**Management accounting adaptation to the financial crisis:**

**The dynamics of budgeting in a Greek hotel chain**

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**Abstract**

In the paper I provide empirical data on organisational adaptation to financial crises. I present the adaptation of practice and the reconfigurations of management control structures in Greek hotel chain. The changing context covers a five year period, until 2012. Applying a modified model of the Quadripartite Nature of Structuration (Stones, 2005) I discuss how and why the local agents adapted their control practices, noting the different change paths of the control structures. While many controls went de-formalised and loosened, budgeting became more formal and rigid. They developed a form of continuous budgeting, which centred to proactive deviation management. Although the paper is empirically orientated, a number of theoretical issues are raised. The most important are the different directions of change that organisations may follow in parallel, the possibility of different rhythms of change in their control structures, and how different intentionalities negotiate the outcome of change.

**Keywords:** financial crisis; case study; budgeting; hotels

**1. Introduction**

The financial crisis that started in 2008 offers opportunities for the study of change (Van der Stede, 2011), one of the major contemporary interests of organisational (Tsoukas, 2005; Tsoukas and Chia, 2002; Van de Ven and Poole, 1995; 2005) and MA research (Berry *et al*., 2009; Busco *et al.,* 2007; Englund *et al*., 2011; Hopwood, 1987; 1990; Otley, 2008). The crisis itself generates interesting questions for management accounting theory (Hopwood, 2009), including issues on budgeting (Van der Stede, 2011).

Our theoretical understandings on the relation between the environment and the organisation suggest that the environment influences the organisational control characteristics, and in many cases quite coercively. Organisational control systems, in some approaches organisational structural characteristics by themselves, are influenced by external environmental forces, or/and used for organisational adaptation to environmental change. Lowe (1970 – my emphasis) defines that “[c]ontrol is a system of organizational information seeking and gathering, accountability and feedback *designed to ensure that the enterprise adapts to changes in its substantive environment*....” Emmanuel *et al*. (1990: 11 – my emphasis) describe organisation control as “…an organization controlling its internal activities i*n response to the environment* in which it operates”. For Otley and Berry, (1980) organisational control procedures should include, among others, the analysis of those procedures that promote adaptation to internal and *external* change.

The adaptive ‘quality’ of the organisational control structures is more than relevant today. We recognise that organisations operate in open systems, whether rational or natural, and that they interact with both (Otley *et al*., 1995). Organisational environments are now changing faster than ever and in more complicated ways. In a certain sense “the nature of change itself has changed” (Nixon and Burns, 2005). That creates needs for control mechanisms that enable adaptation to constantly changing environments (Otley, 1995; 2008). Technically and socially, control needs to match dynamic conditions (Nixon and Burns, 2005). Given that environmental liquidity creates enormous difficulties in predicting the future, organisational control structures have to provide “agility” possibilities, in terms of the “ability to respond quickly to whatever the future comes to be” (Otley, 2003).

My purpose in this paper is to provide empirical data on how “...organizations [re-]configure their control arrangements to enable them to adapt to, and survive in, a rapidly changing environment” (Otley, 2008). Management accounting theory “gives little or no guidance on the modes of organizational response to economic crises…there are few insights on what might be a more holistic organizational response” (Hopwood, 2009). Indeed, in the case following the pathways of change were diverse and in different directions. I discuss the dynamics of management control and budgeting practices in a Greek hotel-chain, on the background of a rigidly changing environmental context. On the one hand, the agents de-regulated and de-formalised a number of inventory and quality control procedures, while budgeting control got to be quite more regulated. They developed the innovative practice (Ryan *et al*., 2002; Scapens, 1990) of proactive deviation management, a form of continuous budgeting (Frow *et al.*, 2010). Yet, the focus here is on how and why the specific reconfigurations took place to the organisational control structures, bringing to the foreground the question of the change agents. For in this case the innovative practice that was developed, as well as change in general, was rather the gradual result of a diffusion of intentionalities, rather than a pre-designed outcome.

In the following section I review the MA discussions relating the organisations and their environments, targeting mainly the theoretical premises of different approaches. In the next one I briefly present the theoretical and methodological pathway of the study; a retrospective case study informed by structuration theories. The next sections contain a case study of a Greek hotel-chain which was heavily affected by the crisis, concluding by a discussion on the implications of the findings.

**2. Environment and environmental change**

Organisations operate simultaneously in technical and institutional environments. “*Technical environments* are those in which organizations produce a product or service that is exchanged in a market such that they are rewarded for effective and efficient performance…By contrast, *institutional environments* are characterized by the elaboration of rules and requirements to which individual organizations must conform in order to receive legitimacy and support” (Scott, 1992: 132 –original emphasis). Moreover, the external environment can be approached as a source of information or resources. The vast majority of MA research adopts the informational approach. Finally, research may try to study the impact of *the* *environment* on the organisation. On the other hand, the focus may be on how *environmental change* triggers change to MA practice (Hopwood 1987; 1990).

One discussion in management accounting focuses on which are the ‘best accounting technologies’ to deal with environmental turbulence and change. The dominant trend is this discussion is a shared scepticism on the traditional management accounting and control practices. In the place of the old, they suggest a number of new control artefacts as offering better control practices to organisations (e.g., Johnson and Kaplan, 1987: xi-xiii; 3-6; Kaplan and Norton, 1996: 1-8; Kaplan and Cooper, 1998: i-xi, 1-10; Kaplan and Atkinson, 1998: 2-11).

The budget, one of the older management control technologies, is in the centre of the critique. What is under question is the technical inefficiencies of budgeting in turbulent environments (Ekholm and Wallin, 2000; Hansen *et al*., 2003; Hope and Fraser, 2003: 3-9). The questioning has led to the ‘beyond budgeting’ proposal (Hope and Fraser, 1999; 2003) and to a ‘practice-led’ dilemma: whether to improve budgeting, or to abandon it (Hansen *et al*., 2003). Yet, the budgeting paradox (de Waal *et al*., 2011) is that budgets are used in turbulent environments (Hartmann, 2005; Kren, 2003; Mendoza *et al*. 1997; Sharma, 2002). This is in line with hospitality accounting literature (Collier and Gregory, 1995: 37-48; Jones, 1998; 2006; 2008a; 2008b; Pavlatos and Paggios, 2009; Schmidgall and Ninemeier, 1987; Schmidgall, *et al*., 1996; Schmidgall and DeFranco, 1998; Uyar and Bilgin, 2011), despite the fact that the environment of the hotels can be quite turbulent and hostile. Regarding the budgets themselves, one question is whether organisations operating in such environments have indeed developed budgeting techniques that are able to cope with environmental turbulence and change (Hansen *et al.*, 2003).

The major limitation of the above critique is that it is based on technological determinism premises. Specifically, it underemphasises agency, assuming that budgets or any other control technologies ‘force’ singular actions to the agents. Yet, this does not be the case: Ezzamel and Bourn (1990) discuss a case on a university facing financial crisis. Initially, accounting informational systems and budgeting were not ready to cope with crises. Not only they could not support the organization, but also became part of the problem. But when the systems were adapted to the new conditions they did contribute quite actively in assisting the organisation to adapt and overcome the crisis. As such, a more interesting question considers how the budgets are used (Simons, 1994) in order to cope with unstableness. Generalising, control technologies do not offer singular actions to their users (Hopwood, 1990). Thus, while the enabling qualities of the different control technologies have to be taken under consideration, how agents enact these technologies is at least of equal importance.

Organic Contingency Theory (*OCT*) has informed extensive MA research. The fundamental assumption of OCT is that for an uncertain environment, flexibility and gradual adoption of an organic (vs. a mechanistic) structure is the solution for an organisation (Chenhall, 2003; Donaldson, 2001: 35-60; Khandwalla, 1973; 1977: 64-65). In the discipline, research targets the technical environment and suggests that formal controls and more extensive use of budgeting are contingent to low uncertainty situations and vice versa. Nevertheless, a noticeable research effort of over three decades keeps providing contrasting results (Chapman, 1997; 1998; Chenhall, 2003; Hartmann, 2000). As a result, the early assumption of accounting as antithetical to uncertainty is challenged as overextended (Chapman, 1997; 1998).

Institutional theory argues that management accounting practices are influenced by complexities of multiple institutionalised environments, whether legal, professional, regulatory, or otherwise (Baxter and Chua, 2003). Organisations need to conform to social norms of acceptance, i.e. “...budgeting [may] serve to demonstrate a conformity with institutional rules and social norms, thereby legitimizing it” (Covaleski *et al*., 2003). Failure to conform to the social norms may produce *institutional crises*, e.g. crises in budget legitimacy (Covaleski and Dirmith, 1988a; 1988b).

Decoupling may occur when the intra-organisational institutions are inconsistent with the external norms and expectations. In that case the organisational procedures (like budgeting) may be followed as rituals in order to provide epiphenomenon compliance, while actual practice may vary (Hyvonen *et al*., 2009; Kilfoyle and Richardson, 2011). Institutional changes put pressure on the organisations but the outcome of these pressures is not to be taken for granted (Abernathy and Chua, 1996; Hyvonen *et al*., 2009). Changes to the demands of the environment re-balance the power relations and redefine the management control system of an organisation (Abernathy and Chua, 1996). Strategic choice (Ibid.) and intra-organisational dynamics also play a role in the reconfigurations of the control systems (Liguori and Steccolini, 2012). Nevertheless, even when the institutional pressures are the major forces for accounting change the ‘technical’ environment is not passive (Alam 1997; Jarvenpaa (2009).

OCT is quite silent on *how* the changes come to be: it is in essence a structural approach underemphasising “individual volition and strategic behaviour”, i.e. the agents passively adapt the organisational structures in order to ‘fit’ to their environment (Covaleski *et al*., 2003). The major limitation of OCT, though, is that it is methodologically static. Following ‘snapshot’ quantitative methods the theory cannot capture the dynamic relation of the organisations with their environment (Avital, 2000; Pettigrew, 2001; Pettigrew *et al*., 2001). While early research in institutional theory ignores the role of agency (Covalseski and Dirsmith, 1988a; 1988b), recent literature enables more space for action (Covaleski *et al*., 2003). The institutional agent is trying to secure legitimacy from conflicting institutions. While institutionally influenced, the agents may also confront and oppose other routines that undermine their power (Seal, 2006). It nevertheless remains a structural orientated approach, since the interest is on the relation between external and intra-institutions. The emphasis is on how the agents confront the institutions and not on how agency creates, reproduces, or modifies the institutions (Kilfoyle and Richardson, 2011).

Other approaches emphasise the role of agency in budgeting and management control. Findings from Strategic Contingency and Bureaucracy theory suggest that in cases with high scarcity of resources, budgets get de-emphasised as rational tools for resource allocation, and instead get politically biased – especially in the case of critical resources (Hills and Mahoney, 1978; Pfeffer and Salancik, 1974; Salancik and Pfeffer, 1974). Moreover, the strategic positioning against the environment has to be taken under consideration too (Abernethy and Brownell, 1999; Naranjo-Gil and Hartmann, 2007). Interactive budgets serve to communicate strategy to the organisation (Simons, 1991). It could be suggested that higher management could use the budget to communicate responses to environmental change. In that case, though, the beyond budgeting critique has to be taken under consideration. Nevertheless, the above studies are also framed from the static ‘snapshot’ approach, thus providing limited guidance on the actual processes of adaptation.

During the actual process of adaptation, management accounting information may have to pass through a ‘hardening’ process, i.e. to be inter-subjectively negotiated and agreed as reliable and sufficient. Rowe *et al*. (2012) suggest that this undergoes during the early stages of organisational change, when the agents may have concerns on the sufficiency or the quality of information. In their case, the informational frame started to stabilise when the managers/users started to take part to the game, which in early stages was at the hands of the financial experts.

Frow *et al.* (2010) studied the budgeting and control practices of an organisation facing highly competitive and fast technological-changing environment. They recorded a continuous budgeting process, whereas the budget was used both interactively and diagnostically. Their case opposes the beyond budgeting critique by highlighting the decisive role of agency for effective budgeting. While managers were held accountable for pre-set budget targets, the budgets were continuously developing. Emphasis was placed not only on the target, but also on action: individual action to re-adjust the performance, interactive action to communicate the needed corrections, diagnostic action to reallocate resources or reset the target when all other possibilities are excluded. This kind of budgeting ensured both the financial discipline and the ability of managers to respond to “unforeseen contingencies” (p.459).

The major limitation of the agency focused models is that they underemphasise the influence of the agents’ structural surroundings. Another problem is that they adopt an over-rational and self-interested model for agents, which provides a flat account of agency and a limiting scope for the reasoning of agents’ actions (Kilfoyle and Richardson, 2011; Seal, 2006). Structural approaches tend to overemphasise the footprint of the environment to the organisational structures, reducing agents to the more or less passive role of adapting the organisation to the external conditions, or at best as managing conflicting demands. Agency approaches focus on the strategic role of agents as determinants of the course of adaptation, underemphasising in turn the conditions that mediate their action.

Structuration theories provide a more balanced approach for the study between environmental change and organisational adaptation: organisational reproduction results from both subjects and social objects in an interactive relation. Structures constrain but also enable action, and action in turn reproduces structures. This duality perspective points to the co-contribution of agency and structure to MA practice (Englund *et al*., 2011). The focus of research is to study and understand MA change, resistance to change, or stability (e.g. Burns and Scapens, 2000; Granlund, 2001; 2002; Jack, 2005; Lukka, 2007; Scapens, 1994). Englund *et al*. (2011), based on an extensive review of ST research, suggest that changes in the conditions governing the system reproduction, like financial crises, may be a source for MA change. Crises may force revolutionary changes on the formal MA rules or routines, or on both (Burns and Scapens, 2000; Scapens, 1994). Crises emerging in the environment may create conditions of increased reflexivity (Seal *et al.*, 2004), rebalance power between groups of agents (Burns, 2000; Macintosh and Scapens, 1991; Granlund, 2002), and trigger change efforts, yet the effort outcome is not to be taken for granted (Macintosh and Scapens, 1991).

Actual change is uncertain since it has to overcome sources of stability (Granlund, 2001; 2002; Lukka, 2007), like (1) the agents’ tendency for ontological security, (2) the taken for granted implication of MA practices, (3) lack of knowledge for alternatives, (4) structural contradictions between new and existing structures, and (5) recourse asymmetries between agents attempting change and other agents opposing it (Englund *et al*. 2011). Indeed, Granlund (2001) highlighted that, even during financial decline, MA change may be resisted because people resist the social changes and the uncertainty that accompany it. Moreover, routine flexibility (Lukka, 2007) and lack of knowledge for alternatives (Jack, 2005) may ‘protect’ and legitimize formal control structures even when there is an apparent need for change.

The next sections cover the empirical enquiry. I briefly discuss the theoretical and methodological approach that inform the enquiry, and proceed to case itself.

**3. Theoretical and methodological approach**

Organisational adaptation is in essence a form of change. Therefore issues regarding the object, subject, reasoning, and form of change (Busco *et al.,* 2007) are addressed. The theoretical framework applied in this case is based on a synthesis of Adaptive Structuration Theory (DeSanctis and Poole, 1994), Mouzelis, (1989; 1991; 1995) restructuring attempt on Structuration, and Strong Structuration Theory (Stones, 2005).

The synthesis suggests that the *subjects* of change are agents that appropriate structures, respecting that these agents have differing ability to influence the structural outcome (macro and micro agents). The *objects* of change are the budgeting practices, but also the temporal outcome of structuration (Archer, 1982); the budgeting and control structures. Organisational structures are analytically divided to three dimensions: normative (the norms guiding how budgeting should be practiced), figurational (the actual figurations in routines and relations resulting from the way budgeting *is* practiced), and instrumental (the socio-technical dimension). Internalised structural dimensions cover the agents’ knowledgeability (Giddens, 1984: 5-7) of their environment of action and interaction, and their dispositions. The latter cover the deep structures within the agents (Giddens, 1984), which are shared among agents that have gone through similar socialisation processes (Mouzelis, 2008: 193). Agents predominantly draw upon structures in order to act and interact, that way reproducing them. At times though, due for instance to a shock of a crisis, the agents may distance themselves from certain structural features, approaching them theoretically or strategically, i.e. more like topics for consideration or intervention, rather than as means for action (Mouzelis, 1989). Yet this distancing is always co-mediated by other structures in order to reflect on any structural characteristic of their environment of action (Giddens, 1993: 6).

The *reasoning* of change is because both the environment and the budget are sources of structuration; as such the environment acts as a change trigger. Moreover, the environment and the organisational control and budgeting structures are different sources of structuration, the former external and putting independent causal forces to the organisational agents, the latter internally related and putting more or less irresistible forces on them. The *form* of structural reproduction, whether resulting in change or stability, is explored with the use of the Quadripartite Nature or Structuration, a model approaching diachrony in structuration from the agents’ point of view.

A case study strategy was adopted due to the explorative stage of the problem (Kaplan, 1986; Ryan *et al.*, 1992: 45-46, 50-53). Moreover, case studies are valid methods in order to address local knowledge and causalities of action (Huberman and Miles, 1985; Maxwell, 2004: 247; Maxwell and Mittapalli, 2007; Sayer, 1992: 60-61; 2000: 114-118). The design of the study was a retrospective one (Yin, 2003b: 7), a post-event inquiry about the budgeting practices of a period starting before the financial crises of 2008 until the end of data collection. The above briefly described theoretical framework directed the investigation to specific aspects that were likely to change, by predefining “… (a) what is to be explored [and] (b) the purpose of the exploration…” (Yin, 2003a: 30; 2003b: 5). In turn, the framework was translated to thematic interviewing (Granlund and Malmi, 2002), which provided very thick data on the themes that are the focus of the enquiry.

The data were gathered between July 2011 and March 2012. A total of 9 interviews took place ranging between 40 minutes and 1 hour. The interviewers covered three hierarchical levels in the organisation: (a) hotel-chain senior executives, (b) hotel directors, (c) operational directors. All of the interviews were recorded and transcribed. The researcher was also given access to internal documents, mainly covering data regarding the history, the philosophy, and the policies of the organisation. Moreover there were plenty of publicly available data covering the period 2008 – 2011. The president of the organisation held a leading position in an associative body during this period and as such his positions were frequently published by press. Another two press releases and four TV interviews by organisational representatives were also used. The importance of these data lies in the fact that they express the positions of organisational members at a specific point of time, mainly, but not exclusively, regarding the changing economic environment. As such, they complement and triangulate the retrospective reporting of the interviewees for this research.

**4. The organisation**

The organisation was founded in the mid 1980s as a single resort. Four years later a second resort was constructed. By the early 2000s the organisation had developed into a hotel chain of about 10 hotels, a number of conference centres, and had completed a number of smaller projects too. To date, more than 5000 beds are available, over 1500 people work in the organisation, and a new resort is under construction. The resorts vary from 4 stars to the luxury category.

Development is central to the philosophy of the organisation, whether in new products and markets, investments to luxury infrastructures, or upgrading the quality standards. They have introduced a lot of innovations in the course of their history, and they still approach their product as constantly developing. Human resources are recognised as strategically important, and there are many benefits for their personnel, like constant training or even a library covering management and operational titles.

The company is pretty well organised and applying ‘scientific’ or even sophisticated management practices. A dominant issue characterising their culture, though, is that the organisation operates in high degrees of formality. For instance, they were one of the first hotel organisations in Greece that developed and recorded their quality standards as far back as the early 1990s; a quite impressive in size volume describing the way procedures are to be followed *and* reported. Another example is that they keep formal reports for their meetings which they upload on their intranet.

“...I cannot say that there is something informal.

- Isn’t it?

- No, everything is very structured...” HRD

This formality was to be the centre of quite interesting procedures during the years of the crisis.

**5. Budgets and budgeting**

Budgeting starts in October. After a series of smaller meetings, a final formal meeting takes place where the president announces the main directions and assumptions for the next year. By that point the marketing department has already sent the first expectations for the next year’s occupancies and prices per market segment or per travel agent. These expectations are later refined and unified at a hotel’s level in order to form the basis of its revenue. Soon after, the hotel and departmental directors submit their project plans for the season. They “...say an idea, which as an idea must be supported, that is, we must do a small budget of the idea...” FD. These plans are accepted, rejected, or revised by higher management and, based on that, the hotels and departments start to work on their annual budget. During November the finance department sends the ‘budget forms’ to the hotels and departments. These forms include the standards costs that are allocated to the hotels or the supportive centres. Next, they agree the organisational chart for the year, and then reflect it in the budget. The procedure is a team effort. Hotel directors develop and organise the task, but in close consultation with the main supervisors, as well as the finance and payroll departments.

Hotel budgets are submitted by early December, and finalised, upon higher management agreement, by late December. Nevertheless, the hotels are resorts and the operational year starts sometime in spring, depending on market conditions. Between late February and early March the budgets are updated[[2]](#footnote-2); there “...is a correction of the first budget, in order to place... with more clarity and accuracy the budget data”. In periods of instability or unforeseen events more updates may take place.

Technically speaking, the budgets are structured on a monthly basis. At an operational level any point that is a revenue generator is characterised as a revenue centre and the rest as cost centres. Costs are monitored as flexible or standard and treated accordingly. Operational revenue and costs end up to the gross operational profit (GOP) of every hotel. Next, common costs such as costs of the hotel chain level or other administrative, marketing, and maintenance are allocated to each hotel in order to calculate what they call GOP 2. Finally, they add depreciation and interests for their ‘last line’ profit. Hotel budgets are unified to three divisional budgets and then to the chain’s master budget.

The reason to budget is for planning and cost control. There is a control mechanism in place that does not allow excessive deviations in important cost items. For instance staff planning takes place just before the month. Reports of the planning go to the control department and any deviations from the budgeted ones have to be justified. Moreover, the actual working days of line-staff are closely monitored by the controllers in order to act in time if needed. Managers have open access to the all of the budgets and budget data. During the operational period there are weekly meetings in each hotel, where the budget is always a discussion point. Once a month a formal meeting takes place between the hotels and central administration. One of the issues is the course of the budget. In cases of important changes the budget had to be revised.

**6. Reflecting change, understanding change**

The organisation operates mainly in three geographical areas and its hierarchical structuring reflects these areas as operational divisions. Local events affected heavily one division’s occupancies as early as August 2007, and again in 2008. The financial crisis added, it is not surprising that they consider this division as not a healthy one at present. For the most fortunate division, the crisis pressed the occupancies in 2008, but they considered quite satisfactory the years from 2009 onwards. Their main division, weighting almost as the other two together, had a good year in 2008 but was heavily affected during 2009. 2010 was a slightly better but still a bad year, and 2011 was considered as a fair year. In general the crisis affected the hotels in different times, contingent to their location. As a unified organisation they consider that the crisis started to affect them in 2008 and put the peak of the negative influence in 2009, gradually losing pressure later on. Nevertheless, occupancies are only one part of the story.

They managed to deal the occupancies in the long run with their marketing strategies. Their major concern, though, was the cash flow hardening they had to deal with. Travel agencies were by 2008 holding their cash payments back. The banking institutions were unable or unwilling to support the industry’s operations. The majority of their hotels are summer resorts needing financial support during the non-operational season. Not only were the banks now less willing to provide new cash-flow lines, but due to the rising of interest, new loans were not appealing and old ones came to be quite more expensive. Moreover, when the financial crisis started the organisation had in line heavy investments, the construction of a new hotel being the major one. As such, the cash flow hardening was a real threat for them.

A distinctive characteristic of the organisational environment during that period, though, is the high rate of unpredictable and intense interventions of the institutional environment, which affected hotels both directly and indirectly: directly, by heavily increasing taxation, and indirectly by shaping aspects of their technical environment. As a result the cost axis of the budget is also under pressure:

“...while budgeting now for 2012, because the figures now don’t run as we want them, as they used to be...if in 2008 we had a turnover of let’s say ten million, but what did we have then? We had a V.A.T. of 18%, we had other interests and other taxes in general...some side taxes that have increased very much...they have given me added expenses of one million out of nothing...which company has such a profitability that can hold a 10% increase of expenses out of nothing?” HD C

**7. Adapting to change**

The organisation found itself in the peak of the crisis both having previously suffered pressure to one of its divisions by 2007, and in the course of major investments in progress. Despite the fact that the financial crisis had not seriously affected them in 2008, higher management forecasted at that time that the crisis would be a lasting one and took some actions ahead. This proactivity at the strategic level would become a matter of every day operations as the crisis persisted. Expecting the cash flow hardening, higher management directed the organisation towards self-sustainability. New investing would be limited to the minimum, but the hotel under construction was continued, although in slower rhythms.

Executive and managerial fees were adapted to the new situation as an effort to sustain work positions. The resources available to directors and supervisors were negatively reconsidered. Line staff had no reductions on their fees, but they would find themselves with more days off in order to mach occupancies and gradually with less seasonal posts available. Yet, all staff were to be more productive, for many of their market segments were in the higher categories and quality had to be protected as much as possible.

When this policy was introduced, in 2008, there were executives and workers disagreeing to the new requirements and higher management invested much time in communicating the necessity of these actions. Nevertheless, the course of the crisis proved the negative forecasts to be valid, and the reactions were soon smothered and overcame by the events themselves. Higher management had forecasted that the crisis would be a lasting one, but what seems not anticipated is the rigidity of the pressure to the cost axis of the budget. While they witnessed a positive change in their revenue on 2011, their results were not following that trend. The organisation had started to lose its breath and a real threat for the future was recognised. A second series of more radical changes were introduced in 2011 and 2012, affecting both the positions and the procedures of the organisation.

**8. Operational action**

Although certain actions had been taken by 2008 and many cost items were examined from a zero base, they found themselves far from their initial budgeted figures in 2009. They were prepared that “...2010 will not be an easy year, but [they were] prepared to keep our quality standards and innovation...” HD A [2009]. Actually in 2010 they were able to get some of their balance back even if the situation was only insignificantly better:

“...we were at about the same levels of performance and at the operational level we were slightly better...operational costs were better in 2010...because in 2010 we had the experience of the negative 2009 and we made better predictions in issues regarding the allocation of staff, the working hours, the consumptions...” FD

A large brainstorming campaign took place in order to collect from the personnel ideas for more effective and less costly operational management. Marketing expenses were significantly reduced and they re-orientated their marketing actions in strategic directions. The strategy was “...very simple but also very complicated in parallel. One has to watch over his habits...” SE [2010]. In other words, there was an officially triggered effort to take ‘distance’ (Mouzelis, 1989) from the established way of doing things. The strategy was reported to be effective in terms of cost savings and organisational adaptation.

But unfortunately the environmental pressure did anything but relax, so the organisation entered a second phase of adaptation. They wanted to remain profitable, even if marginally, in order to remain a healthy organisation: “...if a company is not sustainable, if it is not profitable you cannot invest, you cannot borrow...” HD D. Having already completed the first phase of adaptation, which implemented significant cost savings the task at hand was not an easy one:

“The problem however is not to get a result in 2012, it is to get a result in 2012 and making sure that you will come out better in 2013, because we are service providers...you cannot, say, have some good contracts in 2012 and based on that to do the cuts and lose everything in 2013.” HD B

Constrained by the above external and internal complexities, significant changes started to take place:

“Mr [President] is always proactive. So in 2008, end of 2007, when others did not understand what was going on, we were already proactive and we had started taking some actions but it was going more smoothly. But last year [2011] and this year we take more hardcore decisions...the first thing we did is that we examined all expenses from a zero base...we did not try just to reduce them, but to differentiate them, to change them completely...We changed some working positions, abolished others, gave other responsibilities...so we did an internal reorganising in a lot of positions.” HD A

Yet, re-structuring would be a more accurate term: “We changed many procedures that were done in certain ways; we changed and simplified them in order to have less bureaucracy and more immediacy...” HD A. Having to decrease the “...working positions, those procedures to be followed they needed people. So we abandoned the procedures and reduced positions...” EHsk.

Their very detailed procedures were requiring a lot of recording and reporting for the line staff as part of the quality controlling. Since that “... needed a lot of workload, this ended..." HRD. Inventory control was also significantly reduced. In many items there was on-line inventory control but “...this is not happening any more, there is not such a cost control; the result is now monthly, not daily or weekly as it was before...” HRD:

“...the detailed control that was taking place before in certain issues will not continue in the future, we were very analytical...We no longer have this luxury, and it was probably a foolish thing to do anyway...” HD A

Of course they acknowledge that “...there will be some losses that way...but you say ‘I save some thousands of Euros in payroll, I save in future cost...but you will lose something else’... [Nevertheless]...these are strategic choices, we reduced many procedures...because you cannot have a given number of people, to ask for better productivity, and ask them to become more bureaucrats too, you cannot do everything” HRD.

Neither quality nor inventory control was less significant for them. But what they did was to monitor their habits and track down routines that were requiring too much recourse for a crisis period. Interestingly they distanced themselves from their dispositions (Stones, 2005: 88) and de-formalised many control procedures in order to secure operational working hours. The changes are challenging their quality standards, but their customers are also more price sensitive than before and as such ready to accept small changes. They nevertheless try to keep the “observed quality standard” and to be fair to their customers:

“...in order to be honest and fair to the customer you may have to change operational philosophy. You cannot say ‘I offer lunch in five departments’ and give the customer beans and a slice of bread...if you respect your customer and your work you cannot do that, so if you necessarily have to save something it is better to say ‘look, the departments I offer lunch in are four’ and keep your dignity in service provision...” HD B.

The above changes in operational philosophy, quality, and inventory control are compatible with organic contingency theory suggestions. An organisation that was implementing high degrees of bureaucracy and formality did loosen up in order to adapt to an unstable environment. Yet, the budgeting part of the story is quite different.

**9. Reflecting budgets, practicing budgeting**

**9.1. First Act**

Budgeting practice could not remain unaffected given the degree of change. They witnessed early that “...the market is too price sensitive and contingent with last minutes offers, a situation that year after year gets worse, that is we get the reservation more and more on a last minute basis...this creates a feeling of insecurity...*planning* is now much more difficult...” HD A [2010].

“Some years ago we could do a budget once and say ‘ok, that’s it’, we had some indications...we considered the trends and the situation was over, you were budgeting and at the most you had to update it once...during the last years we witness that things get more *liquid*, not only from last minute booking, but also from parts that have to do with cost calculation...” HD A

Despite this difficulty, budgeting was not loosened, or even questioned. In case of need, both budget updates and revisions were already prescribed in their procedures. What changed is that “...due to the facts there must be two or even three updates, different, say, budget versions when the external or internal conditions change” HD A.

They needed up to date realistic data, in order to plan their adaptation to the changing conditions. Predicting the volume of revenue, as well as actually bringing it in, was considered to be a vital point. This is because there is more space for adaptation movements before the operational period, while after that “...you cannot adjust proportionally the costs in case of failure, you will ‘break’ the hotel...” HD B.

Yet, no matter how good the revenue predictions were to be, they were quite insufficient by themselves given that the actual revenue was reducing. So, environmental change triggered “...a big *pressure* in reducing all forms of expenditure in the budget...” HD D. Higher management started applying “...much more stringent criteria” HD B in order to finalise any of their budget versions. This in turn weighted on budget preparation time and effort.

At a hotel level, in order to adjust to the new conditions they had to “... do much more analyses in order to have the desired result, *if* we can...The *depth of analysis* has gone further after the crisis, it is greater...” FD. Another feature that gradually came to be minimised was the possibility of political ‘gaming’ for resource allocations. Before “...you could say ‘how am I to do a more accurate evaluation in order to pick from the owners a little more...when everything [costs] has gone up by 10% any possibility of such claims is erased, it is erased, it is taken off the map...” HD B. This point clearly contrasts the empirical findings of political theory. The findings from university budgets, that in case of high resource scarcity budgets get de-emphasised as rational tools for resource allocation, and instead get politically biased (Hills and Mahoney, 1978; Pfeffer and Salancik, 1974; Salancik and Pfeffer, 1974), may not be easily generalised to profit-orientated organisations, perhaps because political power follows a more straight forward line to the latter.

During the operational year there was an increased pressure to stay as close to the budgeted figures as possible: budget pressure “...was always there but we were not so much chained to the budget...you could get a little away...now there is no such thing...” EHsk. “...[E]ven [expenditure] time was given a specific set, say, you can only buy consumables in March and then in July...before you could buy whatever you wanted every month...” HRD

Using the budget during the year requires greater workload. Operational managers “...have to monitor it more closely” HD A, while at the “...finance department... [they] have to work much more, in order to justify some things, as well as to predict, to revise...” FD. They are now in “...greater *readiness*...it needs a lot of *attention*...and also *faster decisions*” FD. Moreover there is now an increased socialisation around the budget, not limited to those who ‘traditionally’ act on the budget, but expanding to lower hierarchical levels: “...before the budget was the concern of the directors...not everyone was in the game, now they are...it has gone very deep down...” EHsk

Up to this point, contrary to Burns (2000), the existing control procedures were used to monitor change, even if they indeed had to go through a ‘hardening’ process (Rowe, 2012) for producing budgets of better quality. Considering the structural dimensions (Mouzelis, 1989; 1991; 1995; 2000; 2007) the budgeting norms remained by and large unattached and dually reproduced by the agents, while at the same time the agents actively engaged towards the actual budgeting figurations. As a result, ceremonial and instrumental action (Burns and Scapens, 2000; Siti-Nabiha and Scapens, 2005) co-existed.

**9.2. Second Act**

Yet, the above adaptive budgeting practises did not prove sufficient enough to lead the organisation out of the ongoing crisis. As discussed, a second phase of more radical adaptations started to take place in 2011 in order to respond to the persisting pressure of the environment. At around the same time a number of changes were introduced to budgeting as well, that were to change a lot of its previous character. But while the direction given to other means of control was towards de-bureaucratisation, the directives issued for budgeting were aiming in the opposite direction.

Reflecting the experience that “...after 2008 there were one to two years that we had negative results...in many of our hotels...but this cannot go on, so in this entire frame ways should be found in order, at the end of the year, for the figures to be different...” HD C. Higher management started to insist strongly for positive results and certain directives were issued towards this direction. The results were not expected to be overambitious, an illusion given the circumstances, but nevertheless they should be positive, *specifically* positive. “...it is now very intense that we should have a comprehensive, a better, an overall picture of the situation and target to bring in numbers, that is, the number must come out...we must now focus clearly on the result” HD A.

While budgets were used to quantify the organisation’s plans before, they were pointing to the direction and not to an ‘absolute’ result. Before they had “...directly a positive sign, now if this positive sign was plus ten, plus twelve, plus nine, plus seventeen, it did mean something but not something tragic...” HD B. Before this “...was not evaluated that much...now there is no room for that, you have to set up the budget in such a way that, at the end, the result is the one that should be...” HD C

“The point is that the budgets have a target now, have a *real target,* which must be achieved, because the cost category of third parties debts, interests, and so, has gone up enormously, enormously. Unfortunately that is a factor that cannot change. All other budget elements but that one can change, and that gives you the direction now on how you are about to act and what result you are going to have...” HD B

The change, from planning the direction to targeting, was to trigger “...an enormous change in the way you think when submitting a budget” HD B, which follows a rather ‘pragmatic’ approach:

“...your revenue is given, that is the revenue might go down, it cannot go up... and you also take the standard costs from the accounts department, those [costs] that are not dependent on your administration as a hotel director, then you try to figure out how to shape the costs that are up to you, in order for the final result to come about, *this is where the game is right now*...” HD B

While the above changes were about budget preparation, there were also a number of significant changes regarding the use of the budget during the operational year. Even if budgeting has now a pragmatic character it still is just a plan. The challenge is rather on actually accomplishing the budgeted targets. The organisation had already in line the structures for controlling budgeting. Deviations were always monitored, but due to the triggering of the crisis deviation control had become more tight and stringent during the first phase of organisational adaptation. During the second phase, though, there were directives that, as a sum, triggered a radical change in the character of budget control.

Expenditure time “...was specifically set” HRD even before the second phase of changes as a result of the effort to control cash flow. Setting specific monthly targets to the budgets, in terms of revenue and cost was insufficient by itself to bring about the actual figures. They were aware that “...because the tourist product is a sensitive one, during the period something may happen...and as a result the budgeted revenue cannot really come...this can affect largely the parts of cost too, but this is something that you cannot foresee. What you can do though, if it becomes obvious that this *will* happen, is to submit an extraordinary budget revision...” HD D

The directives and expectations that were put forward in the second phase turned the budget to a ‘wall’, a boundary line (Simons, 1991). In order to cross the budgeted ‘limits’ a director should submit a revision in order to justify the need and get formal approval to do so. Quite importantly s/he is expected to do so *in advance*: “...if something goes over the limit they must justify it, even if it is something that they didn’t expect, but it would be better and more harmless to inform *before* they cross the limit...” EHsk

There is now an expectation of pro-activeness, about “...monitoring, always monitoring and when we come to a deviation, for one or two things may happen...not to suffice in just monitoring it...” HD C. In other words there came to be an expectation of active budget orientation, and an aggressive budget engagement in order to bring the future that was prescribed in the budget to the actual future to be: “It doesn’t matter which month we refer to, what matters is that in order to monitor the budget of July, I have to start two months in advance...because when we are in July the month is over, what is to be done has been done, you cannot do much.” HD A

At the moment a deviation of importance comes to be realised a budget revision is expected to be submitted. Recording the deviation is the least that is expected to the revision. Instead the point is that the revision to be submitted will include the plan, *the action*, to get back on the expected target, to get back as soon as possible:

“It is because, especially nowadays, you have to have a result targeted that must come about. This is not a budget that we are going to say, ‘ok this is what we had, in order to see how we get on’, and at the end to say ‘oh, I had a failure’. It is a budget that is monitored, it is *excessive* now, during the month, each month and immediately, *depending on the failure you are likely to have in the month, correction should be done to the next one*...” HD B

Of course, post-budget control was not abandoned at all, but used to control the adaptive actions, and when needed to direct towards future reactive action.

**10. Budgets and budgeting structures**

The above changes in budget use during the period were forced by the higher hierarchy levels as a result of their anxiety and fear for the footprint that the ongoing crisis was pressing to the organisation. I never had the feeling during the interviews that these changes were the result of a mastermind plan. They wanted to control the costs, they wanted to secure a positive cash flow and, during the second phase of changes, they wanted to make sure that the organisation will remain profitable even if marginally. The ongoing environmental turbulence triggered management to try to respond as fast as possible to changes and when possible to try to be proactive. Not all of the changes were actually new ‘rules’, but rather directives or change of expectations on how to apply the existing norms. Deviation control was of course there before, but now it is expected to be monitored well in advanced. Budget revisions were in their procedures, but before it was “...not like this, it had to be something tragic, not like this” EHsk, now it is more of a common than an extraordinary event.

Nevertheless, the above changes as a sum resulted in a quite sophisticated character of budget control. Higher management issued new directives, interfering with the normative level of budgeting structures, and at the same time pressed for more consistent actualisation of the already existing norms. As a result, an interesting schematisation at the figurational level took place, in which deviation control came to be *deviation management*. Budgeting came to be “...more substantial” HRD. Codifying the change, this came to be by (a) the exact setting of revenue and spending time to the budget, (b) *proactive* deviation control *before* any calendar month of the operational year, (c) submission of budget revisions in case of deviations, before or during the month – these revisions are not just for recording the deviations, but to include the specific close-future actions plans for *fast* deviation correction, and (d) post-action deviation control, which in many cases was to be the start of a new circle centring on the next month. Since the actual challenge was “...to respond quickly to whatever the future comes to be” (Otley, 2003: 321), budgets gradually became a “locus of institutionalised reflexivity” (Seal *et al*., 2004).

Other changes include the reconfiguration of budgeting structures in organisational time and space. Regarding time, budgeting moved well inside the operational period; submissions and approvals of budget revisions are now performed even for the last month of the period. There was no change in norms, for revisions were already prescribed in their procedures, but a motion to the actualisations of these norms. Budgeting and short-term planning and re-planning turned out to be dually interlinked since short turn plans had to be approved through budget revisions. In turn, there was a speeding up of the reproduction of budgeting structures, including budget updates and revisions, informal interactions and individual engagement and time spent on preparing and monitoring the budget.

In addition, budgeting expanded deeper into the organisational space, although that had nothing to do with any ‘technical’ rearrangements of cost or revenue centres, or any allocation techniques, or even to an enforcement of new rules or directives. Rather, the expansion of budget controllability to lower hierarchical levels was a motion in figurations, an actualisation of potentialities that already were. Before “...the directors were dealing with the budget...you can now ask everyone, the lower supervisor, he has this fear not to get away from it... now the director puts everyone in the game, that is, he has rolled his stress over...” EHsk. The reproduction of budgeting structures used to be the outcome of macro- and meso-agency. But now micro-agencies *have* to be part of a ‘game’ that before was played between higher management at a hotel chain level and the hotel directors. This came to be by a domino effect, i.e. it was an unintended outcome (Bhaskar, 1998c: 214-215) of macro agency. Macro agents pressed the meso agents, who in turn pushed the pressure deeper to micro agents.

There were no new ‘technicalities’ to be introduced and the “...structure of the budget has not changed...” HD A, but “...just what we did, we did with more detail, much more detail, and with much more attention, much more...” FD. This may sound odd given the degree of changes on both the normative and figurational structural levels. But as discussed, the organisation implemented high degrees of formality. Budgets and budgeting, as well as most of the organisational procedures, were organised in detail before the crisis, and there is no hint from the data that there was any discomfort or reflectiveness towards the technical characteristics of the budgets.

While there were no changes to the technical arrangement of budgets, what seems to have changed is that there is no longer such a thing as *the* budget. Hotel budgets were frequently revised in order to reflect the changing conditions. This is more clearly observed in the master-budget. Ten hotels, many departments in the hotels, other executive departments at the hotel chain level, all of them revising their budget in case of change of expectations, a case that came about too often. Although the budget targets came to be rigid the budgets are more than just targets. They also include the means to come to the targets. The ups and downs of the environment pushed the organisation into a readiness often to adapt short term planning. Arguing that budgets in turn are now in an ongoing process of becoming (Tsoukas and Chia, 2002) would probably be too much. It would be more accurate to argue that budgets, containing now high degrees of plasticity, are in an ongoing process of re-schematisation; a rather ironic result given that budget plasticity follows target rigidness.

**11. Organisational control structures**

Interestingly the changes introduced to budgeting were leading in the opposite direction to the ones relating to quality and inventory control. Changes on the latter were towards de-bureaucratisation as an effort to secure more time for actual operational work. On the contrary, budgeting became quite more formal and typical, quite more stringent. As such the organisational change was by far more complicated than one would suspect based on Organic Contingency Theory’s prescriptions.

There was indeed a loosening of formal quality and inventory controls *because* they needed to relieve workload in order for operational staff to be more productive and not because they wanted them to be more flexible. Quality and inventory control were not abandoned but they rather became more de-centralised, more organic. Many of the company’s centralised controls are now either less frequently performed or gave place to action controls. In contrast, both the normative expectations and the figurational actualisations of budgeting moved to be much more stringent and tight, quite more formal and much less malleable, *because* they needed to secure compliance to critical administrative indicators and they needed to control the organisational course at a *centralised* level. An interesting point to be made here is that while they consciously introduced changes to the budgeting structures, the course of change was also informed, was co-mediated (Stones, 2005: 88), by their formal dispositions. Moreover, reversing the point of view, their structural formality, besides enabling and constraining, also motivated their action (Porpora, 1989)

This interesting exchange of formalism is accompanied with similar exchanges in the visibilities and the possibilities (Hopwood, 1987) that the organisational control structures offer to the agents. There is awareness that loosening certain procedures will not be cost free. Nevertheless, given the resource scarcity they reshaped their control arrangements giving priority to the ones offering future orientation, and possibilities for future action. Demanding proactive action and deviation control and the connecting of short-term planning with budget revisions enforces a situation where lower hierarchy levels not only *have* to adapt their operations to the changing conditions, but also *have* to ask for approval through the submission of a revision, have to obtain legitimacy *before* the action comes to be. Clearly this reconfiguration reinforces a power passing towards the higher hierarchy levels, which now have more *potential,* more *possibilities* to interfere in the actions of their subordinates. Of course this situation comes along with quite less budget malleability, quite less flexibility for lower hierarchy levels. This result is consistent with research findings suggesting that environmental change may influence the power balance inside organisations (Abernathy and Chua, 1996; Burns, 2000; Granlund, 2002; Macintosh and Scapens, 1991).

The increased attention forced by higher management to budgeting, the engagement of lower strata of agencies to the reproduction of budgeting and the speeding up of reproductions, resulted in combination to the spreading of an accounting mentality in the organisation, i.e. there was a change in the dispositions (Stones, 2005: 89) of the agents: “...when we say that we are becoming accountants, yes, that is truth, we are becoming because we have to monitor [the budget] closely, much more closely than before” HD A

**12. The future**

Although there is no discomfort in the way budgeting was practiced per se, there was some puzzling regarding the unbalancing of the overall control structures. Specifically, the overemphasis on budgeting structures at the expense of the quality ones. This unbalancing entails a certain risk to the quality performance of the organisation. While all the interviewees recognised the need for this motion, many also recognised the dangers that follow from it. The changes regarding budgeting will probably “...continue, but not in that degree, they will continue...” EHsk. Yet, what they will probably try to bring back is the balance of their control structures: “I imagine that what will change in the future, when the crisis ends, we will return to quality much more substantially, but always in reference to what we have to our budget” HRD

**13. Discussion**

The financial crisis triggered considerable changes to the organisation in focus. After an initial period of small adaptive movements, the persisting environmental pressure led the organisation to a second phase of more radical changes. There were changes to the organisational chart, changes to the organisational procedures, even in operational philosophy. In such a changing framework the organisational control structures were not to stay unaffected. It is noted that there were different rhythms of change in different structural dimensions (Burns and Scapens, 2000, Scapens, 2006). Change needs not “...be co-variant in time” (Archer, 1996), since structural dimensions may – in limits – vary independently of each other (Mouzelis, 2008: 114-115, 196). But the changes that came to be were not unidirectional or of a similar logic. Many control procedures that were mainly directed to controlling lower operational staff got to be loosened and de-bureaucratised in order to enable more operational time, to enhance productivity. Budgeting took the opposite turn.

As with most of the procedures in the organisation, budgeting was a set of formally regulated and followed practices even before the crisis. There were no radical changes regarding the budgeting norms but rather a small number of directives issued focusing on specificities of the procedure. These interventions, though, combined with an increased pressure for actual budgeting practice to be more consistent to the norms, caused significant changes to the figurational level of the budgeting structures. The motion of budgeting from results control to proactive deviation management and the time – space expansion of budgeting were the more sound of the changes in budget actualisations. The changes in norms were not targeting the technical budget arrangements, which were already predefined as the whole procedure was. Nevertheless the figurational changes moved the budgets to be more precise and realistic, but also more plastic than before.

The different directions of motion that the organisational control structures took could not be addressed using Organic Contingency Theory. Consistent with OCTs’ suggestions, quality and inventory controls became more organic than before. Contrary to OCT, budgeting became more formal and mechanistic. Although OCT has been used to study the impact of environmental change (Anderson and Lanen, 1999; Waweru *et al*., 2004; Kattan *et al*., 2007), actual practice may bring about quite more complicated forms of change than OCT suggest. Moreover, OCT is unable to capture the local reasoning of action. For even in the case of de-formalisation of certain control arrangements the agents did not try to make the organisation more flexible and organic, but to secure operational working hours.

That kind of budgeting practice shares similarities with the continuous budgeting reported by Frow *et al*. (2010), which was also formulated after their case-organisation faced a crisis. Similar to their case, the hotel-chain discussed here uses budgets both interactively and diagnostically, and it is a continuous process. The major differences here are the degree of pro-activeness that is required, and the fact that due to resource scarcity the budgets have a more intense boundary character (Simons, 1991; 1994). Nevertheless, while Frow *et al*. report a stabilised procedure, the focus of this case in on how and why continuous budgeting came to be.

Regarding the beyond budgeting critique, the case provides data on *how* the budgets became malleable enough (Kallinikos, 2004; Busco *et al*., 2007) to enable adaptation in a quite unstable environment. Budgeting is a socio-technical control artefact (Berry *et al*., 2009). It is noted that whether the budgets are used or not in such environments it is a dilemma of the agency, not of budget potentiality, although the agents indeed have to improve budgeting (Hansen *et al*., 2003) rather than using traditional budgeting forms.

The value of addressing management control practice in different hierarchical levels (Ferreira and Otley, 2009) is highlighted in this case. The intervention of macro-agents was not the only force defining the outcome of structuration; instead there was a differential contribution of agency levels on structural reproduction (Mouzelis, 1989). Many of the interventions on budgeting were aiming at controlling the hotel directors, the meso-agents. Yet, hotel directors and their teams were the ones that moved the budgets to be more detailed and accurate, in an effort to find adequate space for the required savings actions. Moreover, the ‘invitation’ of lower level micro-agents to engage in budgeting was more the result of meso- rather than macro-agency. It seems thus that there was a diffusion of intentionality, in which different strata of agencies had their part, although unequal in weight, in the structural outcome.

The above pose interesting questions on the paradox of embedded agency, whereby structurally embedded agents introduce structural change (Scapens, 2006; Seo and Creed, 2002): ‘If social structures are so powerful an influence on behaviour how can they change and if agents have free will how is their behaviour constrained by social structures at all?’ (Kilfoyle and Richardson, 2011: 191). Specifically it points out towards the negotiations of change in regards to levels of agency, and to the “unintended consequences of doings” (Giddens, 1984: 11, 8-14; also Bhaskar, 1998: 214-215). Specifically, which are the agents trying to bring change to the established way of doing things and which are their motives? Which structural features – like formality in this case – co-mediate their actions? What structural features unintentionally reproduce and what other changes unintentionally trigger? Which is the component of change, and which levels of agency negotiated it?

**14. Conclusions**

In this paper I provide data on organizational adaptation to a financial crisis. I present and discuss the dynamics of management control and budgeting in a Greek hotel-chain on the background of the rigidly changing environmental context of the financial crisis. I discuss how and why the local agents adapted their control practices, and developed a form of continuous budgeting, which centred to proactive deviation management and gradually became a locus of institutionalised reflexivity (Seal *et al*., 2004). Although the paper is empirically orientated, a number of theoretical issues that may attract attention for future research are also scratched. The most important are the different directions of change that organisations may follow in parallel, the possibility of different rhythms of change in their control structures, and how different intentionalities negotiate the outcome of change.

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2. I use the term ‘update’ rather than ‘revision’ because it is a routine procedure and moreover before the operational period. [↑](#footnote-ref-2)