

Performance Measurement, Budgeting and Strategic Implementation in the Multinational Enterprise

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Introduction

In recent years, value creation in the global economy has stemmed from firms' ability to manage and leverage human and information resources. The shift away from investment in physical capital presents managers with new strategy implementation and performance evaluation challenges. While traditional financial metrics reflect the use of physical capital, the keys to long term competitive advantage in the knowledge and information economy are based on the successful strategic management of intangible resources.

This paper explores the implications of these changes on budgeting and performance measurement. Traditionally, financial budgets have served as the primary internal metric of performance. As the pace of change continues to accelerate in the global economy it is important for firms to move beyond lagging financial performance indicators to consider variables that contribute to long-term value creation. As more firms move to use economic value-added, nonfinancial and balanced scorecard approaches to measure and reward performance, it is important to consider the implications on budgeting and financial planning.

Budgeting has traditionally served as high profile process in organizations. Resource allocation decisions, performance target settings and spending limitations have been the primary focus of corporate budgeting processes. In recent years, firms have shifted away from one-dimensional financial models to integrated frameworks to measure performance. Many questions remain about how these broader measures of performance can be translated into action plans at the operational level.

The changes in corporate performance evaluation stem from the shareholder value movement of the 1980's (see Rappaport, 1986). The shareholder value perspective suggests that manager's success can be measured by its ability to maximize the present value of future cash flows to corporate shareholders. This model later evolved was implemented through the popular economic value added (EVA) measure of management performance. EVA provides a singular measure, adjusted to resolve accrual accounting issues, that provides management with an explicit incentive structure that is intended to drive value creation for shareholders.

As firms attempted to measure and manage the demands for value creation, attention began to shift away from the sole use of financial measures. Amir and Lev (1996) show that non-financial information is a critical element of the valuation process. The emerging model for multinational enterprises is the flexible organization (Buckley and Casson, 1998). Greater volatility is observable in global markets due to political and social disturbances. Thus, the flexible firm must be prepared to respond to change in a timely fashion. Decision timing is critical, the right investment decision for changed circumstances is of little value if it is made too late (Rivoli and Salorio, 1996). Buckley and Casson point out that

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the cost of responding to change is smaller when the period of adjustment is longer. Forecasting change allows a longer adjustment period as compared to a more costly quick response after a competitor's response to change is observed. Continuous monitoring of the business allows a longer adjustment period as compared to a less costly intermittent monitoring.

Firms responded by adopting integrated performance measures, such as the Balanced Scorecard (Kaplan and Norton, 1996a). The Balanced Scorecard helps companies to manage change, implement strategy and measure outcomes. The underlying goal of the Balanced Scorecard approach is to help managers develop a unified model of understanding how actions impact firm value. Given these changes, it is important to consider the role of budgeting in value creation in this new performance measurement environment.

Budgeting has traditionally stood as a hallmark, highly visible process at many corporations. This paper addresses two related questions about budgeting in the age of knowledge management and integrated performance measurement. First, what implications do the changes in expectations of investors and executives have on the budgeting process? Second, can the budgeting process be a tool that helps managers to better develop and refine mental models of the firm described in the Balanced Scorecard approach?

Our analysis considers the changing role of the finance function over the past decade. As financial managers attempt to shift away from scorekeeping and variance analysis towards risk analysis and integration, the nature of the budgeting process changes too. We cite examples of multinational firms that have integrated non-financial success factors into the planning process and have abandoned annual budgeting in favor of rolling budgets. We provide a framework that shows how the budgeting process can be important element in helping corporate managers keep pace with the changing expectations of the capital markets.

This paper is organized in three main sections. The first section examines the shareholder value movement and the increased use of economic value added analyses. The second section discusses the growing reliance on non-financial measures of corporate performance and the increasing use of the Balanced Scorecard. The final section analyzes the implications of these changes on the budgeting process and considers the role that budgeting can play in strategy implementation.

Shareholder Value Movement

Value-based management emerged in the 1980s as methods to assess the impact of corporate strategy on market value. Firms needed techniques to identify strategies that created value for shareholders. These techniques primarily emphasized financial performance.

Financial Measures

Shareholder value analysis (SVA) Rappaport (1986) emerged as a well-known method of valuing the impact of strategies on shareholder value. Rappaport hypothesized that earnings growth does not necessarily lead to the creation of economic value to shareholders. He presented empirical support for this hypothesis by studying earnings per share and shareholder returns for the Standard and Poor's 500 Index, 1973-1985 (Rappaport, 1986, pp. 29-31). Seven value drivers are at the foundation of SVA- sales growth rate, operating profit margin, cash tax rate, fixed capital requirements, working capital requirements, cost

of capital, and planning period. SVA uses six financial value drivers to forecast a strategy's financial impact over a planning period and compute a strategy valuation.

Economic value analysis (EVA) emerged as a value-based management method, and EVA was copyrighted and popularized by Stern, Stewart & Co. (Stewart and Bennett, 1991). Using the cost of capital and adjusted accounting net income, EVA measures the value created by strategies or investment centers. Using EVA as a single measure of performance is justified by EVA's relationship to market value. EVA is a financial management system that is linked to a compensation system featuring potentially large bonuses and leveraged stock options. O'Byrne (1996) examined five-year changes in market value. He found that five-year changes in EVA explain 55 percent of the valuation in five-year changes in market value. Ten-year changes in EVA were found to explain 74 percent of the variation in changes in market value. This was superior to net operating profit after tax, which explained 24 percent of the five-year changes and 64 percent of the ten-year changes in market value.

Nonfinancial Measures

Eccles (1991) reviewed cases where accounting-driven financial reporting systems firms undercut strategy implementation. While he found that many firms tracked quality, market share and other non-financial measures, he found that financial measures were the sole basis for determining promotions, bonuses, and other rewards in most firms. He expressed the concern that traditional accounting systems generate numbers that do not support investments in new technologies and markets that are essential for success in global markets. Eccles proposed that a performance measurement model must answer three questions (Eccles, 1991, p. 132):

1. Given the firm's strategy, what are the most important measures of performance?
2. How do these measures relate to one another?
3. What measures truly predict long-term financial success for the business? Eccles (1991, p. 136) proposed that accounting firms have a critical role in developing measurement methods that will be common to an industry and across industries. The risk-based strategic system audit approach described by Bell et al. (1997) supports Eccles' proposal and provides insight into the auditor's role in assisting firms to improve performance measurement. These issues are reflective of the models that investors have used to value companies in recent years. The global capital markets have shifted resources away from capital intensive industries towards knowledge based companies.

Traditional financial metrics fall short in capturing the performance of firms with an asset base more heavily invested in intangible resources rather than physical capital. For example, the market value of Microsoft exceeded \$200 billion. Yet, the firm shows very few "productive" assets on its balance sheet. Its largest asset as of September 30, 1998 was \$13 billion of cash. The long-run value of Microsoft is based on its intellectual capital resources and its continued innovation ability. The growing disparity between market value and book value has led investors to incorporate other information into the stock price.

There have been a growing number of calls for expanded corporate disclosures. For example, in 1994 the American Institute of Certified Public Accountants (AICPA) called for expanded and improved business reporting. The Jenkins Committee recommended that corporate reporting move beyond traditional financial reports to include: 1) more information with forward-looking perspective, including management's plans, opportunities, risks, and measurement uncertainties; 2) non-financial measures indicating how key business processes are performing; 3) better alignment of information reported externally with information used by senior management to manage the business.

An Ernst & Young study (1997) indicates that financial analysts are able to improve the accuracy of forecasts by incorporating non-financial factors. The report concludes that: "When non-financial factors were taken into account, earnings forecasts were more accurate, thus reducing the risk to investors. If a firm's non-financial data are strong, this could facilitate its ability to raise capital. The message is clear: non financial factors can be used as leading indicators of future financial performance (p. 7)."

There is also empirical support from capital markets research. In a market study of wireless communications companies, Amir and Lev (1996) found the financial reporting to be inadequate. They concluded (Amir and Lev, 1996, p. 28) that, "significant value-enhancing investments in the cellular franchise and in expanding the customer-base are fully expensed in the annual report, leading to distorted values of earnings and assets. Investors are cognizant, to some extent, of these accounting deficiencies and therefore rely primarily on nonfinancial (non-accounting) information." Their market study found nonfinancial measures available in the public domain to have important information content when used with earnings data, evidently compensating somewhat for the financial distortions. They observed that their findings understated the usefulness of nonfinancial measures because many key measures are not disclosed by firms. Given the growing importance of nonfinancial factors as the global economy continues to shift away from physical capital toward a knowledge-based economy, it is necessary for firms to develop ways in which to measure and manage vital resources.

The Balanced Scorecard

The Balanced Scorecard (BSC) was introduced as a model for implementing strategy by Kaplan and Norton (1992, 1993 and 1996a). The BSC is designed to be a strategic management system that enables organizations translate strategic goals into relevant measures of performance. Financial and nonfinancial measures are indicators of the extent that strategies are successfully being implemented throughout the organization, and whether strategic goals are being achieved.

The BSC framework assesses performance from four perspectives (Kaplan and Norton 1996b). The financial perspective addresses the question, "how can we best measure and maximize value creation for shareholders?" The customer focus perspective asks, "To achieve our vision, how should we appear to our customers?" The internal business process perspective addresses the question, "To satisfy our shareholders and customers, what business processes must we excel at?" The learning and growth perspective addresses the question, "To achieve our vision, how will we sustain our ability to change and improve?"

A BSC translates the organization's performance measures that cut across traditional functional areas. Progress towards achieving short-term and long-term goals is measured

by outcome-based and leading indicator driver-oriented indicators. Many articles have endorsed the BSC (e.g., Hoffeecker and Goldenberg 1994; Clinton and Hsu 1997; Chow et al. 1997; Epstein and Manzoni 1997; Kaplan and Norton 1997; Meyer and Markiewicz 1997). However, no published studies have provided an empirical relationship between using the BSC and shareholder value creation, most likely due to BSC unavailability to researchers.

BSC implementation represents a way that firms attempt to satisfy the demands of the capital markets. The underlying goal of using the BSC is to communicate top management's strategic vision. The premise is that an integrated set of measures is needed to guide managers toward producing favorable outcomes for implementing strategy. This integration ultimately helps managers develop a model of understanding of the firm as it exists within its environment. BSC implementation raises two fundamental questions with respect to budgeting. One, how does use of the BSC affect the budget process. And, second, can the budgeting process be designed to help managers to shape their collective mental model of the firm?

Multinational Enterprise Model

Globalization is ranked high on executives' strategic agendas (Hoffman and Gopinath, 1994). Flexible multinational enterprises are likely to promote internal entrepreneurship as a way of capitalizing on opportunities in a changing environment. Internal entrepreneurs are empowered to act upon information that they have collected. This increases their opportunity to distort information and engage in fraudulent activities. Firms must place considerable reliance on their managers' values and integrity. Since multinational enterprises operate in various cultural environments, the firm must incur the cost to engineer the necessary values (Kotter, 1996).

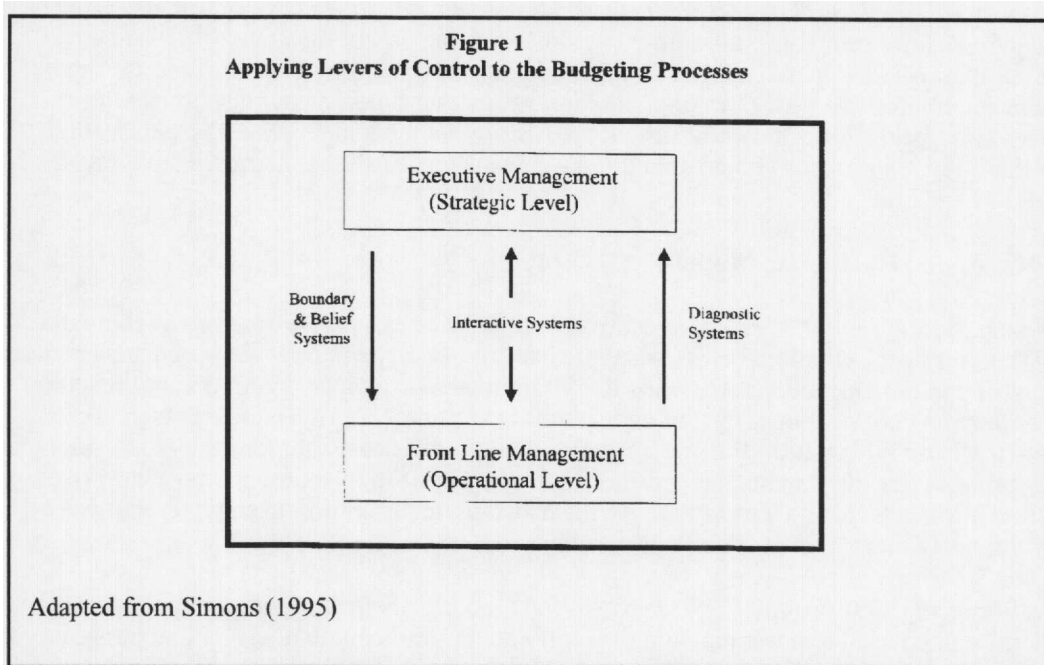
Simons (1995) provides a framework for thinking about how management control systems can be used to communicate the corporate mission, guide managers' actions and measure performance. The "levers of control" framework defines four types of management controls: belief systems, boundary systems, diagnostic systems, and interactive systems. Belief systems are programs and statements that impart core values to employees. Boundary systems provide strict prohibitions and limitations on acceptable employee conduct. Diagnostic systems providing lagging indicators of performance. Interactive controls proactively capture critical measures from the business environment and are used to guide corporate strategy. Budgeting can be used to enable each of the levers of control.

Traditional budgeting has served as means of emphasizing boundary systems that focus on financial limits and diagnostic controls. For example, budgets indicate the limits of spending on certain categories and variance reporting serves to indicate conformance with these standards. In such a model, budgeting serves as a tool of corporate governance. Top management sets forth spending guidelines. Individual/group evaluations are based on cost control and adherence with standards.

If management seeks to better align employee actions with strategic goals, it is important to use the budget to emphasize core beliefs and critical interactive controls. That is, the focus of the budget shifts from governance towards an aligned focus for creating value. Corporate value creation in the information economy is dependent on the firms' ability to cultivate and grow vital resources. The road to success lies in management's ability to im-

part core strategic values and the development of an integrated set of financial and non-financial measures to evaluate progress.

As we can see in Figure 1, budgeting consists of two primary components: a strategic level and an operational level. Top management is responsible for developing strategy and articulating core financial performance targets. It is then necessary to cascade these goals to the operating level for strategic success. Simons' model (1995) provides parsimonious way to express this interaction between the strategic and operational levels of the firm.



Using this framework, we can see that management imparts beliefs and boundaries to front line managers. These systems and initiatives articulate the primary mission of the organization and the limits on employee action. Front-line managers use diagnostic systems to provide feedback on ongoing operational activities. The key difference for budgeting under this model is the reliance on interactive control systems. These systems provide the basis for dialogue between executive and front-line management about the strategic direction of the company.

Typically, interactive systems capture critical data from the competitive environment and help companies shape ongoing strategy. Internally, it is important to develop benchmarks and performance measures that the firm can use to evaluate itself as the environment changes. In terms of the budgeting process, this means moving beyond the financial targets to consideration of an integrated set of critical performance criteria. Many of these are non-financial measures.

An Example from the Insurance Industry

Skandia, a Sweden-based insurance firm, has expanded its business measurement process to include an integrated set of measures. The model they use is known as the Business Navi-

gator. Edvinsson (1997) developed the business navigator reporting model as an adaptation of the Balanced Scorecard (Kaplan and Norton, 1996) for service based firms. The Business Navigator classifies core business processes in into five categories: (1) Financial Focus (2) Customer Focus (3) Process Focus (4) Renewal and Development Focus (5) Human Focus.

Skandia uses this framework for internal and external reporting. Within each category numerous measures are developed to capture the accumulation and use of resources. The financial focus contains traditional return-based efficiency and effectiveness metrics. The Customer Focus includes metrics about customer satisfaction and unit growth. The process focus concentrates on efficiency and outputs/savings per employee. The Renewal and Development focus highlights return business and seeds of future growth. The Human focus values the importance of the employee. Metrics about tenure, education and development are tracked in this category. The use of the navigator focuses managers of the need to generate value from customers, employees and efficient processes. These metrics make for a budgeting and reporting process that is clearly tied to the strategic goals of the firm.

From a broader perspective, this type of reporting and focused management seems to capture the interest of investors. Financial measures are considered to be lagging indicators of performance. Many non-financial factors act as leading indicators of future performance. In recent years, the focus of the investment community has moved beyond fundamental financial ratios to demanding a greater importance of nonfinancial measures.

An Ernst & Young study of financial analysts identified the ten most important non-financial measures to investors. These metrics can easily be tied into routine planning and budgeting in a balanced scorecard environment. Under such conditions, the budget is considered to be much broader in scope, reach well beyond financial performance.

The ten metrics outlined by Ernst & Young are consistent with the expanded reporting and measurement programs adopted by Skandia. This integration of financial and non-financial performance provides the foundation to consider the broader scope that budgeting will envelop.

Table 1
Most Valuable Non-financial Metrics to Investors

1. Strategy Execution
2. Management Credibility
3. Quality of Strategy
4. Innovativeness
5. Ability to Attract Talented People
6. Market Share
7. Management Experience
8. Quality of Executive Compensation
9. Quality of Major Processes
10. Research Leadership

Source: Ernst & Young (1997)

Implications for Budgeting

The expectation of budgeting in the firms that adopt integrated systems to create value will be quite different than traditional approaches. Govindarajan and Shank (1992) provide ten criteria to describe and explain how budgeting systems varied with strategy. We extend that model to consider how budgeting will differ in a BSC environment. Table 2 outlines these differences. Each difference is discussed in detail below.

As we can see in Table 2, the role of budgeting is quite different in the balanced scorecard environment. We describe and explain the ten primary differences below.

Table 2
Budgeting in Traditional and Balanced Scorecard Environments

	Traditional Budgeting	BSC Environment
Role of the Budget	Financial Control Document	Integrated Measurement Tool
Business Unit Influence	Varies with management operating philosophy and strategy	Higher participation and aligned with strategic initiatives
Review and Revisions	Depends on point in product life cycle	Rolling budgets; Tied to changes in strategic initiatives
Reliance on Standard Costs	High reliance on variance analysis	Greater reliance on leading measures
Use of Flexible Budgets	Basis of performance measurement	More integrated, not just volume driven
Frequency of Contacts	Limited and scheduled reporting	Real time
Feedback from Superiors	Periodic	Ongoing and interactive
Importance in Performance Evaluation	High	Weighted with financial measures
Primary Control Objectives	Target profit Orientation	Strategic goals and ongoing adaptation
Role of Finance Function	Centralized, oversight role	Reduced influence. greater team orientation

Role of the budget. First, in the traditional environment the budget is an organization’s primary financial control document. Lazere (1998) estimates that the average company invests over four months preparing budgets and financial control reports. In the balanced scorecard environment, budgeting moves away from financial objectives and becomes an

integrated measurement tool. Lagging indicators describe financial performance. Leading indicators are used to forecast future performance.

Business Unit Influence. Under the traditional model, the role of the business unit manager in determining the budget depends on corporate strategy and management's operating philosophy (Govindarajan and Shank, 1992; Simons, 1987). Many organizations rely on top-down control and standard setting. In the balance scorecard, the business unit plays a great role in target setting. After management develops a scorecard to clarify strategy, business units are expected to develop budgets and specific objectives to achieve the strategic initiatives. This process helps front-line managers to better understand how critical activities drive financial performance of the unit and organization, as a whole. In essence, the budget helps employees move from the inspiration to implementation of strategy.

Review and revisions. Under the traditional model, the frequency of revision of the budget depends on corporate strategy (Govindarajan and Shank, 1992). Companies in growth modes are more likely to revise targets more frequently than companies in mature product markets. The balanced scorecard environment assumes that revisions should be ongoing. The program provides employees with real-time information of corporate performance. These frequent updates enable the firm to move to rolling budgets. The annual budgeting will be gradually replaced with more ongoing performance evaluation and target revision processes. For example, Arterian (1997) describes how Sprint, the telecommunications giant, has abandoned its annual budgeting process in favor of rolling budgets over a period of six fiscal quarters.

Reliance on Standard Costs. Standard costs are a primary performance under the traditional model, particularly in manufacturing environment (Simons, 1987). Successful performance is measured with conformance with management imposed goals. The balanced scorecard focuses employees on market-based measures and activities that drive shareholder value. The budget targets are weighted along with a set of nonfinancial measures (leading indicators). The scorecard should be designed so employees can pay attention to leading indicators that should result in achievement of budget targets. With such integrated measures, less reliance is placed on standard costs.

Use of Flexible Budgets. Flexible budgeting is a staple of the performance evaluation process under the traditional budgeting process (Simons, 1987). In such environment, variance analysis is a common activity and budgets adjusted upward or downward for volume differences. In the BSC environment, employees are expected to have a much more comprehensive understanding of the business. Changes in performance are examined to determine root causes and to contribute to ongoing refinement of strategic goals. Ideally, employees will develop sophisticated models of understanding of how price and quantity changes affect firm value.

Frequency of Contacts. In the traditional model, budgets were evaluated using limited and scheduled reporting. Typically, quarterly assessments led to spending modifications in future periods. Outcome information is restricted and retained in the finance function. The BSC environment relies on wide sharing of information. Computer networks and intranet databases provide online, real-time information. Unlimited access improves communication across the organization and increases employee understanding of business performance. Further, frequent interaction between executives and front line managers enables

shorter reaction time to changes in the business environment. This feedback is critical to ongoing to strategy revision.

Feedback from Superiors. In the traditional environment, evaluation and review is periodic, and feedback from superiors is likewise infrequent (Govindarajan and Shank, 1992). In the BSC environment, managers at all levels of the organization are engaged in an ongoing interactive dialogue. Managers are expected to post information about the direction of leading and lagging indicators. Employees use this information to take necessary actions to improve performance. Employees are also encouraged to contact superiors and comment on performance trends.

Importance in Performance Evaluation. In the traditional environment, budgets play a highly important role in performance evaluation. Attaining corporate standards is paramount to success. In the BSC environment, the budget is weighted with nonfinancial factors. Performance evaluation, which is frequently tied directly to bonus compensation, is determined by a more balanced review of objectives. The goal is achieve long-term strategic aims rather than emphasizing short-term budget targets. Performance is tied more closely to market expectations.

Control Objectives. The primary control objective of budgeting is to set target profit objectives. Limitations on spending and revenue targets provide the basis for profit goals. Budgets are frequently divided into manageable parts, however the underlying premise is financial control. The BSC environment emphasizes an integrated set of measures that drive shareholder value. This emphasis on strategic goals enables managers modify operating plans and helps the organization to pursue continuous adaptation of strategic initiatives.

Role of the Finance Function. To achieve the goals of the BSC, the role of finance will shift from one of scorekeeping, governance and variance analysis to integrative, evaluation of enterprise-wide risks and opportunities. In the traditional environment, finance plays a central role in coordinating the budget. In many organizations, finance is highly influential on budget outcomes and resource allocation. The BSC environment requires the financial organization to relinquish control and adopt a greater team orientation.

Implications for the Finance Function

Under the new model, as the role of finance shifts from scorekeeping and variance analysis to substantive commitment to building the business, financial professionals will provide different types of services. Financial managers will be called upon to integrate diverse sets of data and provide sophisticated analysis and support for critical business decisions. One major focus of the finance function will be ongoing risk analysis and assessment.

Financial managers develop new methods for managing risk as a means of creating shareholder value. Risk management encompasses identifying, measuring and evaluating the firm's material risks. Varying approaches have been developed. Risk management has implications for evaluating and allocating capital investments. The extensive use of derivative instruments to offset risks associated with firm's obligations, evidences the global interest in risk management.

In a study of strategic investment decisions, Carr and Tomkins (1998) reported that U.S.A., German and Japanese firms paid greatest attention to competitive advantage analysis as compared to financial analysis techniques such as discounted cash flow. While the

U.S.A. firms paid almost as much attention to the financial calculus as competitive advantage analysis, the U.K. firms gave the greatest weight by far to the financial calculus. They concluded that national culture influenced strategic management styles and financial analysis approaches. They recommended that firms develop strategic investment decision processes that integrate strategic and financial analysis.

Expanding information technologies have enabled firms to develop enterprise-wide risk management systems. These systems can be used to analyze all types of business risks. These systems are becoming more widely in use due to the availability of powerful software (Levinsohn, 1998). Large global banks pioneered complex value at risk (VAR) models.

Comprehensive VAR analysis models were too expensive most firms. However, software vendors are competing to make VAR accessible to all global firms. VAR uses statistical and quantitative methods to provide information on how the value of a portfolio, including hedges and exposures is likely to vary between the current date and end of a planning period. VAR models vary in sophistication, including variance-covariance models and Monte Carlo simulation models (Spinner, 1997). VAR can be used to manage foreign exchange risk (Webb, 1998).

Discussion and Conclusions

The emerging model for multinational enterprises is the flexible organization (Buckley and Casson, 1998). Greater volatility is observable in global markets due to changing economies, growing competition, and emerging technology. Firms are expected to respond to these dynamics in a timely fashion. As more multinational firms adapt to these changes and implement flexible organizations, it is important to align control and measurement systems with strategic goals.

Adjustment strategies are needed if multinational enterprises are to respond to regional preferences and to gain and ensure competitive positions. In a Delphi study conducted with fifty-four global experts, Czinkota and Ronkainen (1997) reported the expectation that there will be a continuing re-engineering of companies based on core business strengths and the pursuit of niche strategies. The expected three most important adjustment strategies were (p. 840):

1. Tactical decision making more decentralized; strategic control remains global
2. Technology as an internal driver of globalization through real-time interaction
3. Organizational structures flattening, focus on entrepreneurship

They also reported the expectation the managing cultural and ethnic diversity will become critical to the multinational enterprise.

In a study of the relationships between Hofstede's (1993) cultural dimensions and human relationship management practices across twenty-four countries, Schuler and Rogovsky (1998) found that national culture was an important factor in multinational enterprises use of compensation practices. They found that pay-for-performance individual incentive compensation practices have a better fit in countries with higher levels of individualism. While, share options and stock-ownership are not legal in some countries, they

viewed these stock plans as more congruent in countries with higher levels of individualism, and lower levels of uncertainty avoidance and power distance.

In such environments, the SBU managers become more reliant on leading indicators. Integrated performance measurement systems like the Balanced Scorecard are gaining popularity. These tools help managers to meet the challenges of strategic implementation and performance measurement. These changes also radically redefine the expectations of management planning and forecasting systems. As discussed, these budgeting systems will more greatly emphasize critical non-financial measures.

The greater use of control systems that report more than financial limits, but also integrate risk have raised the expectations of investors and analysts in the capital markets. In recent years, value creation in the global economy has stemmed from firms' ability to manage and leverage human and information resources. In recent years, global capital has been transferred from capital intensive industries to knowledge intensive industries. The shift of resources translates into greater expectations of accountability.

The last, and perhaps most important, change is the impetus for substantive employee empowerment in the budgeting and evaluation processes. Firms are growing more reliant on employee knowledge. Managers across the organizations will be expected to control and monitor greater aspects of the business. In terms of the finance function, this means assuming a greater team orientation, a role as risk analyzer, and integrator of economic performance data. In sum, these changes will enable firms to use integrated, real-time systems to manage performance evaluation, planning and strategy implementation.

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