol. 27 No. 2, pp. 129-154.
- van der Kolk, B., ter Bogt, H.J. and van Veen-Dirks, P.M.G. (2015), "Constraining and facilitating management control in times of austerity: case studies in four municipal departments", *Accounting, Auditing and Accountability Journal*, Vol. 28 No. 6, pp. 934-965.
- Van der Stede, W.A. (2001), "Measuring 'tight budgetary control'", *Management Accounting Research*, Vol. 12 No. 1, pp. 119-137.
- Van der Stede, W.A. (2015), "Management accounting: where from, where now, where to?", *Journal of Management Accounting Research*, Vol. 27 No. 1, pp. 171-176.
- Weick, K.E. (1995), *Sensemaking in Organizations*, Sage, Thousand Oaks, CA.
- Widener, S.K. (2007), "An empirical analysis of the levers of control framework", *Accounting, Organizations and Society*, Vol. 32 Nos 7-8, pp. 757-788.
- Wooldridge, B., Schmid, T. and Floyd, S.W. (2008), "The middle management perspective on strategy process: contributions, synthesis, and future research", *Journal of Management*, Vol. 34 No. 6, pp. 1190-221.

About the authors

Per Nikolaj Bukh (pnb@pnbukh.com), M.Sc., Ph.D., is a professor at the Department of Business and Management at Aalborg University, Denmark (<http://www.pnbukh.com/>). He has published articles and books on a number of subjects, including budgeting, management accounting and control, payment by results, and strategy. In addition to his research activities, Per Nikolaj Bukh often contributes to postgraduate programs and conferences. Per Nikolaj Bukh is the corresponding author and can be contacted at: pnb@pnbukh.com

Anne Kirstine Svanholt (svanholt@gmail.com), M.Sc., is Head of Unit, Center of Drug Addiction Treatment Copenhagen, Municipality of Copenhagen. She submitted her doctoral thesis on management and accounting in the social services in 2019. Before enrolling in the Ph.D. program at Aalborg University, Anne was employed in various administrative and managerial positions in the public sector.

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgrouppublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com