Understanding the Process of Management

Accounting Change

A Study of a Private Equity Acquisition of a Healthcare Company

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Abstract
Private Equity acquisitions are usually followed by rather extensive management accounting changes, thereby making it an ideal situation if the aim is to study the process of change. A case study of a healthcare company, acquired by a private equity seven years ago, was conducted in order to explore what changes were implemented as well as how the change came about. The definition of management control systems by Malmi and Brown (2008) was used to facilitate the understanding of Burns and Scapens institutional framework (2000). Together the chosen theories were applied as a lens to analyse and interpret the empirical findings. The private equity replaced several employees, implemented new management accounting systems and restructured parts of the healthcare company. Prior to the acquisition, the institutions in place were rather weak, as shown by the employees who felt that the management accounting systems in place were inadequate, making the change welcomed. The study also shows that there was a mutual trust between the private equity company and the acquired company. This trust, together with the weak management accounting systems, facilitated a successful MA change process.

Key words: management accounting, change process, healthcare company, private equity, acquisition
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1. Introduction

1.1 Background

Management Accounting (MA) change has been a highly researched topic in the last decades with various studies focusing on MA as an outcome of change (Covaleski et al., 1993). There are many different theories concerning the subject of how to best implement change. The type of research focusing on the outcome of change can be used to develop new methods of MA. Burns and Scapens (2000) argue that although such studies are beneficial, more research has to focus on the process, rather than outcome of MA change. Therefore, this paper studied the process of MA change in an organisational context, more specifically changes that occurred as a result of a private equity acquisition.

There are several definitions of private equity, simply explained it is long term equity capital which is not traded on an exchange, it consists of investments and funds which are placed directly into companies. The first leveraged buyout\(^1\) occurred in the 1960s and during recent years the private equity industry has received a great deal of attention since immense sums of capital has been raised, reaching up to $696 billion, during the ‘golden years’ of 2005 to 2007. (Cendrowski and Petro, 2012; Bain & Company, 2012)

A private equity company acquires the majority share capital of either an underperforming company or an undervalued company in an attempt to increase the profit and make it more attractive in order to eventually sell it (Cendrowski and Petro, 2012). When a private equity company acquires a majority share capital of another company they usually have a period of ten years to return money to investors. The ten-year period is relatively short, forcing private equity companies to act in a relatively fast manner in order to turn the company. This creates an environment of change, ideal for a researcher studying changes within an organisational context, as changes will certainly occur in the acquired company.

1.2 Problem discussion

This thesis paper explores the change process concerning MA as a result of a private equity acquisition, why the changes were made and how the process of change came about. To facilitate the understanding of the change process, the changes in a Swedish healthcare

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\(^1\) Leverage Buyouts are the typical acquisition method by PE. What happens is that a PE-company buys a controlling interest in a private company’s equity by borrowing the majority of the money. The rest is usually financed by investors in the PE. The acquired company’s assets are often used as collateral against the borrowed capital. (Privco, 2014)
company acquired by a PE-company\textsuperscript{2} seven years ago, was explored. Understanding the change process could facilitate the management of change, thus this study should be of interest to practitioners. Kash et al. (2014) point out that healthcare management literature need more ‘industry specific examination of success factors’ since this may facilitate the change processes within healthcare organisations (Kash et al., 2014;66).

The institutional framework by Burns and Scapens (2000) focuses on the processes connected to MA change and as previously mentioned, highlights the fact that relatively little research has studied change as a process. Burns and Scapens stress the need to conceptualise how MA change can move the institutional equilibrium of a company from one state to another. They request more research focusing on the process of change, ‘... why and how it becomes what it is, or is not, over time, i.e. management accounting change as a process.’ (Burns and Scapens, 2000;4)

The majority of the studies concerning MA change have been done of changes occurring from an internal catalyst, whilst this study focused on changes occurring from an external catalyst (Siti-Nabiha and Scapens, 2005; Baxter and Chua, 2008; Skaerbaek and Tryggestad, 2010). Furthermore, this paper explored a healthcare company which could potentially mean that a change of institution might be more difficult to achieve since there may be stricter values and more control systems within a healthcare company (Devine et al., 2000; Kash et al., 2014; Souza et al., 2011). Thus, this thesis paper explored the change process and interaction between two seemingly different institutions. Since a healthcare company was researched, this also contributed to niche this thesis paper.

1.3 Problem formulation and Aim

This thesis paper aims to explore management accounting change in a healthcare company as a result of an acquisition by a private equity company. The focus being on MA change as a process rather than outcome. The research question stands as:

\textit{How has the management accounting within a healthcare company been affected by a private equity acquisition and how did the process of change come about?}

In order to achieve this, a case study of a Swedish healthcare company was conducted. Why these changes were implemented and how the process of change came about was explored.

\textsuperscript{2} Further simply referred to as PE
The ambition with this thesis paper is to contribute to the institutional research concerning the subject of MA change and more specifically the interaction between two seemingly different institutions.

1.4 Disposition

This paper proceeds as following: Initially, (2) the chosen theories and definitions are introduced, followed by a descriptive explanation of the choice of method (3) and its relevance to the study, then there is a presentation of the most relevant empirical findings (4), followed by an analysing discussion (5) and finally a conclusion of the findings with insights into potential future studies (6).
2. Theoretical Framework

This section explains the applied theories. To begin with, the definition of Management Control Systems (2.1) is introduced, followed by an explanation of Burns and Scapens (2000) theoretical framework (2.2-2.3). Finally, a synthesis of the theories is presented (2.4).

2.1 Management Control Systems

Concepts of management accounting (MA) and management control systems (MCS) have been used interchangeably in the accounting literature. While some researchers are stricter to differentiate between these two concepts, for example Chenhall (2003) who claims that MCS embraces MA and cultural controls, others, including Burns and Scapens (2000) would see cultural controls as inevitable parts of MA. In this study, and in line with Burns and Scapens (2000), a rather broad understanding of MA was employed. The MA change was explored from an institutional perspective, i.e., how change in an organisation came about. Before the main concepts from the institutional framework are presented, a description of what can constitute MA will also be explained. Malmi and Brown (2008) provide a summary framework that describes contents of MCS as all tools, systems, values and other activities management can use to control employee behaviour into congruence with the organisational goals (Malmi and Brown, 2008). These have to be complete systems and not only rules, in order to be classified as MCS. Malmi and Brown (2008) have criticised recent literature on MCS as it has neglected the fact that MCS acts as a package and not only one or two elements of control. Malmi and Browns (2008) typology consists of five types of controls that act as a package of MCS.

The framework of Malmi and Brown (2008) does not incorporate interactive controls or something of its equivalent, therefore to complete their typology of MCS, interactive controls explained by Simons (1994) have been added.

2.1.1 Planning Controls

Planning is an ex ante form of control, meaning that a set of controls are imposed beforehand in order to achieve a forecasted goal. There are three different types of planning controls. The first one is a directive of goals of different functional areas in the organisation, the result being a clear direction of effort and behaviour. Secondly, planning informs different functional areas of the level of work effort that is required and expected in order to achieve
the goals of the organisation. Finally, planning can be used to co-ordinate members by adjusting the different sets of goals in the different functional areas of the organisation. (Malmi and Brown, 2008)

2.1.2 Cultural Controls

Culture is by Flamholtz et al. (1985;158) defined as ‘… set of values, beliefs and social norms which tend to be shared by its members and in turn, influence their thoughts and actions’. Malmi and Brown (2008) share this definition of culture and explain that cultural controls are when an organisation tries to control its member’s behaviour, then they are also trying to control the culture in the organisation.

2.1.3 Cybernetic Controls

Cybernetic controls are defined as ‘… a process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variances in the systems, and modifying the system’s comportment’ (Green and Welsh, 1988;289). Cybernetic controls can either be classified as information systems or control systems depending on their utilisation. There are four different cybernetic controls in their typology: budgets, financial measures, non-financial measures and hybrids. (Malmi and Brown, 2008)

2.1.4 Reward and Compensation Controls

Reward and compensation systems are used to motivate and increase the performance of individuals and groups within organisations by assimilating the goals of the organisation with its members. Researchers argue that by having rewards and compensation systems there will be an increased level of effort compared to if there were no such system in place. Individuals who have a prospect of a reward could have an increased effort, as their task focus will increase. This link can have three different effects on performance: the task the individual focuses on, how long he or she focuses on the specific task and finally the amount of work he or she dedicates to a certain task. (Malmi and Brown, 2008)

2.1.5 Administrative controls

Administrative controls are systems that control employee behaviour by organising individuals and groups as well as holding employees accountable for their behaviour and
various responsibilities. There are three different administrative controls; organisation design and structure, governance structures, and the procedures and policies. (Malmi and Brown, 2008)

2.1.6 Interactive controls

Interactive controls are used by top-managers to involve themselves personally in directing activities of subordinates. Cybernetic control systems can be made into interactive control systems if they are managed regularly by top managers. The purpose of such a system is to focus the attention and enable dialogue in order to increase the coherence within the organisation on strategic uncertainties as well as stimulate new ideas and strategies. (Simons, 1994)

2.2 Main Concepts of the Institutional Framework

While the previous section provided a set of concepts to describe the content and outcome of MA this section presents theory used in this study to understand the process of change. In line with Burns and Scapens (2000) the institutional theory perspectives were used to analyse the process of change. Burns and Scapens (2000) refer to Old institutional economics, which considers MA as a system of rules and routines endured in prevailing institutions and the environment (norms and values) of an organisation. Any change in MA is thus and organisational change.

2.2.1 Institutions, Rules and Routines

Institutions, rules and routines are the main concepts used by Burns and Scapens in their institutional framework and are therefore explained further. There are several ambiguities connected to defining the concept of an institution, and there is no universal definition of the concept within old institutional economics. Burns and Scapens define an institution as ‘the shared taken-for-granted assumptions, which identify categories of human actors and their appropriate activities and relationships,’ (2000;8).

A dualistic relationship exists between institutions and human actions. This is due to the fact that the existing MA practices within organisations (also referred to as organisational routines) can both shape and be shaped by the institutions in which they prevail. The institutions themselves can also shape and be shaped by the social activity within
the organisation, such as when the human activities become routinised, thereby causing the dualistic relationship (Burns and Scapens, 2000;6).

In the institutional framework there is a clear distinction between rules and routines. Rules are defined as the formal procedures and guides that state ‘how things should be done’ and are established in the formalised statements, manuals and instructions of an organisation and are consequently changed more rarely (Burns and Scapens, 2000;6-7). Routines, however, are the day-to-day activities within an organisation, defined as ‘how things are actually done’. Habits and methods actually adopted by groups of individuals, which are ‘passed on’ amongst members of an organisation and reproduced over time are seen as routines. If emerging routines eventually are accepted by the entire organisation and considered unquestionable, they ultimately become institutionalised and accordingly quite resistant to new challenges. (Burns and Scapens, 2000;6-7)

![Figure 1 - The process of institutionalisation (Burns and Scapens, 2000)](image_url)

The figure above represents how institutional change can come about. The dualistic relationship explained before can be seen in figure 1 between the Institutional Realm and the
Realm of Action. Whereas actions are shaped and constrained at specific points in time in the institutional realm, actions can also evolve over a longer period of time. The boxes represent new rules and routines that can evolve at different times. Arrow a, is the encoding of institutional principles into rules and routines which derive from the institutional environment of the company. As rules and routines are enacted by organisational actors when they practice MA (arrow b), at some point are modified and reproduced (can be seen as bottom-up change, arrow c). These two steps are then repeated over time and finally, arrow d, is the institutionalisation of the new rules and routines, which have been reproduced through the usage by the employees. Suddenly, these rules and routines, which might have been questioned during the enactment or reproduction phase, are now the shared taken-for-granted assumptions of the organisation. However, this figure should not be used literally, instead its purpose is to ‘... describe and explain analytical concepts which can be used for interpretive case studies of management accounting change.’. (Burns and Scapens, 2000:9-11)

The article by Busco et al. (2006) examines how MA systems can come to function as sources and objects of trust during a change process, accordingly the MA practices within an organisation act as objects of trust, ‘they sustain the trustworthiness of meanings and rationales which characterise institutionalised knowledge’ (Busco et al., 2006;33). Furthermore, the concept of trust is discussed and what trust actually is. Broadly the definition stands as ‘... a mechanism that can reduce uncertainty in contexts of interaction and facilitate the functioning of organisational systems through the behaviour of social actors’ (Busco et al., 2006;18).

2.2.2 Loose Couplings

Early organisational decision-making theories view organisations as ‘a loosely coupled system’ (Glassman, 1973; Weick, 1976; Meyer and Rowan, 1977; DiMaggio and Powell, 1991). This viewpoint is further explored by Burns and Scapens (2000). These early theories argue that loosely coupled systems create a buffer between the rules and routines in order to keep the organisational core intact. Meaning that change and stability are not two mutually exclusive concepts. It is argued that rules are what legitimise an organisation, enabling routines to be stable. In other words, changing rules simultaneously allow stable routines (Burns and Scapens, 2000). Such a change can be seen as ceremonial (2.3.2) where new rules are only implemented as a ritual in order to maintain the routines, making the process of real change difficult to implement.
Recent studies have found this relationship to be true and in fact necessary to some extent for an organisation to function properly. The necessity comes from the fact that if changing rules alter the day-to-day activities of an organisation (i.e. routines) there will be an abrupt change to the whole institution, as well as the ‘taken-for-granted assumptions’ of how the organisation works. This sudden change can be damaging, and therefore it becomes important to have a degree of loosely coupled systems (Siti-Nahiba and Scapens, 2005). It is also harder to implement change if the change comes from an external source, for example an acquisition, as this change tends to challenge the institutions in place. What tends to occur when an external institutions tries to implement change, is a process of enactment and reproduction (as seen in figure 1). The social actors in place enact the new rules and routines to a point of reproduction that is more in line with the old institution. This makes the initially implemented rules evolve into something different, more in accordance with the old institutions. It becomes a combination of both top-down and bottom-up change instead of just a top-down change. This is also a form of loose coupling where new rules, implemented by an external entity, are loosely coupled to how things are actually done (routines) in order for the organisational core to stay intact. Eventually the new rules are modified through the reproduction of how the individuals use it (bottom-up change), meaning they have a closer relationship to the old institution. (Burns and Scapens, 2000;9-11)

2.3 The Three dichotomies of the Institutional Framework

Burns and Scapens (2000) discuss three dichotomies their institutional framework which all provide different insights into the process of MA change. The dichotomies also facilitate the understanding as well as the categorisation of the different types of change processes. The dichotomies are 1) revolutionary versus evolutionary change; 2) regressive versus progressive change and 3) formal versus informal change. (Burns and Scapens, 2000;18)

2.3.1 Evolutionary versus Revolutionary Management Accounting Change

Evolutionary change process is described as incremental, meaning that the changes are many and small and the change process builds upon these small changes gradually. When applying an evolutionary change process one is able to circumvent major disruptions or impediments to the existing routines within an institution. Evolutionary change merely ‘adapts and modifies

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3 A division or contrast between two things that are or are represented as being opposed or entirely different. Oxford dictionary
the existing routines’ (Scapens and Jazayeri, 2003;211). Thereby the institutions and its members are able to influence the change process and although they themselves might be altered during the process, the core values and characteristics of the institution remains the same (Burns and Scapens 2000; Scapens and Jazayeri, 2003).

Revolutionary is a change process that poses more threat to the existing institutions. A revolutionary change process is often implemented top-down with little or no opportunities for employees to influence the changes. As such, a revolutionary change process can cause difficulties and complications so severe that they might challenge or question the institutions in place (Scapens and Jazayeri, 2003;211).

2.3.2 Regressive versus Progressive Management Accounting Change

Regressive and progressive change derives from the concepts of ceremonial behaviour and instrumental behaviour. Ceremonial behaviour constitutes a regressive change whereas instrumental behaviour is constituted by a progressive change (Burns and Scapens, 2000). According to Siti-Nabiha and Scapens (2005) the accounting rules, which are institutionalised ceremonially are in fact rituals within the organisation whose aim is to keep the routines intact. Instrumental behaviour on the other hand, is when organisations are dedicated to the change. Burns and Scapens (2000) further distinguish between the two forms of behaviours by explaining that the ceremonial behaviour can emerge if a general mistrust or resistance towards new MA rules and routines exists. In contrast instrumental behaviour emerge from a culture, which seeks to provide relevant and accurate information to problems and also enhance existing relationships within the organisation.

2.3.3 Formal versus Informal Management Accounting Change

Formal change is implemented deliberately and intentionally, often as a result of new rules being introduced. It often involves a great deal of planning and a strong change-leader advocating the change. Informal change is unintentional focusing on routines rather than rules and how existing routines adapt to the changing environment over a period of time. In order to achieve a successful change implementation a ‘mixture of both’ intentional and unintentional change is advocated, id est a mixture of formal and informal change (Burns and Scapens, 2000;19). Formal change is more likely to be implemented through a top-down approach, neglecting the opinions and thoughts of employees and instead imposing change upon them. This can easily lead to tensions and resistance to the new changes since the formal
changes are not accompanied by changes in ways of thinking or routines, which is what informal change does.

Due to the opposing factors characterising formal and informal change, the two forms of change will have different impacts on the various parts of the organisation. Formal and intentional MA change probably has most effect on rules of MA systems but only an indirect impact on the informal processes. In contrast, the impact of informal change is foremost on a subconscious level, shaping informal routines but also in extent some formal MA processes. (Burns and Scapens, 2000)

2.4 Organising the Theories

The theories applied in this study are used as a lens to analyse and interpret the collected data and the process of change and are thus also helpful in the collection of relevant data during interviews. Malmi and Browns (2008) forms of MCS allowed us to map what types of changes have been introduced by the PE. Furthermore, Burns and Scapens (2000) facilitate the understanding of the process of change in the healthcare company as their concepts are applied to the empirical findings. After identifying what type of MA change that has been implemented, Burns and Scapens (2000) institutional framework is used to encompass these changes within a context in order to analyse the changes in a relevant manner. Were there, for example, loosely coupled systems in the organisation in order to keep the institutional core intact? An evaluation of the theories with connection to the empirical findings was made and hopefully the study can give more depth to Burns and Scapens (2000) institutional framework.
3. Method

*In the following section we are going to explain how the study was conducted and argue for our chosen methods.*

3.1 Approach

Since the aim of the paper was to explore how a PE acquisition has affected the MA of an acquired healthcare company and how the process of change came about, a qualitative case study has been conducted. Applying a qualitative method enabled the analysis of behaviours and experiences of employees more thoroughly than if a quantitative method had been applied. Hence, a qualitative method allowed us to explore the empirical findings more in-depth, enabling a valid and well-founded conclusion, as it took both an inductive and deductive approach. (Saunders et al., 2009; 151).

3.2 Why Qualitative?

Qualitative interviews are applied when the research seeks to investigate, explain or understand the decisions, experiences or behaviour of the research participants (Saunders et al., 2009; 324). By using a qualitative method and conducting semi-structured interviews one establishes a contact on a more personal level than if one would have handed out questionnaires. This allows researchers to make interviewees elaborate on their answers. Since the purpose was not only to find out ‘what’ MA changes had been implemented but also ‘how’ the change process came about, a qualitative method was chosen (Saunders et al., 2009; 323-325). Unlike other studies done in this area, there was no opportunity to follow the transition point as the acquisition was completed seven years ago, a reconstruction of the historical context had to be made through the interviews and internal documents obtained (Devine et al., 2000; Sithi-Nabiha and Scapens, 2005; Lukka, 2007; Nor-Aziah and Scapens, 2007). However, this could be considered positive when studying the process of change. Change takes time, as shown in this study how some changes took up to 2.5 years to be fully implemented. If this study had been done directly after the acquisition these changes would not have been noticed. This is acceptable according to Saunders et al. (2009) and Scapens (1990) as long as a triangulation process is made to ensure that the information obtained from the interviews complies with reality.

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4 See method part 3.6
A case study provides the researcher with an opportunity to understand a certain phenomenon in practical terms. It allowed us to see why the PE decided to implement the changes, what they implemented, as well as how the change came about (Scapens, 1990; Yin, 2003, Saunders et al., 2009). Yin (2003;9) state that a case study is supposed to be done when ‘... a “how” and “why” question is being asked about a contemporary set of events, over which the investigator has little or no control’. Since this thesis paper explored the why, how and also the what, it has both exploratory and explanatory research (Yin, 2003; Saunders et al., 2009). Meaning, the why and what is a part of the exploratory. Albeit, it has not been exploratory in the sense of creating new theories. Through the interviews and collected data, an explanation of why MA changes were implemented and what these changes were, was outlined. For example, the definition of MCS allowed a mapping of the changes made. After the exploratory part has been detailed, an explanatory research of how these changes came about follows. Furthermore, one could say that this thesis paper treats a ‘critical case’. Since there is a well-formulated theory and the major issues are defined, a critical case can be chosen which allows the paper to explore the defined issues (Scapens, 1990;273). This type of case study enables the researcher to evaluate the chosen theory and possibly add new perspectives to it (Scapens, 1990). This is suitable for this thesis paper as a rather new dimension has been explored with two seemingly very different institutions, and seeing how these interplayed, hopefully either adds or takes away some value from the institutional framework.

To ensure that this research filled out the criteria for a case study and not just a survey case the triangulation process included attention to internal documents from both the PE and the healthcare company (Drogendijk, 2009;11).

3.3 Connecting Theory and Method

When reviewing literature, analysing one’s study and ultimately reaching a conclusion, one can choose between two possible approaches, namely the deductive or the inductive approach. The deductive approach is based on logic. This means that one studies the literature, identifies theories and attempts to draw conclusions or formulate hypotheses based on these, which then are to be tested using the collected data. (Saunders et al., 2009;125)

The inductive approach is based on empirical evidence. Whilst using the inductive approach the research process begins with empiric evidence moving on to theory (Saunders et al., 2009;126). To be able to accomplish this it is critical that one has extensive knowledge about the chosen research subject (Saunders et al., 2009;61).
It is possible however to combine the two approaches and some researchers argue that it even is favourable (Saunders, 2009;127). The two approaches were combined, using both inductive and deductive features since the aim is to build on already existing research done on the subject of MA change rather than develop our own theoretical framework. The theories are used as a lens through which the empirical findings were analysed, enabling a connection between the collected data and the chosen theories. This method is favourable as it allowed us to view the empirical findings through a scientific lens that is the theoretical framework.

3.4 Data collection

As this paper has both an exploratory and explanatory approach semi-structured interviews were conducted. Before every interview a similar set of questions was sent to each participant to give them an understanding of what the interview would entail. These same questions were also used as the ‘standard questions’ during the interviews with follow-up questions being posed depending on the answer. The interviews conducted with the PE and the healthcare company differed. The questions for the interviews with the healthcare employees were influenced by the answers received from the PE. This was done to ensure that the MA changes made in the healthcare company were influenced by the PE and not by other factors such as the changing environment in the healthcare industry (Devine et al., 2000; Kash et al., 2014; Souza et al., 2011).

During the writing of this thesis paper six interviews were conducted. The first one was with the PE-employee involved in the portfolio management of the healthcare company who works as an investment director of the industrial and manufacturing team. Furthermore, four top managers employed by the healthcare company were interviewed, and one of the participants was interviewed twice. Starting with the PE employee, information about the changes implemented directly by the PE was received, and these were distinguished from general changes connected to the changing environment within the healthcare sector. The remaining interviews were held with healthcare employees, who all in some way were connected to the change process and were able to contribute with relevant information.

Since the PE is a London based company and the healthcare company has its headquarters in Germany and southern Sweden, all of the interviews were conducted by telephone. Notes were taken during the interviews, but they were also recorded so that the information and quotes would be remembered and recounted correctly. The interviews were also transcribed to enable us to access the information easier.
3.5 Analysis model

Prior to the commencement of this thesis paper our knowledge concerning the change process within the healthcare company was limited. As a result of this and in order to be able to define, describe and categorise some of the possible MA changes, Malmi and Browns definition of what constitutes as MCS was used. However, their definition was extended and a sixth typology by Simons (1994) was added. The Institutional Framework described by Burns and Scapens (2000) is used to explore the process of MA change.

3.6 Validation and Reliability

One liability in this research paper is that the interviews were conducted in retro perspective meaning that the information gathered is mostly based on the participants’ ability to recall events and remember them correctly. The fact that only top-managers were interviewed could also be seen as an issue, the ‘good news’ syndrome could have been encountered where the information given by the interviewees were slightly distorted in order to shine a better light on the company. There are various ways to ensure that the information is valid. The triangulation applied in this thesis paper, in order to minimise the distortion, was to interview the investment director in charge of the acquisition and several managers of the Swedish healthcare company, which consisted of top-managers who were there prior to as well as after the acquisition. The same, initial, set of questions were asked to all of the interviewees in the healthcare company to ensure that a correct picture of the process was being depicted. The final step of the triangulation was to ensure that the information obtained from the interviews was coherent with the internal documents from the company. (Saunders et al., 2009)

Conducting a case study with semi-structured interviews falls under the category of non-standardised research method. This type of research is not intended to be replicated, nor is it feasible that it would be step-by-step, as information about a specific situation at a given time, which also could be subject to more change over time, was collected. The circumstances explored were, and probably still are, complex and dynamic. Although, to ensure that future researches could utilise and reanalyse this study, the choice of methods has been rigorous. (Saunders et al., 2009;327-328)
4. Empirical findings

This section presents the empirical findings, starting with a brief presentation of the two organisations. Henceforth, the MA changes are explained from a historical perspective, followed by a description of the implemented changes and the change process.

4.1 The two organisations

The PE is a leading European middle market private equity firm, focusing on investing in strong-performing, high quality, market-leading businesses with growth potential. Growth is usually achieved through expansions, operational improvement or acquisitions and by working directly with management teams of the acquired companies. Currently there are over 77 000 employees in more than 40 countries spread across the globe. The healthcare industry is one of six principal sectors in which the company operates.

In contrast, the healthcare company focuses on treatment and care of patients. With a clear patient focus their mission is to improve the quality of life for their patients by providing them with the highest standards of medical treatments and care services. During 2013 the turnover was over 400 million euros, with 8000 employees caring for over 26 000 patients in various countries worldwide. Originally, the company was a part of a larger quoted medical technology group, henceforth referred to as Alpha Company, but was in 2007 sold to the PE. After the acquisition the healthcare company has grown steadily every year, overreaching the standard market growth.

Following sections illustrate how the company looked prior to the acquisition, what and how was changed, as well as the change process itself. This was done with the information obtained from interviews and the examined internal documents.

4.2 The Management Accounting prior to the acquisition

Prior to the acquisition the healthcare company was only a small division of a Alpha Company. While the majority of the whole company had a product manufacturing focus, the healthcare divisions’ objective was to manage different clinics across the globe. Since the work conducted by the division was not a priority within Alpha Company, they remained in the shadow and its full potential was not reached.
‘If I am to speak in general terms, you could say that we were a very small part of Alpha company. About 10% of their turnover. The strategy and corporate discussion were at that point, first and foremost, directed at the products and the US operations, and we sort of just came along... The biggest change is that we now are a 100% of the company, with our own strategy and our own role and we have full attention from the board’ (VP Controller)

This view was further supported by the current CFO and VP of Strategy who both felt that Alpha Company was not seeing the potential within the clinic market. The VP of Strategy mentioned that the healthcare company was only working as an internal function for Alpha Company, as it wanted to have usage of the excess manufactured products. The healthcare division was not doing as well as their competitors and therefore lagged behind with the market shares within the clinic industry.

‘One of Alpha Company’s competitors who own both medical technology equipment and clinic business, started almost at the same time as us, they were however much more consistent, look at how they work with their clinic business, they realised that it was the clinic business which actually enabled the product business to carry on. This simply shows that the management within Alpha company was rather poor so to speak... ’ (CFO)

This inability to grab market shares was partly because Alpha Company’s focus lied elsewhere, but was also caused by the inadequate systems in place at the division. At Alpha Company an old AS400 reporting system was used which they had planned to replace at various times, but it never happened. Both the CFO and Controller agreed that the old reporting system was not advanced enough for the work being conducted and therefore had to be replaced. The CFO explained how the old AS400 reporting system was not technically up to date for the work they aimed to perform.

‘The old system was overdue to be changed, technically it was an old system... since at Alpha company we were not obliged to do the legal reporting, they were only interested in the operational figures and after the acquisition we had to start making our own financial statements and the new AARO system was better equipped for this.’ (CFO)
Furthermore, the divisions operating in the different countries were not properly structured according to some of the interviewees. All countries had individual country managers who rarely communicated with each other, causing issues to re-occur throughout the organisation.

‘(...) they worked very independently, they didn’t talk that much with each other, we tried to break it down - it was completely senseless, we must learn from each others (clinics) mistakes.’ (PE Investment Director)

The Chief Medical Officer (CMO) agreed with this view to a certain extent as he deemed it unsustainable to have 18 different countries reporting directly to corporate. The CFO added that they received 20 to 25 different direct reports and how this was not an optimal structure, requiring them to make it more effective.

4.3 Changes implemented by the PE

‘The greatest changes; personnel, attitude and culture were very big changes - then there were some necessary changes, such as an independent finance system or an IT system, but culture, attitude and the right personnel is probably the most important things we have done...’ (PE Investment Director)

Post acquisition the healthcare company began to develop a new identity, they created a new name and a new internal culture. This was an essential part of the process of becoming a company of their own. Creating an internal culture is something they still work with actively and remains one of their main focuses.

‘When we talk about Alpha Company’s internal culture, we talk about something that was based on decades and about something that has evolved more organically than if you would have worked actively with it. We sort of went back to scratch, to consider who we could be? And so, we developed our internal culture from that...’ (VP Strategy)

Furthermore, the restructuring of the healthcare company created a new stream through which information flowed. Instead of having countries working singlehandedly, the PE created four
regions in which countries would be divided into. This was done in order to make their objectives clear to the healthcare company, as well as to increase effectiveness. A new structure facilitated the work according to the VP of strategy, who had an increased contact with the board of directors. The company also achieved a clearer focus throughout the organisation. The new communicative structure minimised mistakes as different sections of the company now shared solutions to different issues with a higher degree of transparency. From the CMOs perspective the dividing of countries into geographical regions facilitated the communication making reports more coherent. Resulting in a more comprehensive ‘sharing of best practice’ between clinics.

‘...it feels as though its a lot closer between the different corporate levels now, this has made it more flexible and mobile and we act faster than what we used to.’

(VP Strategy)

‘There were 13 countries within the healthcare company when we bought it, they operated in their own ‘silos’ as we call it, they didn’t talk that much with each other and this was something that we wanted to change... ...today it is done completely different than in 2007, there is a different exchange of information, people were replaced and a new regional structure was established and today we have four regions reporting to the CEO instead of 13 countries.’

(PE Investment Director)

Adjacently to restructuring the healthcare company the PE also implemented new control systems. A new reporting system called AARO was introduced. AARO was better equipped to cope with new financial measures demanded by the PE and new responsibilities as a consequence of the healthcare company essentially becoming its own organisation. Post acquisition, the emphasis on balance sheets and cash flow was stronger, as the company turned from having a stable financial situation to a more fragile state, as the PE had to borrow a lot of capital for the leveraged buyout.

‘When it comes to consolidation, reporting and analysis there are very modern systems, like AARO. With these systems you can analyse the information in a completely different way, you get better graphs and everything, which makes it easier to analyse different results.’

(CFO)
‘When we were a part of Alpha company they had quite a lot of capital. It was a very solid financing. We had an eye on our accounts receivables but it was never any criticisms about it. While now, with this debt and borrowing that we have, you have to really be on your toes all the time.’ (VP Controller)

This increased focus on financial controls also applied to the medical side of the healthcare company as the need to deliver results became greater under the ownership of the PE. During the PE ownership, reporting aspects of the company also increased, more attention was redirected towards issues that were not as significant prior to the acquisition.

‘If you look at something we have called executive team meetings, which is the management team, that meets monthly, if you look at how much of the agenda are medical issues, it is probably quite little, more focus is instead on financial reports, HR, internal focusing and the bureaucratic.’ (CMO)

Prior to the acquisition all the different clinics were compared through a benchmarking system that included 11 different medical variables. However, the PE wanted to implement more financial variables, in order to increase congruence between different clinics and to make them aware of what the PE expected from them.

4.4 Change process

During the change process, the PE reviewed existing positions and replaced and added several positions. This involved around 90 of 150 managers of whom some were relocated to other positions within the company and others were let go. Restructuring applied not only to group level but also at country level. One of the first changes the PE implemented was the replacement of the CEO, as they considered it improbable to implement the proposed changes with him still in place.

‘...when we bought the healthcare company, in the summer of 2007, we already knew that the CEO wasn't of the right calibre so we had to replace him, he didn't have the energy or the will to make the changes we felt were needed or operate this pretty aggressive growth plan that we had planned’ (PE Investment Director)
According to the PE Investment Director, the change process usually commences as soon as the acquisition has taken place, since the acquired company is most prone to changes at the early stages of the transition. However, in this case only parts of the change process commenced immediately after the acquisition was completed. Other parts had to await until the new CEO was given a chance to influence the proposed changes. In order to facilitate the change process further, and achieve a comprehensive and accurate view of the acquired company, the PE turned to external consultants. The consultants conducted an extensive and proper review of everything from an organisational perspective, to a cost and personnel perspective down to a growth and mergers & acquisition perspective. The IT-systems were also reviewed and it was decided to rebuild some of the systems since the PE wanted to manage the healthcare company’s financial situation more regularly, for example with stronger focus on investment follow-ups, these new systems entailed more control over the work being done.

As previously mentioned, along with the CEO, around 90 of 150 top managers were either replaced or repositioned. The PE felt it necessary to conduct such a drastic change in order to drive the succeeding changes with as little resistance as possible. There was a mentality amongst the employees at Alpha Company, which the PE had to breakdown.

‘Some people don't want change, they think what they do right now is the most optimal and perfect way of doing things, such as the cooperation between countries - some didn't want that, they thought that they worked best on their own, that wasn't okay, or it wasn't okay for us.’ (PE Investment Director)

After this transition the PE were able to restructure the company into four different regions. The aim was to improve the overall communication within the healthcare company. To only replace top managers and restructure the organisation, was not sufficient according to them. Albeit, it took time for some changes to be fully adopted. A few departments still felt that their routines were the best way to go about and did not want to follow the new rules.

‘...during the first years when I had strategy meetings with the countries and you discussed new activities or new service lines, there were many who said that 'no we don't do this in our country, we can't have it like that' but after two-two and a half years, it was more 'no we don't have that but we could make sure to get it by doing this and that’ - that transition took time.’ (VP Controller)
Gradually these barriers were broken as different departments started to realise that their work could be carried out differently. The interviewed PE Investment Director credited the revised benchmarking system to a certain extent for these changes. The benchmarking system, which included both medical and financial measures, allowed the different clinics to compare themselves in care quality and in financial terms. Usually the clinics with the best care quality also had the best financial results. The PE noticed how clinics who were initially sceptical towards the PE and their new changes, started to accept these as they saw the advantages.

‘If you look at it there is a rather good correlation between medical quality and financial profitability. And I really believe that it is because these clinics are generally well managed, they handle both parts well, it doesn’t have to be that one parts enables the other, more that they have their house in order.’ (CMO)

Overall the CMO believed that the resistance towards the PE was very low. According to him this was partly due to a mutual trust between the PE and the healthcare company, mentioning how the PE did not interfere extensively with the medical procedures. They understood that the procedures in place already were of high quality and that the healthcare company and its doctors had better knowledge concerning the medical aspects. Simultaneously, changes to the financial side of the business, such as stronger focus on cash flow, had been accepted without considerable resistance as the medical side understood that these changes were necessary. Although the CMO believed that a few changes were a bit excessive, but this was nothing that he resisted as he saw the necessity of it.

‘I don’t feel that they interfere that much in the medical section... you could say that there is a mutual trust. I think that the PE has been a good owner, I think they have a relatively balanced view - it hasn’t been a total financial focus.’ (CMO)

The financial institution accepted the new changes as necessary. All interviews conducted with employees more in-tune with the financial aspect of the business, seemed to agree that changes were required. They also mentioned some resistance, but this resistance was not directed at the fact that an institution such as a private equity company was in charge. Instead it was the change itself the employees resisted, which the CFO mentioned is something people are not fond of.
‘... we initiated a process where we evaluated different products and then decided what product we wanted and then you start converting the systems. Everyone realised the AS400 was old so there were no difficulties in changing. Then when they also got to see the benefits from having a new, modern, system they all became positive towards it ... there is of course a long process behind the implementation but overall it was met without resistance, personally I felt that it was pretty easy.’ (CFO)
5. Analysis and Discussion

*With the support of the theoretical framework, used as a lens, the empirical findings are going to be analysed and discussed in the following section.*

5.1 Empirical Summary

The main changes introduced by the PE, which are still intact today, were the replacement of managers, the restructuring of the organisation and the implementation of new MA systems. Thus, the acquisition involved changes in cultural, administrative, cybernetic and interactive controls. Although some of the changes discussed below could be classified as organisational change and not an MA change, this thesis paper agrees with Burns and Scapens (2000) who claim that cultural and organisational changes of this sort are essential parts of MA.

5.2 The MA and Organisational Changes

A crucial part of the change process was to replace key employees as the PE needed to shift the mentality within the healthcare company, making it more receptive to the proposed changes. One example is the replacement of the CEO who did not have the will or energy to implement the changes proposed by the PE and was subsequently let go. The process of replacing employees commenced as soon as the acquisition was completed, which meant that the replacements occurred before any potential resistance emerged. The replacement of managers, such as the employment of new regional managers with both medical and financial expertise, can be classified as a change of cultural controls. As new members joined the organisation, new sets of values and beliefs were instilled. (Malmi and Brown, 2008)

Adjacently to the cultural changes, changes in administrative controls were also implemented (Malmi and Brown, 2008). Restructuring the company, for example dividing of countries into four geographical regions, can be categorised as a change of the organisational design and structure. Prior to the acquisition, there was an individualistic mentality and countries assumed that their way of doing things was the optimal way. A new structure improved the communication within the company, making reports more coherent and transparent. Subsequently, it also made the countries realise the potential benefits from the proposed changes.

As a result of the acquisition, the overall focus on financial results increased throughout the entire company. Two of the changes in cybernetic controls was the revised
benchmarking system and the implementation of AARO. The revised benchmarking system, which is a hybrid cybernetic control with both financial and nonfinancial measures, increased the communication amongst the clinics. It can also be seen as a interactive control as it is used by top-managers to compare the standards of the clinics and enhance the congruence between them. Clinics were now assessed on both medical and financial measures, and these reports were available in a greater extent within the organisation. (Malmi and Brown, 2008) With a stronger focus on financial variables the clinics were more aware of the need to deliver profitable results, echoing throughout the healthcare company. AARO was implemented because the old reporting system was inadequate and did not meet the requirements of the PE. Also, as a consequence of becoming independent the healthcare company’s responsibilities increased, for example they had produce their own financial statements, which AARO was better equipped for.

5.2 Nature of Change

The change process has been characterised by a mutual trust between the PE and the medical side of the healthcare company, enabling the change process to progress without further complications or resistance. This mutual trust is similar to the trust discussed in the article by Busco et al., (2006). Although Busco et al., (2006) focus on trust between individuals and social actors and/or systems, the acquisition of the healthcare company is an example of how trust can emerge between two institutions. According to the CMO, the PE had faith in the medical section of the company and trusted the doctors to manage the medical section with a high level of competence. Thus, the medical section was allowed to work rather autonomously, without considerable interference from the PE. Concurrently, the medical section had trust in the PE and accepted the increase of financial controls. This indicated a relationship between the two institutions built on mutual trust. The two institutions were confident that the respective areas were being managed to the best of their abilities. In this case, mutual trust functioned as the concept of trust should, according to Busco et al., (2006).

Restructuring the healthcare company can be seen as instrumental change as the replacement of managers smoothened the change process. This change of administrative controls also seemed essential for the PE in order to be able to induce other changes. The restructuring of the healthcare company can also be considered as revolutionary change. An abrupt change, such as the replacement of key employees, was necessary in order to facilitate the change process. This instrumental/revolutionary change then allowed an evolutionary
change to progress. With new enthusiastic managers (such as the new CEO), the cybernetic controls, which also had to be changed, were thus easier to implement.

A clear example of how the restructuring process facilitated the implementation of new cybernetic controls is the dividing of countries into four geographical regions. This new structure, along with regional managers, facilitated the implementation of cybernetic controls such as the revised benchmarking system. Although, it took some departments up to 2.5 years until the new MA systems became fully institutionalised, hence it was an evolutionary process. This process can be compared to *figure 1*, where the PE as an institution introduced new rules into the organisation. However in this study, unlike the institutional framework, there was only a process of encoding and enactment of new rules. The process of reproduction was not as extensive (or possibly even non-existent), since the changes were made top-down and not bottom-up as the reproduction step would imply. If reviewed with the institutional framework used as a lens, almost all changes were of the formal nature (top-down) with the PE and the new top-managers being the strong leaders advocating the change.

In contrast, the MA changes made to the reporting systems did not require revolutionary change. A general consensus was found during the interviews deeming the old AS400 reporting system inadequate for the requirements of the PE. Therefore the newer AARO system was implemented. Similar to most change processes described in the literature, this process followed an evolutionary path as it takes time for individuals to learn how new rules and routines work and to eventually become institutionalised.

### 5.3 Institutional Clash

The empirical findings of this thesis paper do not fully comply with the institutional framework. Burns and Scapens (2000) state that MA changes that challenge the institutional realm are harder to implement as they are met by greater resistance. Furthermore, they claim that changes implemented by an external institution go through a reproduction process by the social actors of the organisation. The reproduction process involves a modification of the changes, making them more in concordance with the existing institutions. However, this process did not materialise in this study even though they underwent a take-over process and the two institutions are seemingly different. Nor was there considerable resistance towards the changes implemented by the PE. The ease the PE had with implementing MA changes was due to the lack of a strong institution at the healthcare company. The weak institution can be explained by the healthcare company only being a small, trivial, part of a larger organisation.
This was especially the case for the cybernetic controls as the systems in place were not necessarily ‘the taken-for-granted assumptions’ of how things are done. Instead they seemed forced upon employees as rules since there were no other systems and thereby no other options.

Although, the lack of institutional clash and the smooth change process could also be contributed to the replacement of managers. Revolutionary change of this sort is rather frequent in organisations going through a change process. Acquiring companies are keen on replacing managers in order to make the acquired companies more in accordance with their views, systems and routines. (Simons, 1994)

5.4 Loose Couplings

The concept of loosely coupled systems was not found in this study to such an extent as displayed in MA literature. Siti-Nahiba and Scapens (2005) conclusion, that loosely coupled systems occasionally are necessary for the organisational core to remain intact post acquisition, was not found in the matter explained. This study found that new rules can be directly implemented and affect the routines without disturbing the organisational core. Prior to the acquisition there was a degree of loosely coupled systems as the financial systems in place were inadequate. In contrast the medical systems were of high quality, enabling the organisational core to remain intact. However, the PE understood that there was a positive link between medical quality and financial profitability. Therefore they allowed the medical institution to have a high degree of autonomy. Simultaneously more financial controls were implemented, in order to reduce the loosely coupled systems. A degree of loosely coupled system still exists within the healthcare company, albeit it has decreased post-acquisition as the PE wanted the healthcare company to reach its full potential.
6. Conclusion

In this section a conclusion is presented, focusing on the most important parts from the analysis. This is followed by a section describing the limitations with this thesis paper and suggestions of topics for future research.

6.1 Concluding thoughts

Since the acquisition was completed in 2007 the healthcare company has gone through an extensive change process, resulting in several MA changes. The main changes involved a process of replacing managers, restructuring the organisation and an increased focus on financial results.

Post acquisition the changes were implemented without further resistance, resulting in a smooth change process. Previous research and the applied theoretical perspective tend to predict resistance to change after an acquisition and when there are two seemingly different institutions. Within the healthcare company there was a shared belief, that the MA systems were inadequate and in need of change. Therefore, there was only minor resistance to the changes as members of the organisation trusted the PE to execute the necessary changes. Thus, the empirical findings of this thesis paper show that an institutional clash does not necessarily always occur, contradicting the theoretical framework to a certain extent. Burns and Scapens (2000) claim that contrasting institutions clash, as values and beliefs are imposed upon each other. Instead, this thesis paper shows that the strength of institutional realms play the significant role behind the clashes and not the nature of the institutions. Hence, regardless of the nature of the institution, a weak institution is more susceptible to changes than an institution with strong beliefs and values, as can be seen in this study.

We believe the underlying reason behind the minor resistance was caused by weak pre-existing institutions and a mutual trust between the institutions. Both institutions had trust in the others area of expertise, the PE trusted the healthcare company with the medical aspects and the healthcare company trusted the PE to implement the necessary financial controls. This finding agrees with Busco et al., (2006) who view trust as a concept that reduces uncertainty and enables organisational systems to function well. However, it also expands their findings as we found that trust between social actors as well as trust between institutions are important factors for MA change.
Although, the PE had to implement revolutionary changes, such as the replacement of several positions, as this was deemed necessary in order to facilitate the change process. A revolutionary change of this sort is therefore also a contributing factor to the ease the PE had implementing the changes, since it allowed an evolutionary change process to progress. The study shows that revolutionary change can complement an evolutionary change, meaning the change processes described by Burns and Scapens (2000) do not necessarily have to be a dichotomy.

This paper found that the concept of loosely coupled systems does not always necessarily increase after an acquisition. As seen in the empirical findings the gap between rules and routines decreased after the acquisition, as the routines became more in line with the rules. The stable routines found in the healthcare company facilitated the changes of rules implemented by the PE, as it allowed the organisational core to stay intact. However, this study shows that new rules can become routinised without being reproduced into the old institutions, as opposed to what the theories imply. A process of reproduction (as seen in figure 1) of new rules did not occur and therefore the explanation provided by figure 1 can be seen as insufficient. Although the authors mention that the figure is not intended for hypothesis testing of empirical studies, we believe that too much emphasis is placed on bottom-up change as seen by the reproduction phase (arrow c), and not enough on top-down change (Burns and Scapens, 2000). Especially since this study has found that MA change does not always have to be reproduced by the institutions in place.

Our findings clash, to some extent, with theories and findings of previous studies. Hence, there is a necessity for more research of the process of MA change, particularly in an acquisition context with seemingly different institutions.

6.2 Possible topics for future research

This study shows that trust can be an important factor in achieving successful MA change processes after an acquisition by a private equity company. However, it would be interesting to see how important of a factor trust is for the implementation of MA change. It would also be interesting to see if the degree of trust found in this study applies to other industries in which private equity companies are involved.

The fact that our findings disagree to some extent, with previous researches and applied theoretical perspective, who tend to predict resistance to change after an acquisition and especially between two institutions of different natures, shows that more has to be
researched in this area. It would be interesting to establish whether it is the nature of institutions, which are the basis for resistance to change or if it could be the strength of institutions.

6.3 Limitations

One limitation of this thesis paper is, as previously mentioned, the fact that all interviews were conducted from a retro perspective standpoint. Since the acquisition was concluded in 2007 we had to rely on interview participants ability to remember facts and situations correctly. Although, after some interviews a perceived a level of theoretical saturation was perceived\(^5\). Before conducting the last interview we expected a different perspective than what we had received from the previous interviews, as the last interview was with the CMO. We expected him to be less receptive towards the proposed changes than the previous interviewees. Instead the CMO mostly repeated what was said in previous interviews and therefore an unexpected theoretical saturation was perceived.

Another limitation to this paper was that the interviews were mainly conducted with employees at corporate level, future research could benefit from more interviews at different levels. Employees at lower levels could potentially have told another story including other aspects and details of the change process. However, from the obtained information and conducted triangulation this was not the case.

\(^5\) See Guest et al., 2006
7. Bibliography

Bain & Company, Inc. 2013, Global Private Equity Report 2013, Boston, Massachusetts


Appendices

Appendix a)

Interview Participants

<table>
<thead>
<tr>
<th>Position</th>
<th>Interview 1</th>
<th>Interview 2</th>
<th>Interview 3</th>
<th>Interview 4</th>
<th>Interview 5</th>
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<tr>
<td>PE Investment Director</td>
<td>VP Strategic Office</td>
<td>VP Business control</td>
<td>Chief Financial Officer</td>
<td>Chief Medical Officer</td>
<td></td>
</tr>
<tr>
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<td>47min</td>
<td>36min</td>
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Appendix b)

Interview Questions

All: Is it okay if we record this interview?

Investment Director at the Private Equity

- When did you start working for the PE-company?
- Could you explain your role in the company?
- How is the planning process before an acquisition? What criteria do you look at?
- What management accounting changes were implemented after the acquisition of the healthcare company? Were any of the following control systems implemented, planning, cultural, cybernetic, reward & compensation, administrative or interactive?
- How did the process of change come about in this particular case?
- Is there a ‘template’ or does it all depend on the situation?
- How did the rules and routines of the healthcare company change?
- Did you notice any resistance towards the new changes?
- Did you identify a need to employ new personnel to key-positions, in order to facilitate the implemented changes?
- Does the change process differ when a healthcare company is acquired in contrast to when other companies are acquired? Greater resistance to change? Different aspects to take into account?
- When can you usually tell if the implemented changes are working or not?

VP Strategic Office
- When did you start working at the company?
- Could you explain your role at the company?
- What was your opinion towards the PE-acquisition?
- How has your role at the company changed after the acquisition?
- Could you explain the change process?
- What management accounting changes have you noticed? Were any of the following control systems implemented, planning, cultural, cybernetic, reward & compensation, administrative or interactive?
- What do you consider to be the purpose behind the new changes?
- How did you experience the change process?
- Have the changes facilitated or in other ways affected your daily work? How?
- Do you have any contact with the PE?
- Did you experience any resistance towards the changes amongst co-workers?
- Are the implemented changes used in the daily work of the company?

VP Business Control Planning/Strategy
- When did you start working at the company?
- Could you explain your role at the company?
- What was your opinion towards the PE-acquisition?
- How has your role at the company changed after the acquisition?
- Could you explain the change process?
- What management accounting changes were implemented after the acquisition of the healthcare company? Were any of the following control systems implemented, planning, cultural, cybernetic, reward & compensation, administrative or interactive? (Malmi and Brown, MCS)
- How did the rules and routines change?
- Could any of the changes be due to changes in the healthcare industry rather than the acquisition by the PE?
- What do you consider to be the purpose behind the changes?
- Did you notice any resistance amongst co-workers towards the new changes? (If yes) why do you think there was a resistance to change and how was it resolved?
- Are the implemented changes used in the daily work of the company?
- Do you have any contact with the PE?
- In hindsight, could you say that the changes were successful and achieved what they were meant to do?
- Could you explain the values (culture) within the company? Have they changed? More management accounting?
- You have clinics in various countries, has this been a challenge? Have you encountered a greater resistance in some countries than others, due to e.g. culture?

Chief Financial Officer (CFO)

- When did you start working at the company?
- Could you explain your role at the company?
- What was your opinion towards the PE-acquisition?
- How has your role at the company changed after the acquisition?
- Could you explain the change process?
- What management accounting changes were implemented after the acquisition of the healthcare company? Were any of the following control systems implemented, planning, cultural, cybernetic, reward & compensation, administrative or interactive?
- Could any of the changes be due to changes in the healthcare industry rather than the acquisition by the PE?
- What do you consider to be the purpose behind the changes?
- Did you notice any resistance amongst co-workers towards the new changes? (If yes) why do you think there was a resistance to change and how was it resolved?
- Are the implemented changes used in the daily work of the company?
- Do you have any contact with the PE?
- In hindsight, could you say that the changes were successful and achieved what they were meant to do?
- Could you explain the values (culture) within the company? Have they changed? More management accounting?
- You have clinics in various countries, has this been a challenge? Have you encountered a greater resistance in some countries than others, due to e.g. culture?

**Chief Medical Officer (CMO)**
- When did you start working at the company?
- Could you explain your role at the company?
- What was your opinion towards the PE-acquisition? An how was the general opinion amongst doctors, towards the PE acquisition?
- How has your role at the company changed after the acquisition?
- Could you explain the change process from a medical point of view? We heard that they developed a new benchmarking system, how did that process come about? How were the changes received?
- What do you consider to be the purpose behind the changes?
- Did you notice any resistance amongst co-workers towards the new changes? (If yes) why do you think there was a resistance to change and how was it resolved? Did the PE leave the medical sector up to you since they do not have the same knowledge about medical aspects as you do?
- Are the implemented changes used in the daily work of the company? Do you use the changes implemented by the PE or are there still clinics who do it their own way?
- In hindsight, could you say that the changes were successful and achieved what they were meant to do?