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ACCOUNTING FOR A MINING COMPANY'S TRANSFORMATION IN UKRAINE

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Abstract

Purpose – This study investigates how and why a new management accounting control (MAC) regime emerged in a previously government-owned energy company with a Soviet past, in the context of changing politico-economic dynamics in Ukraine.

Design/methodology/approach – Drawing upon data from a case study of a large Ukrainian energy company with a Soviet past that has undergone major transformations in recent years, we analyze MAC regime changes in the company from an institutional logics perspective. All primary and secondary data used in this study were collected from 2012–2016. Retrospective interviews and extensive use of written materials, including corporate documents and other publicly available data, helped us reconstruct those events which we could not observe personally.

Findings – We observed that MAC regime changes in the company mirror overall changes in the political and economic environment and Ukraine's willingness to become closer to the West. The company seems to follow liberal Western market logics and eliminate those of Soviet heritage. The MAC regime changes seemed to contribute to the company's survival during challenges caused by the political and economic crises that began in 2014 with the annexation of Crimea and other Ukrainian territories in the East of the country, demonstrating the usefulness of the new MAC regime and overall business logic.

Research implications/limitations – This study adds to the literature on management accounting and control change in emerging economies and extractive industries, by highlighting the role of changing institutional logics in shaping a MAC regime. We explain why, in some contexts (i.e., Ukraine), organizational actors accept and favor liberal Western market logics.

Originality/value – A particularly significant facet of this study concerns its extension of the role of MAC and the way it is perceived in a new international context in times of significant transformation. The results suggest that MAC regime change may be favorably received, if based on local values and aspirations.

Keywords: management accounting control (MAC) regime, institutional logics, liberal Western market logics, illiberal Soviet heritage logics, case study, energy company, coal mining.

Paper type: Research paper

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1. Introduction

Accounting is a significant aspect of any organization's control apparatus, regardless of context, and management accounting control (MAC) changes are a vital and highly debated topic among accounting scholars (Jayasinghe and Uddin, 2019; Alsharari, 2019; Ter Bogt and Scapens, 2019; Ashraf and Uddin, 2015; Modell, 2022; Tsamenyi et al., 2017). However, little is known about MAC "regime" changes in former Soviet Union countries, which are post-socialist developing nations (Paladi and Fenies, 2016), particularly in extractive industries.

Existing research on MAC in extractive industries is frequently financially oriented, addressing accounting choices, accountability issues, disclosures, and harmonization, often among powerful and politically sensitive companies (Ukwatte et al., 2023; Angotti et al., 2022; Luther, 1996; Asekomeh et al., 2006; Cortese et al., 2010; Abdo, 2016; McChlery and Hussainey, 2021). Hence, in their literature review, Gray et al. (2019) call for more research on accounting diversity, IFRS compliance, the reporting of social and governance issues, and anti-corruption and transparency initiatives. Another stream of literature is particularly concerned with MAC changes, failing reforms and accountability challenges in developing countries (e.g., Angotti et al., 2022; Morrison et al., 2023; Moses et al., 2023; Lassou and Hopper, 2016; Hopper et al., 2017; Tsamenyi et al., 2017; Hopper et al., 2009). This is important, since these developing countries contain nearly 70% of the earth's mineral resources (Moses and Hopper, 2022). For example, Africa alone is the second-largest continent and home to 30% of the earth's mineral resources, many of which remain untapped (Lassou et al., 2021). Central research topics in these studies are motivated by the consequences of privatizations across extractive industries in developing countries and the critical evaluation of Western-inspired accounting changes and reforms conducted on the effectivization and modernization of businesses.

Much evidence proves that organizational actors often resist these reforms (Lassou and Hopper, 2016; Hopper et al., 2017; Morrison et al., 2023), which sometimes even produce negative consequences and new forms of "despotic control" (Tsamenyi et al., 2017). Several empirical studies indicate that most contemporary Western accounting models and theories are not applicable to developing countries in Africa and Asia (Hopper et al., 2017; Lauwo and Otusanya, 2014; Lassou and Hopper, 2016; Lassou et al., 2021). For instance, accounting problems reported in Africa appear not to relate to accounting alone but to how it is conceived, implemented, and used to achieve particular interests, mostly at the expense of social, economic, and institutional development at the domestic level (Lassou et al., 2021). Here, a study of MAC regime changes in a Ukrainian mining company seems relevant to the accounting discipline research field: Ukraine is a developing country on a dramatic path to significant transformation in all spheres of life, with coal mining one of its largest industries.

This study adopts Hopper et al.'s (2009) broad definition of MAC. The individual elements of this control apparatus include changes in vision and overall organizational philosophy, structure, performance measurement systems, and cost management tools (Ashraf and Uddin, 2015). We consider MAC in these terms and as being shaped by wider social, economic, and political processes (Hopper et al., 2009; Tsamenyi et al., 2017; Ashraf and Uddin, 2015; Munir et al., 2013), using the term "MAC regime" to indicate the relationships among the social practices constructed through MAC and its influence on human behavior. Therefore, we consider a MAC regime to be formed around the particular institutional logic(s) prevailing in an organization and its wider environment. According to Damayanthi and Gooneratne (2017),

MAC practices should be identified in a contemporary setting, where controls can be viewed as a reflection of wider social and political interactions. Further, more studies on developing countries are necessary, where social and political structures often dominate rational decision-making and involve competing logics (Damayanthi and Gooneratne, 2017). Methodologically, more case studies are needed on how changes in societal value systems either change the dominant logics of the field or how multiple logics coexist and compete for attention (Modell, 2015). The research question posed in this study is this: *How and why did a new MAC regime emerge in a previously government-owned energy company with a Soviet past, in the context of Ukraine's changing politico-economic dynamics?*

Empirically, we report the findings of a case study on a change, which occurred from 2005 to 2014, in the MAC regime in a Ukrainian mining company (ENCO). We analyze this change from an institutional theory perspective, to understand MAC regime changes in a context characterized by cultural differentiation and tension between Soviet heritage logics and Western liberal market logics. Thus, we contribute to Lounsbury and Wang's (2020) call for more research to uncover a wider variety of liberal and illiberal challenges to global society. Ukraine is the ideal context in which to conduct such analyses, as it is situated between the Western liberal market logics that it is trying to adopt and the illiberal Soviet heritage logics that it is trying to discard. In analyzing these institutional logics and attributing them to changes in MAC regimes, we contribute to the literature on MAC changes in emerging/developing economies (Jayasinghe and Uddin, 2019; Hopper et al., 2009; Tsamenyi et al., 2017; Ashraf and Uddin, 2015; Munir et al., 2013; Paladi and Fenies, 2016), as well as to the literature on MAC changes in extractive industries (Ukwatte et al., 2023; Angotti et al., 2022; Morrison et al., 2023; Moses et al., 2023), by adding explanations for why, in some contexts (i.e., Ukraine), organizational actors accept and favor liberal Western market logics, and how these logics influence the corporate MAC regime.

2. The context and case company

2.1. MAC regime changes in transitional economies – transition from/to what?

Ukraine is an Eastern-European post-socialist country that gained its independence in 1991 after the dissolution of the Soviet Union and the collapse of the communist system in Central and Eastern Europe. For several decades, Ukraine has been trying to emancipate itself from its Soviet past in different spheres of life, such as business, culture, and politics, and to develop closer ties to the "West". There is evidence that, in countries previously under a socialist regime, MAC differs substantially from the Western model (Paladi and Fenies, 2016). MAC was distantly separated from decision-making and planning, as well as from actual operations, as it was a means for central government to control and dominate (Moilanen, 2007, 2008; Paladi and Fenies, 2016). After the Soviet Union's dissolution, organizations survived in a new environment, gradually responding to dramatic changes in operating conditions, to transition from a centrally planned to a market-oriented economy (Southworth, 1994). In Ukraine, transformations in the economy were followed by mass privatization and the "accountingization" of previously government-owned companies (Petrovych and Borbulevych, 2016; Solodchenko and Sucher, 2005).

Previously state-owned enterprises were traditionally engaged in long-term planning and bureaucratic controls. The majority were overstaffed, to contribute to full employment (Peng and Heath, 1996), and limited financial and management resources were a problem for many.

With substantial changes at formal and informal institution levels, significant business transformations may have occurred. Seemingly, organizational actors, previously embedded in formal and informal institutional forces, such as central planning, bureaucratic control, and residual socialist values – like collectivism, informal networks, and personal exchanges (Peng and Heath, 1996) – had the opportunity to act differently in the new environment, freely adapting Western management and accounting ideas (Paladi and Fenies, 2016). Outcomes, however, can be ambiguous (Hopper et al., 2017; Lassou et al., 2021; Moses et al., 2023; Morrison et al., 2023).

Although MAC in a Western sense is relatively new in Ukraine, transformations to new MAC regimes and new business philosophies associated with performance, efficiency, and resilience seem to be developing in practice, as in other post-socialist countries that decided to move toward the liberal capitalist democracy model and join (Western) world society (Lounsbury and Wang, 2020). These developments have been enhanced by the demands of globalization, evidenced particularly by the pressures exerted on transitional and emerging market economies by the World Bank, the International Monetary Fund, large international audit firms, and the International Accounting Standards Board, as well as by the demands of foreign venture capitalists and multinational corporations to develop accounting and financial systems similar to those used in advanced capitalist economies (Jayasinghe and Uddin, 2019). The creation and efforts of these international governing bodies and the associated infrastructure enable the rise and spread of the Western ontology and liberal international order, values, and logics that Ukraine has been desperately trying to follow in recent years.

2.2. Coal mining and the case company

Until recently, Ukraine was Europe's third largest coal producer, whose mining industry was one of the country's largest employers, employing approximately 500,000 people. In Soviet times and the early years of independence, Ukrainian mining enterprises were independently founded but accountable to the Ministry of Coal Mining (which, in 2010, merged with the Ministry of Energy). Nationalized industries existed to provide a public service/product and employment, receiving subsidies from the state to ensure full and fair access, at a fair price, to essential coal products for enterprises, households, heat generation plants, and metallurgical plants (*Corporate Newspaper (CN) No. 9*). Prior to 2014, the energy and mining sector in Ukraine underwent significant transformations, due to the privatization and modernization of previously state-owned enterprises. One such company, formed around privatized assets, was ENCO. Many companies that, today, form part of ENCO were founded in the Soviet era and state-owned for more than 50 years. After the Soviet Union's dissolution, these enterprises received no significant investment in production facilities or infrastructure for more than 20 years. After 2000, most industrial enterprises were characterized by little innovation, insufficient use of outdated equipment and technology, and inefficient systems for organizing business processes (Petrovych and Borbulevych, 2016).

After a series of privatizations of such state-owned companies from 2005–2011, ENCO slightly changed its philosophy and main goals. Instead of contributing to job creation in the region and providing affordable coal and energy for the population and industry, the new goals were oriented toward financial survival in a market economy. ENCO identified investment in the modernization of its production facilities as a top priority in the future, to become Ukraine's most efficient company (ENCO annual reports 2012–2019; Company's Development Concept;

Long-term Strategy). The company has its own corporate university (ENCO Academy), established in March 2010, responsible for providing training to different levels of managers and other specialists. The company's top managers have master's degrees or the equivalent in economics, finance, etc., from top-ranked European or US universities, as well as work experience in management consulting or auditing in leading companies. The new MAC regime was considered an essential part of the company's reorganization program (CN No. 7). ENCO claimed to have developed "new management based on the world's best management practices, including new management accounting and control systems" (from the company's development concept, 2012). Immediately before the political and economic crises of 2014–2015,² ENCO underwent major organizational and MAC regime changes, which were powerful drivers for the company, defining the way it functions today, even under extreme war conditions.

3. Theoretical lenses

Institutional theory is one of the dominant approaches to studying MAC and organizational changes (Modell, 2015; 2022; Ter Bogt and Scapens, 2019), as it can grasp various extra- and intra-organizational factors that shape MAC changes in organizations and wider socio-economic and political processes (Alsharari, 2019). ENCO's origins as a state-owned enterprise in the Soviet era, its evolution and reorganization after privatization, and its survival despite social and political turmoil make it an interesting case for understanding MAC change at the organizational level in a dynamic societal context. In the following sub-chapters, we provide a literature review of the works on extractive industries within the accounting discipline and the wider literature on MAC changes in developing economies, to highlight gaps in the existing literature that we aim to fill with new knowledge from this case study. We also describe a MAC regime from the perspective of institutional logics theory and outline our theoretical framework.

3.1. Literature review

Although related to change, the literature on management accounting in extractive industries is limited. In their case study of a division of the UK national coal board, Berry et al. (1985) found pressures for change to operate through the accounting and finance function, highlighting its role in organizational transformation. However, more research is needed to understand the drivers of new (environmentally oriented) management accounting procedures (Morrison et al., 2023; Moses et al., 2023; Ukwatte et al., 2023; Angotti et al., 2022). In the mining context, case study evidence suggests that accounting change can be understood through the transformation of the role of the management accountant and its facilitating and impeding drivers, including the expectations of top management, production managers, and other key actors (Karlsson et al., 2019a; 2019b; Curry et al., 2019; Curry and Hersinger, 2020).

² From 2014, several mines belonging to ENCO in Eastern Ukraine (where the majority of coal mining enterprises are located) were closed due to the military conflict. Some coal enterprises were taken over by the self-proclaimed People's Republics, causing significant losses to the Ukrainian mining industry. According to the Ukrainian Ministry of Energy and Coal Mining, raw coal production in Ukraine decreased by more than 30% in 2016, compared to 2013, due to the military conflict. One might have supposed that the business would be destroyed with the annexation of the company's assets; however, the company found a way to survive and continue without those assets in a territory whose infrastructure was broken at that time.

Another stream of literature focuses on issues with the purposeful implementation of new MAC regimes in companies within extractive industries in developing countries (Tsamenyi et al., 2017; Lauwo and Otusanya, 2014; Lassou and Hopper, 2016; Lassou et al., 2021) and MAC changes due to privatization (Carter and Mueller, 2006). These studies conclude that people are naturally hesitant regarding change, often failing to understand why such changes are needed and what the benefits of MAC changes are for their organizations (Ahsraf and Uddin, 2015). More importantly, the driven changes are often implemented and used to achieve particular interests, mostly at the expense of social, economic, and institutional development at the domestic level (Lassou et al., 2021; Tsamenyi et al., 2017). Hopper et al. (2017) catalogue a litany of failed or disappointing accounting reforms in developing countries in the face of globalization and the spread of liberal Western market logics. They show that reforms are often implemented but prove irrelevant or unsuitable for local circumstances and needs. Hence, they become ceremonial, unused, used for unintended purposes, or even dysfunctional.

Frequent recommendations are to grant greater ownership and influence to developing countries' local actors (governments, civil servants, managers, beneficiaries, civil society, etc.); draw more on local knowledge; put basic support requirements in place; and instigate better reform sequences (Lassou et al., 2021; Hopper et al., 2017). However, parties within developing countries may not have congruent interests. Governments and businesses may not welcome transparency or media and civil society scrutiny. Reforms must accommodate the indigenous political rationality, the national context, involve civil society, and avoid simply imposing Western assumptions and practices that create mutually exclusive solutions. Ideally, reforms should be based on knowledge of which accounting systems are effective, why, and how. This requires more grounded, processual, and collaborative action research with locals, to better link accounting to local circumstances and beliefs (Hopper et al., 2017). In these cases, institutional entrepreneurs may be useful in guiding through, driving, and actively promoting various MAC changes (Lassou and Hopper, 2016; Hoogstraaten et al., 2020).

3.2. The notion of a MAC regime

The institutional logics perspective adopts a practice–theoretic approach that transcends conventional understanding of norms and values, by focusing on how symbolic beliefs are intertwined with practices and other material arrangements, often varying across time and space (Lounsbury et al., 2021). In doing so, logics scholarship contributes to the shift in institutional analysis away from a focus on isomorphism, providing a novel, practice–theoretic approach to the study of institutional heterogeneity that focuses on how tension and conflict between and among logics provide a key motor for ongoing institutional variation and change (Lounsbury et al., 2021). Regarding MAC change, Quattrone (2015) emphasized the importance of studying MAC practices in tandem with institutional logics, arguing that “rationality and institutional logics, and the commensurate numerical and scientific representations, such as accounting and economic calculations, are never a priori, complete, and objective. They are always subject to continuous power struggles and translations” (2015, p. 3). This approach emphasizes the constitutive nature of logic dynamics.

As an institution, the regime, in general, does not change “overnight”. The “old” regime persists until organizational members feel comfortable with the “new” regime and consider it legitimate. At its core, a MAC regime is composed of sets of social practices generating

information that can move through time and space and change its meaning (Jones and Dugdale, 2001). A formal MAC regime may create tensions and be considered coercive, negative, and limiting, especially in organizations subjected to structural and ownership changes (Hamel, 2014). A MAC regime typically includes a set of implicit or explicit principles, norms, rules, and decision-making procedures, around which actors' expectations converge in a given issue area (Krasner, 1982). Regimes must be understood as more than temporary arrangements, changing with shifts in power or interests; they are important mechanisms, binding people, practices, and systems together. Importantly, regimes often "outlast" people.

In accordance with the research question posed in this study, we focus on the changing politico-economic dynamics in Ukraine and on the field-level logics that we consider important for shaping MAC. The literature recommends that the research process includes an investigation of historically situated social dynamics within a field, as well as critical exploration of the boundaries of this field over time (Langley et al., 2019). From an institutional logics perspective, it is essential to understand how wider sources of beliefs and practices are accessed and congeal in substantive formations of institutional logics. It is also critical to study the interrelationships between and among a multiplicity of logics, focusing on how, for instance, institutional voids emerge and become bridged in ways that enable new practices and organizational forms to become instantiated (Mair et al., 2012).

3.3. The institutional logics perspective

Alford and Friedland (1985) introduced the term "institutional logics" to describe the contradictory practices and beliefs inherent in the institutions of modern Western societies. They describe capitalism, state bureaucracy, and political democracy as three contending institutional orders with different practices and beliefs that shape how individuals engage in political struggles. Institutional logics are the socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values, and beliefs, by which individuals and organizations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences (Thornton et al., 2012). The institutional logics perspective has been characterized as a metatheoretical framework for analyzing the interrelationship among institutions, individuals, and organizations in social systems (Thornton et al., 2012). It has become a well-established theoretical approach in the broad literature on MAC (e.g., Damayanthi and Gooneratne, 2017).

The institutional logics perspective explicates how cognition is structured and decision-making is guided by broad belief systems (Thornton et al., 2012). Rejecting both individualistic, rational choice theories and macro-structural perspectives, it mainly focuses on the micro-processes of change in practice variation. It posits that institutions in society, such as the market, the state, and professions, have a central logic (Thornton et al., 2012). These logics can emerge from the external environment or intra-organizational sub-groups (Damayanthi and Gooneratne, 2017, p. 524). It further explicates how the organizational field is embedded in broader societal value systems and how changes in these alter either the dominating logic of the field or the way multiple logics coexist and compete for attention (Modell, 2015; Kallio et al., 2021). Previous studies have found that the simultaneous existence of these multiple logics (external and internal) leads to conflicts and contestations within organizations because actors resist the institutionalization of external pressures to satisfy efficiency requirements or the coexistence of different logics within an organization (Kallio et al., 2021; Dambrin et al.,

2007). Therefore, to resolve these different standpoints, researchers have investigated individual organizational responses to multiple institutional logics, i.e., how actors resist institutionalization in the search for organizational efficiency (Damayanthi and Gooneratne, 2017).

The construction of world society entailed the development of models of what an appropriate capitalist democracy should look like (Meyer and Jepperson, 2000; Thornton and Ocasio, 2008; Alford and Friedland, 1985). Research on this topic has often neglected to analyze alternative (often referred to as illiberal) discourses in other than Western or capitalist democracy contexts (Lounsbury and Wang, 2020). The rise of powerful new global players, such as China, India, Russia and South Africa from non-Western countries, and global alliances may change Western dominance (Hopper et al., 2017).

Bromley et al. (2020) highlight that, at the core of this movement, is a growing number of international organizations spreading and promoting illiberal discourses and ideologies. For example, the Shanghai Cooperation Organization, created in 2001 by China, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan, and Uzbekistan, seeks to construct collective resistance to the global spread of democracy. Thus, we must understand how different countries and organizations offer a more authoritarian alternative organizing logic, as it spreads around the world and becomes a viable alternative in many developing countries (Lounsbury and Wang, 2020). We must also investigate whether and how liberal alternatives to world society emerge from the illiberal core through the so-called identity re-identification process (Toubiana, 2020). In this regard, it is important for researchers to understand where activists come from, how alternative ideas and practices emerge and gain support, and how battles between logics play out, constituting new actors and reconstituting incumbents (Lounsbury and Wang, 2020). For example, Cruz et al. (2009) explain that management controls imposed by a global hotel chain (head office) were adapted by a company in Portugal with little resistance because the common norms and logics of the hotel industry were embedded in the Portuguese hotel.

Figure 1 presents our analytical framework. As we focus on Ukraine, it is reasonable to assume that the MAC regime in the studied company is shaped by two conflicting logics – liberal Western market logics and illiberal Soviet heritage logics. From the Soviet heritage institutional logic perspective, a company's MAC regime typically includes compliance with standards, limited options for employee action, asymmetric power, extrinsic motivation based on threats and rewards, and employees' instrumental attitude to work. In contrast, the Western MAC regime presupposes decentralization, adjustive development, user involvement, and professionalism, seeking to enable employees to deal directly with work contingencies. As we study significant business transformations, we may expect the replacement of one institutional logic with another, a blend of the two distinct institutional logics, segregation (symbolic use) of one of the logics (Thornton et al., 2012; Modell, 2015; Damayanti and Gooneratne, 2017), or the emergence of a new, hybrid institutional logic (Kallio et al., 2021).

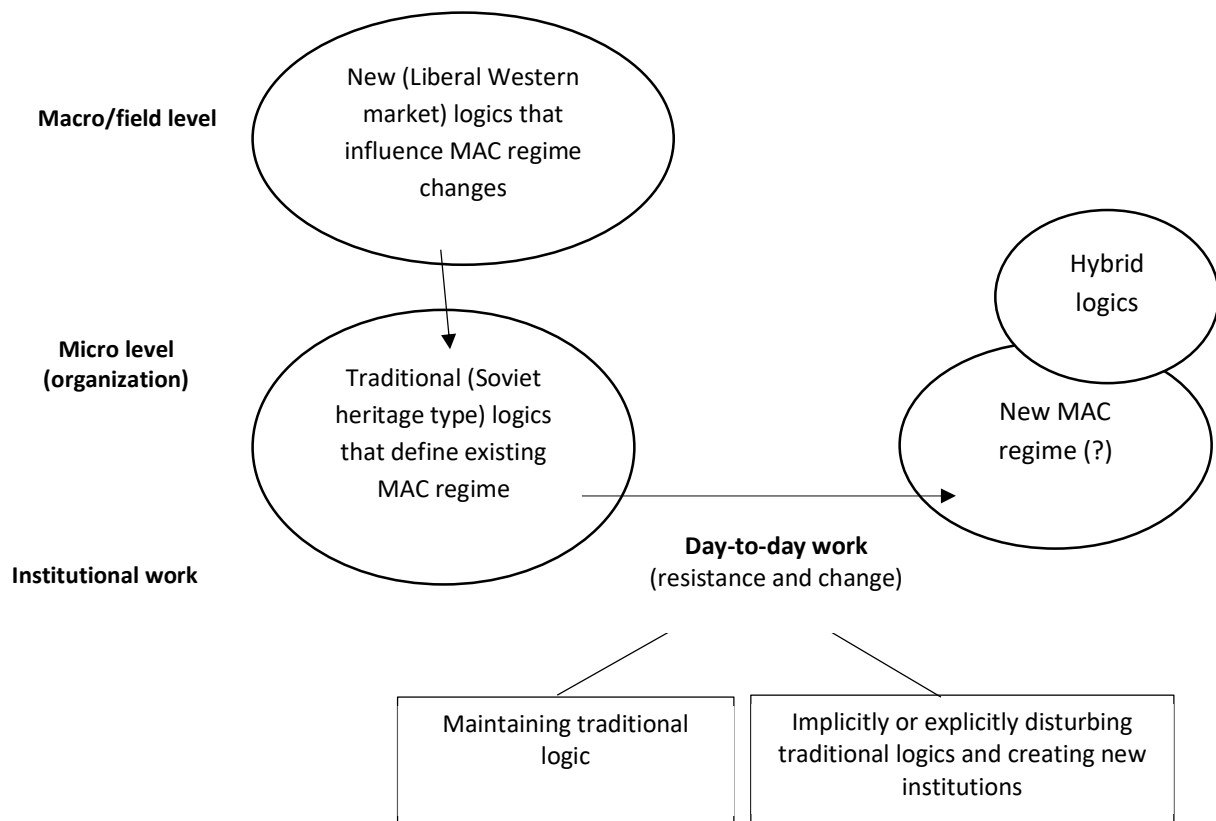


Figure 1. Analytical framework (figure courtesy of Kallio et al., 2021)

According to Kallio et al. (2021), investigating a change in institutional logics as an impetus for MAC changes necessitates analysis of the institutional work of organizational actors, who either resist the new institutional logics and maintain the old ones or, conversely, actively adopt and promote the new institutional logics that help redesign the MAC. Nevertheless, there might be challenges such as power relations in the interplay processes among those actors who try to reproduce existing institutional logic and those who support the new logic, as well as regarding relevant decision-makers making institutional choices (Doi, 2020). Thus, we might expect resistance to or decoupling of the new MAC (Dambrin et al., 2007), as people are naturally hesitant about change.

4. Methodology

In this section, we present our case study and provide an overview of the data collection methods and details of the analyses of the empirical material.

4.1. The case study

Key strands of institutional scholarship embrace a relational ontology aimed at understanding the dynamics of social systems (e.g., institutional fields) that shape the unfolding of practice, albeit in a way that is somewhat abstracted from moment-to-moment human activity and experience (Lounsbury and Wang, 2020). Historical analysis provides deeper institutional examination of field transformation, concentrating on how and why practices change over time (Lounsbury and Wang, 2020). As we focus on understanding the dynamics present within a single setting, we draw upon a case study (Eisenhardt, 1989) of the MAC regime changes in

ENCO, a Ukrainian energy company with a Soviet past. Table 2 presents major milestones and periods in the history of ENCO and methods of data collection.

Table 1. Major milestones and periods in ENCO history and methods of data collection
(made by authors)

Major periods	2005	2005 – 2011	2012	2012 – 2014	After 2014
	Infancy period	Business growth period	Gaining control of acquired assets	Period of prosperity	Period of new challenges
Main goals of ENCO	– Making plans for the future	– Asset acquisition – Building a model of a vertically integrated corporation	– Assembling a vertically integrated value-change corporation – Reorganization program, Vertical, and other initiatives	– Period of prosperity – Achieving growth and control over company assets	– Military conflict in the East – Political and economic crises – Losing company assets in the South and East/ Anti-crisis management
Type of study	Retrospective study (based on interviews, corporate documents, and analysis of industry-wide sources)		Real-time study (based on interviews, corporate documents, and observation)		
Primary and secondary data	Semi-structured interviews in the head office and daughter company in the period of 2012-2016 (See <i>Appendix A</i> for an overview of conducted interviews) Observation: Information meeting about Vertical reorganization program at a daughter company, with ca. 100 employees, 2-h duration (August 2012) Study of written material/documents/news (including selected publications in the corporate newspaper, corporate documents, annual reports, etc.) and other publicly available data (see <i>Appendix B</i> for an overview of analyzed documents)				

As we focus on changes, specific demands emerge regarding data collection methods (Denzin and Lincoln, 2008), such as the extensive use of secondary data and conducting interviews with managers who worked in the company before, during, and after reorganization. Through qualitative interviews, we can understand experiences and reconstruct events in which we did not participate (Rubin and Rubin, 2011). By conducting detailed research at the level of both the ENCO head office and the production plant unit (daughter company), we develop the analysis more generally and understand the logic of the implementation, perception, and benefits of the new MAC regime at different management levels.

In its “infancy”, ENCO had a defined number of assets – 11 mines and three power distribution plants. In the business-escalation period (2005–2011), the business grew, multiplying three times. ENCO formed production chains from coal mining (13 mine groups including 31 mines) to electricity and heat generation (10 thermal power plants and seven coal processing plants) and supply (five electricity distribution companies) in different regions of the country, also including renewable energy, oil and gas companies, and several associated service companies. In 2012, ENCO reached several important milestones, including major reorganizations following a series of acquisitions, the implementation of a new formalized MAC system, and the introduction of a long-term strategy. While 2012–2014 was a period of prosperity for ENCO, including business growth and good operating results, new challenges arose thereafter,

as the company lost considerable business assets in Eastern Ukraine. Nevertheless, ENCO survived to remain an important actor in the Ukrainian energy market.

4.2 Sources of empirical evidence and interpretations

The retrospective study includes the period before 2012, using retrospective interviews and analysis of written material (company documents and publications in the press). For the period following 2012, data were collected through interviews with different levels of managers at the head office and ENCO's daughter company, written documents, and some observations. Interviewees reviewed the interview transcripts for accuracy of interpretation. Participants and companies remained anonymous. In total, 32 interviews were conducted from 2012 to 2016 (see Appendix A for more information about interviews and interviewees). In 2012–2013, interviews were conducted in the Donetsk region, where ENCO's head office and the daughter company were located. After 2013, interviews took place in Kyiv, following the head office's relocation due to the military conflict in Eastern Ukraine and asset losses in that region. Interviews were conducted in the Russian language, native to one of the authors, who knew some interviewees personally, lending credence to the accuracy of the information provided.

Interviews focused on predetermined topics in specific areas of interest, including accounting and control, organizational structure; accountability; performance measurement and management; cost accounting; ENCO's change and development over time; and perception of control (See Appendix C for more information). We followed a reflexive interviewing method (Alvesson and Sköldbberg, 2009; Kreiner and Mouritsen, 2005), inviting an open and emergent narrative concerning ENCO MAC practices. The interview guide acted as an input for knowledge and understanding, rather than a binding template. Therefore, each interviewee was approached somewhat differently according to their areas of expertise, interviewee position, and whether they had been previously interviewed. Thus, interviewees were only asked relevant questions, including about their responsibilities, together with more open questions on their feelings about changes in the company, the new business philosophy, MAC, etc. Thus, interviews were enhanced by relevant spontaneous and follow-up questions, to ensure learning and recognize interesting dilemmas in the research setting (Kreiner and Mouritsen, 2005), allowing a lively dialogue to emerge. In addition to interview data, organizational records – including corporate publications, the company's official webpage, the corporate long-term strategy and the company's reorganization scheme, Vertical – and annual reports served as secondary data sources (see Appendix B). In this way, triangulation, regarding the combination of methodologies in the study of the same phenomenon, was applied.

Transcribed interviews were interpreted in relation to the referenced research question: *How and why did a new MAC regime emerge in a previously government-owned energy company with a Soviet past, in the context of Ukraine's changing politico-economic dynamics?* In the first data analysis step, we reviewed the interview transcripts and documents to determine how actors mentioned and confronted changes in ENCO's MAC regime. To initially code quotations from the interviews, we used Hopper et al.'s (2009) broad definition of MAC, consisting of the following elements: vision and overall organizational philosophy, structure, performance measurement systems, and cost management tools, to identify major constituents of ENCO's MAC regime. Analysis revealed more detailed evidence on the

constituents of MAC. Thus, we broadened our categories into the following codes: (1) Changes in vision and organizing philosophy; (2) New organizational structure and formalization; (3) Changes in accounting, budgeting, performance, and cost management and (4) Decision-making and perception of control.

To understand the change in institutional logics, we examined our primary and secondary data around the four categories included in our analytical framework (Figure 1): data on new (liberal Western market) logics undermining MAC regime changes; traditional (Soviet heritage type) logics defining the previous MAC regime design; how the two logics co-exist in a new hybrid form (Kallio et al., 2021); and how they determine the MAC regime's constituents (e.g., "efficient bureaucracy"). In the interview data, we traced how different interviewees perceived changes, what kind of resistance occurred and how it was overcome. In the data analysis, we discovered the importance of institutional entrepreneurs promoting MAC changes subjected to liberal Western market logics.

In the following, we provide a description and analysis of MAC regime changes that ENCO experienced from 2005–2014, particularly focusing on 2012, when privatization ended and significant transformation began. This was a turning point in ENCO history; the company experienced significant changes in the control apparatus, including vision and organizing philosophy, organizational structure, performance measurement systems, and cost management tools. In many ways, these changes were related to the company's reorientation toward "Western" ways of doing business and eliminating/modifying its past as mining companies with Soviet heritage. Other periods in ENCO history provide a background to the MAC regime before 2012 and how it later evolved.

5. Empirical findings and analysis

5.1. Changes in vision and organizing philosophy

Before privatization, each mining company had its own principles, decided by the director in frameworks agreed by mining unions accountable to the ministry (CN No. 9). The mine director's role was decisive. Mining enterprise managers were highly skilled engineers but not economists. "An engineering ethos" was an important part of fulfilling public service obligations (CN No. 15), resulting in less focus on financial aspects of management control (for example, return on investments). Accounting, performance management and measurement had another meaning: "*Unfortunately, and this is not a secret, during Soviet times, there was one famous saying: 'Five human lives per one million tons of coal'; this was one way to evaluate the mine's performance*" (Interviewee 5; 12.13).

Thus, human life was devalued in the context of performance measurement. Assuming that five human lives lost per one million tons of coal was acceptable, many deadly incidents were reported that were avoidable with improved safety precautions. The major goal and the basis of performance evaluation was extraction of an amount of coal, based on the mine's production capabilities (CN No. 15). These goals were not attached to financial goals, sales of coal, or earnings. Thus, miners often celebrated the "New Year" in October or November,³ after reaching the established goal ahead of schedule. If the mine achieved these goals, its performance was evaluated as satisfactory. The amount of coal extracted after the New Year celebration was counted for the next calendar year.

³ Normally, there are no New Year celebrations in Ukraine before December.

In the new regime, managers with engineering mindsets were replaced by business-oriented managers, promoting a language of efficiency and profit. According to Interviewee 8 (12.13), *“the practice of providing products and services at affordable prices and creating jobs, an essential part of the organizational philosophy, was transformed into a new practice in Ukraine”*. Organizations began adopting the principles of corporate social responsibility (CSR) and corporate citizenship:

According to our long-term strategy, we are obliged to be actively involved and to solve different social issues in the regions. The notion of corporate citizenship is new for Ukraine. Therefore, some things – common in the West and what ENCO is trying to do – are innovative for Ukraine. (Interviewee 7; 09.13)

Business escalation brought several challenges for ENCO management: *“Each enterprise came to ENCO with its own quirky way of doing things, its own culture, and perceptions. In previously government-owned companies, people carried on as if they were still living in the Soviet Union”* (Interviewee 6; 12.13). Several issues in the company’s management were related to its Soviet past. ENCO’s top-management had the explicit task of modernizing the company according to Western standards (CN No. 7). Thus, only candidates with a master’s degree or equivalent in Economics, Finance, etc. from top-ranked Western universities, as well as work experience in management consulting or auditing at leading companies, were considered. In mass media publications, ENCO was considered the only company in the Ukrainian extractive industry designed according to a Western model.⁴ Interviewee 17 (12.2013) commented:

Yes, ENCO is indeed perceived by many as an experimental version of the Western model in Ukraine. Western companies have been developing their management models for many years for good reasons. These models imply transparent and regulated decision-making procedures – from the corporate center to each enterprise. Such a scheme makes it possible to establish a high-quality decision-making mechanism, and when the company grows it makes it easier to control the internal processes and be more transparent to external counterparties and shareholders. As a result, this gives the company many opportunities to attract investments from abroad... and become visible on the “business map” of Ukraine and Europe. (Interviewee 17; 12.2013)

Interviewees reported that the company arranged frequent field trips to other companies and educational programs in Europe:

... I completed the corporate MBA program, established by ENCO’s Corporate University together with a prestigious business school in Ukraine, which invited lecturers from abroad. I appreciate ENCO’s efforts in arranging special courses and educational programs for managers and field trips to energy companies in the Netherlands and Germany... (Interviewee 2; 03.16)

Interviewee 1 (12.13) commented: *“... To get ideas, we travel to Germany, Japan, Netherlands, and France...”*. These examples demonstrate that, to modernize its business, ENCO established strong ties with “Western” companies and educational institutions. The new ownership and business philosophy produced considerable differences in designing a new MAC, thought to be necessary for gaining control over the acquired assets. The engineering mindset shifted into a hybrid stage, focusing on profit generation and technological and

⁴ Publications on ENCO’s management from investgazeta.net and urist.in.ua (2012), emphasizing transparency and corporate social responsibility.

managerial efficiency (CN No. 9). The informal patriarchal bureaucratic controls of the state-owned companies were modified into formalized delegated and output control systems, to improve decision-making and reduce late, incorrect, or personally motivated decisions (CN No. 9). Specifically, transformation at ENCO began with formalization of a new MAC, comprising the new organizational structure (“Vertical”), budgeting, accounting and capital budgeting, and implementing a culture of rationalization and efficient bureaucracy.

5.2. Organizational structure and “efficient bureaucracy”

At ENCO, processes can be classified as basic (coal mining and coal preparation, generation, distribution) and supportive (finance, personnel management, security) (CN No. 16). At the organizational structure’s core (after 2012) is vertical integration, with a defined role for the corporate center, production plants and other enterprises. It also includes separation of the company’s profit and cost centers. The distribution of responsibilities between the mining companies and head office (corporate center) in the current structure can be described as a “separation of the head and the mind” (Taylor, 2004). Before, mines were profit centers; now, they are considered cost centers.

We had calculated and agreed to separate the company’s cost and profit centers. Thus, mining companies have no revenue management. To manage this, we have a Directorate for Commercial Activities. If we need to sell or buy coal, inside or outside our vertically integrated structure, we sell through them. (Interviewee 6; 12.13)

“Mine managers do not make decisions related to logistics, sales, etc. but report the costs to the corporate center” (Interviewee 2; 04.2014). These functions are outsourced (insourced). According to the interviews and CN No. 16, the “Vertical” reorganization program simplified managers’, making communication with production plants and the control process generally much easier than before, devoid of official requests and unnecessary managerial levels.

The Ukrainian energy sector, especially mining companies, was as excessively overstaffed as other industrial enterprises in the post-Soviet era. Sudden staff reduction could cause many social problems and additional burdens for the company and society in general. *“Having a large staff always complicates management. Also, these post-industrial enterprises are known for rigid hierarchical strictures and excessive layers of management” (Interviewee 5; 12.13).* Thus, one of the company’s first initiatives was “delayering” and “rightsizing”, based on headcount optimization models.

In frames of the vertical reorganization program, we developed a so-called “headcount optimization model per business unit”. We faced a big challenge: reducing the number of people in the company. We started retraining employees, moving them to new cities, encouraging working pensioners to retire with support from the mine labor unions. (Interviewee 1; 12.13)

Further, the company analyzed their highest releases of labor. Interviewee 5 (12.13) commented, *“Suddenly, the city [P] became the city of accountants”*. The company allocated special accounting services in a large coal mining city, retraining a section of personnel to work with accounting information, to reduce the social burden. Traditionally, Ukrainian enterprises, especially large ones, are bureaucratic hierarchical structures. According to interviewees, ENCO remains a bureaucratic organization; management sees this as necessary for assigning tasks and reporting. *“This [bureaucracy] is a good thing; you always know who is responsible*

and for what. It's all on paper. It's all clear" (Interviewee 2; 05.14). To improve management, ENCO strived for transparency and successful development of internal processes, implementing so-called *efficient bureaucracy or reasonable bureaucratization* (Interviewee 10; 09.13). Concerning this, Interviewee 12 stated (12.13):

Our company has regulatory documents, although fewer than in other big companies. We have tried to go the way of "reasonable bureaucratization". Conventionally, these documents can be divided into three levels. The first – the most detailed level of prescription – is procedure. The second level of regulation is order (reglement). The apex of the three-stage pyramid is policy. Essentially, policy is the most "democratic" regulatory tool, leaving ample room for employee initiatives. It shows what the company wants from the employee in general, but how to do it is the employee's choice. An important difference between policies and procedures of orders (regulations), is that policy, for example personnel management, is applied to all ENCO companies. ENCO Group enterprises are linked by a single strategy, and policy gives us common goals and requirements that help to achieve the strategy.

Managers consider reasonable bureaucracy a useful tool in Ukrainian business, as a specific feature of Ukrainian mentality might be expressed through the famous Russian/Ukrainian proverb: rules are designed to be avoided. This was considered in building an efficient bureaucracy system. *"We establish principles at work – not rules but principles, because people try to avoid rules! But they cannot avoid principles. Principles give you space to think and to make decisions within their frameworks"* (Interviewee 2; 12.13). Thus, principles create space for decision-making, as there must be space for creativity at work.

5.3. Performance measurement and cost management

A MAC package was introduced at ENCO: different performance controls for different levels, e.g., EBITDA (earnings before interest, tax, depreciation, and amortization) for top-management, budgeting for other levels. Budgeting, accounting, and capital budgeting are the three main elements of the company's MAC (Budget of ENCO, 2013). Although budgets and accounting were present at ENCO before 2012, these control mechanisms are used differently since "Vertical". Interviewees described budgets as an essential tool: the only one that can provide effective management control in a large vertically integrated Ukrainian company: *"I don't know any successful examples of managing a big company without budgets"* (Interviewee 5; 12.13). Bonuses are linked to budgets, which are used at different levels: *"... Everybody has his own budget here. And it empowers us to make decisions on our own"* (Interviewee 13; 09.13). As a control tool, budgets are used frequently by different levels of managers: *"The budget is like a business plan. We use it for constant reporting: weekly, monthly, quarterly and, of course, annually"* (Interviewee 5; 12.13).

The findings indicate that, for top managers, the budget is a source of control; however, for middle-level managers, it is a decision-making tool.

I think that the budget...the idea originally arose as a tool for bulk negotiation: instead of wasting time on each transaction, you have limits. You analyze and harmonize. Then, you do not need to decide each time; you just delegate the responsibility. If the transaction is within these limits agreed in the budget, then the top manager already generally agrees... and it is not necessary for each person to negotiate. The budget simply allows the coordination of large volumes of many small transactions. This is the

basic goal of the budget. In my view, the budget reduces routine work. (Interviewee 2; 12.13)

Thus, ENCO considered budgets helpful for middle-level managers to avoid micro-management. In the frames of previously agreed budgets, bottom-level managers can make and implement their decisions. Accounting is insourced; the accounting department is a separate entity within the ENCO structure (Company's Development Concept, 2012), and production plants and enterprises send their accounting information to it. ENCO has established rules and procedures for capital budgeting (*CN No. 16*). All "global" projects are subjected to a special procedure and prepared by special institutes. Smaller projects are prepared in the company's investment department, in collaboration with engineers, technicians, logistics and material-technical specialists, etc. After calculations are complete and several alternatives (or different scenarios) are proposed, relevant departments also offer opinions, and the decision on whether to implement a particular project is made. Contractors are selected during the opening tender. These are all new practices for previously state-owned mining enterprises.

For the daughter company we visited, the following rules applied in 2012/2013.

In cost terms, investment projects could be divided into four groups: small – projects under 0.1 million USD (decisions on these projects are made without agreement from headquarters); medium – costing more than 0.1 million USD (decisions should involve the investment committee); large – costs under 2 million USD (decisions often involve a third party – a research institute); megaprojects – costing over 2 million USD (these investment projects are always based on reports from research institutions, in combination with the company's own analysis. (Interviewee 14; 12.13)

These rules and limits of responsibility were not present in Ukrainian mining companies before ENCO. Further, as MAC needs discussion and suggestions for improvement, ENCO encouraged all employees to submit their proposals for improvements via a portal and program known as the Novator continuous improvement system (*CN No. 13*). In its Annual Report 2015, ENCO acknowledged that it had "saved" up to 65 million USD through Novator: 15 million USD in 2013, 23 million USD in 2014 and 27 million USD in 2015. Employees offer ideas for improvement and engage as a team to improve processes and reduce and eliminate losses (especially losses caused by the military conflict) and improve the quality of products and services. A total of 7,625 ideas were offered in-house, of which 48.6% were implemented. It seems that employees are given the opportunity to experiment, learn and improve. This helps the company maintain a high level of employee engagement and save money on external consulting, which was often used at the beginning. Employees who raise their voices and demonstrate knowledge through the operational improvement system are also motivated to extend their capacities and be rewarded (*CN No. 13*).

5.4. Perception of control regarding modifying/replacing Soviet heritage logic

From our observations, the new MAC regime first met considerable skepticism and mistrust. During our early visits to the daughter company, employees criticized the new MAC because there was no clear division of responsibilities. Some complained that they had to perform their former functions in addition to new ones. Phrases such as "Nobody was ready, nobody was asked!" and "Why do we need all this?" were heard repeatedly. Some interviewees stressed

the outdated work methods and regimes prevailing in the mining company, hindering the opportunity to fully adopt and use the new MAC tools.

The Soviet work style dominated for many years. People are literally afraid of something new. They don't want to share new values, change their work culture, get rid of bad habits. One example: people are afraid of necessary automatization and computer work. Managers use "scribes" to perform very simple jobs on PCs, like receiving and responding to e-mails, just because they don't want to learn how to use the Internet and don't think it's important in their jobs. (Interviewee 14; 08.12)

During our next visit to the company, we learned that the perception of control had changed slightly, along with tensions around automatization and the new MAC regime. To repair the environment, managers and invited speakers from head office began to clarify the new "regime". *"All we have here now is a pilot project; so many people cannot agree with several elements. We are therefore conducting a social survey among workers and other mine employees, asking people to indicate what they like and dislike about the new control system and what they think should be changed and how"* (Interviewee 16; 9.13). Collecting opinions and adjusting plans based on participant feedback was impossible in the Soviet era or before privatization and transformation.

It's quite tough to change the mentality of people and their approach to work. Thus, we conduct seminars to help employees better understand changes and explain the advantages of "Vertical", the new accounting system and other initiatives. (Interviewee 11; 9.13)

After a series of such seminars and meetings, skepticism and mistrust turned into curiosity among organizational participants, who decided to give the new regime a chance. Employees began expressing their opinions publicly, discussing what they saw as problems and what solutions they could offer. According to interviewees, this helped considerably in 2014–2015 when the company lacked ideas and had to quickly respond to new challenges.

It was interesting to learn that most interviewees did not express dissatisfaction with the increased control and binding rules and principles. *"Control...For myself, let's say that I feel everything is not so bad. We have our ceilings [limits of responsibilities] and we try to do our best within these limits"* (Interviewee 4; 12.13). There are formal mechanisms that help employees "repair" the system and certain ways of communicating employee opinions to company executives, including monthly meetings between production plant management and employees. Information is distributed among employees and feedback provided via a direct telephone line to the company's management, corporate media (newspaper and web portal), and a hotline allowing employees to notify the company of any deficiencies. Benchmarking between different units became an impetus for operational improvements. Middle and operational managers indicated that the company was becoming more flexible:

Only a year ago, people were afraid to request money for projects, but now we are writing applications and implementing investment projects of different complexities. We used to have a budget (very limited). In an emergency, in order to stay within that, it was very difficult to do anything. Now the situation has changed. (Interviewee 7; 12.13)

Employees acknowledged that the new tools (including the new MAC regime) helped them to focus on themselves and make better and more timely decisions. Middle-level managers also picked up “more powerful” indicators and communicated these with higher managerial levels. As the findings indicate, experimenting with indicators is now an essential part of the new MAC regime. Each department has the right to develop and use a MAC that they think fits best; sometimes ideas from one business unit or block travel to other departments. In the follow-up conversations (05.14, 03.16, 12.16), Interviewee 2 often stated that the new MAC regime, together with the strong leadership of the CEO, easier and faster communication between the business units via the Internet, video conferences and e-mails, and a reduction in the number of official requests with stamps and signatures, facilitated the decision-making process and contributed to ENCO’s survival during turbulent times.

5.5. Summary and analysis

Figure 2 presents the major differences between the old and new accounting regimes, discovered during the empirical research. The empirical material indicates that ENCO’s MAC regime has evolved with the change in ownership structure, under the influence of liberal Western market logics at the macro/field level – with active promotion of new MAC tools, at the micro level, by top management with Western experience. As a result, the “traditional” paternalistic system and personnel rules, with the “*director knows best*” principle, transformed into collective decision-making and existence of limits of responsibilities of different level managers. These managers are expected to offer opinions on existing practices, tools, and systems, rather than “*doing what the boss says*” without reflection. The patriarchal bureaucratic MAC was replaced by delegated and output-oriented control systems with well-defined limits of responsibility and participation in planning and decision-making. As a result of the “Vertical” reorganization program (after 2012), a new organizational structure, with defined places and roles for all enterprises, forming a value chain from coal extraction to heat generation and supply, was implemented, instead of numerous entities with their own rules and routines, as was the case in ENCO’s business growth period (2005–2011). Separating the cost and profit centers resulted in responsibility distribution, vertically and horizontally.

As empirical findings show, dialogue and benchmarking between business units created opportunities to improve key performance indicators in ENCO’s prosperous period (2012–2014). However, alongside the influence of liberal Western market logics on the design of the new MAC regime, interviewees named several elements inspired by Soviet heritage logics, for example centralization and efficient bureaucracy. Although in a new form, centralization instead of decentralized enterprises led to reduced procurement costs (ENCO’s Annual Reports). As described, standardized organizational and management structures in different business blocks improved the quality and speed of business processes and formed the basis for operational improvements and efficient production.

One interesting finding is that the new MAC regime was implemented decisively and quickly, despite meeting some initial resistance. Such repair and flexibility mechanisms (Adler and Borys, 1996), use of “change agents”, and questioning “why are we doing what we are doing?” were used to bring about change and help employees accept the new regime. Including operational management in MAC design made it possible to construct and reconstruct knowledge of organizational practices and make adjustments accordingly.

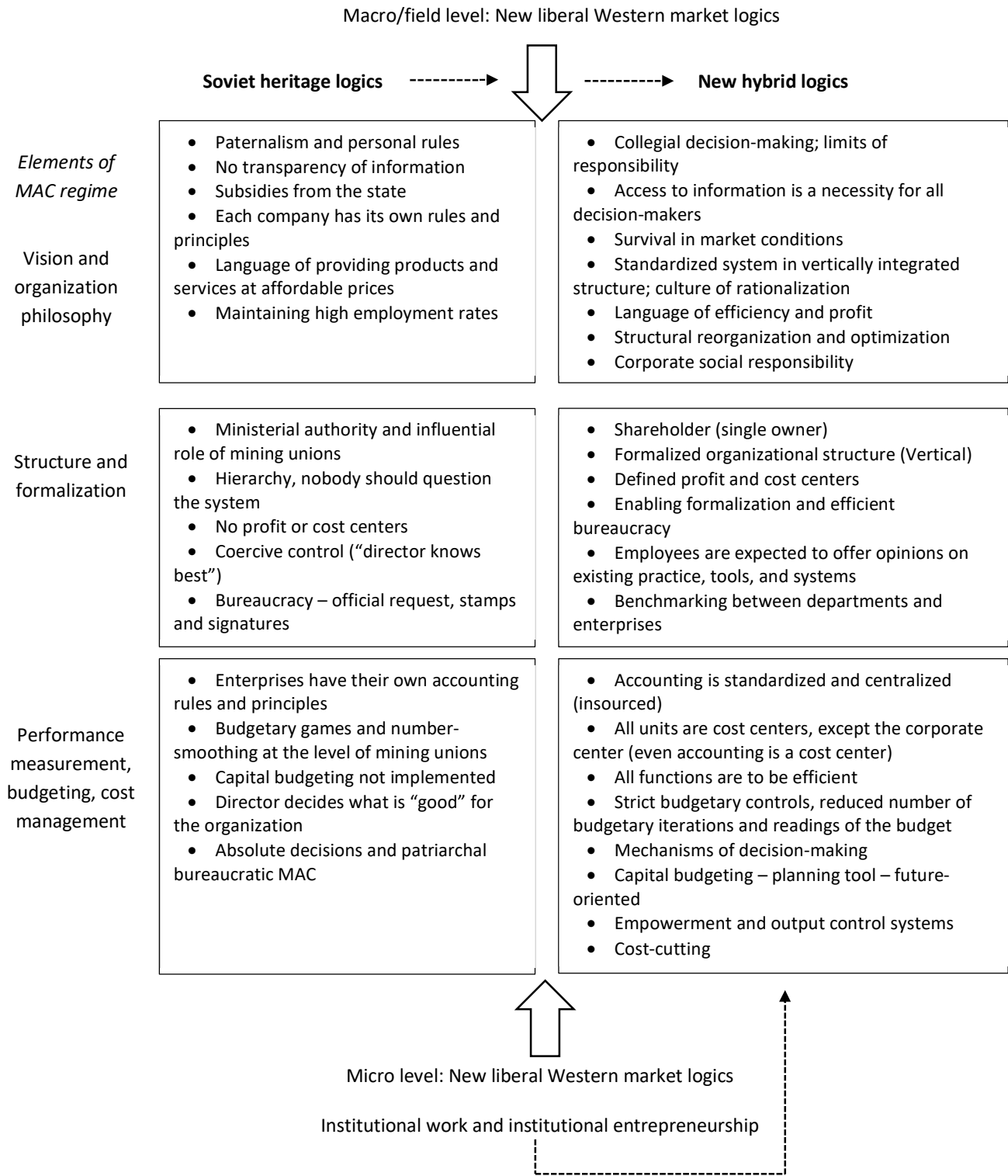


Figure 2. Emergence of a new MAC regime in a Ukrainian energy company
(made by authors)

An example of internal transparency is that information is available to employees on the company portal, in the corporate magazine, at seminars, etc. Exchange of ideas between top management and operations management, benchmarking between production units, and knowledge exchange inside and outside the company are elements of global transparency, as reported by Adler and Borys (1996).

Overall, it seems that accounting and control provided new meaning for managers at different levels. At the mine level, employees could focus on production and not spend time elsewhere. At the operations level, accounting and budgeting provided the opportunity to make decisions and take responsibility. For middle-level managers, MAC eliminated micro-management, while, for top managers, it provided control over acquired assets. The new MAC, taking different institutional logics to a new hybrid form, provided opportunities for different levels of managers and helped the company's transformation.

6. Concluding discussion

This study explored the question: *How and why did a new MAC regime emerge in a previously government-owned energy company with a Soviet past, in the context of Ukraine's changing politico-economic dynamics?* In view of the changes in Ukraine's politics, economy and social life, business logics have begun to shift rapidly toward Western logics. At the field level, many companies in extractive industries are being privatized, consequently undergoing transformation and reorganization. Ukraine as a country and its businesses particularly have taken steps toward eliminating Soviet heritage-type logics, perceived as inefficient and outdated. Thus, we observed a transformative change in the replacement of one institutional logic with another (Thornton et al., 2012; Kallio et al., 2021).

By studying ENCO's MAC regime changes, we demonstrate that the Soviet heritage influence, in terms of vision, is disappearing. Nevertheless, we still observe some Soviet heritage logics in the new MAC regime (forming a new hybrid logic, Kallio et al., 2021). The company decided to move toward efficient bureaucracy, multi-level budgetary control, vertical integration, and standardization (common concepts in Soviet heritage logics), to increase business efficiency, innovation, and flexibility. Usually, this type of MAC regime is considered to produce limits, drive things out, control what people do, etc. However, in this study, the new MAC regime gives people energy, opportunities, and freedom (for example, in terms of budgets). Thus, bureaucracies are taking new forms, with new functions in today's societies (Adler, 2012; du Gay and Lopdrup-Hjorth, 2016; Hodgson, 2004). As shown, the "regime" creates order. As a group leader, an employee becomes emancipated, with space to create, learn, and act. Through MAC, organizational actors are reconstructed as decision-makers. Where, previously, ENCO lacked decision-makers, there are now many decision-makers because they have a budget. Rather than feeling compelled to gain acceptance from top managers, operational and middle-level managers can quickly implement their plans within the budget.

Previous studies focusing on MAC changes in extractive industries (Ukwatte et al., 2023; Angotti et al., 2022; Luther, 1996; Asekomeh et al., 2006; Cortese et al., 2010; Abdo, 2016; McChlery and Hussainey, 2021), especially those in developing economies (Moses et al., 2023; Morrison et al., 2023; Lassou and Hopper, 2016; Hopper et al., 2017; Lauwo and Otusanya, 2014; Lassou et al., 2021), illustrate resistance to accounting change initiatives. The changes are often perceived as exploitative (Tsamenyi et al., 2017), with no positive impact for

businesses. The current study offers new insights into the essence of institutional logics shifts that allow experimentation with MAC regime changes that do not entail major resistance from employees. One implication of this study is that we should not take for granted that MAC changes will be associated with resistance in developing/emerging economies; on the contrary, there may even be willingness to adopt new models. However, based on the results reported here, a favorable attitude toward change may require the new MAC regime to be founded on values that resonate with people and their aspirations, in the local context.

Thus, it seems that the cultural differences (Hopper et al., 2017) between the West and Ukraine are not as significant as we might think. Therefore, resistance to MAC changes is also related to shifts in institutional logics. Admittedly, we cannot claim that the new institutional logics are fully “Western” but, rather, a hybrid (Kallio et al., 2021) between types of logics. As interviewees mention, *“we cannot get rid of the past, but we can modify it”* [based on the new institutional logics]. Western logics already reside in people’s minds, perceived as appropriate and useful. This study illustrates institutional logics theory’s usefulness (Kallio et al., 2021; Lounsbury et al., 2021; Lounsbury and Wang, 2020; Thornton et al., 2012; Meyer and Jepperson, 2000; Meyer and Vaara, 2020) for studying MAC changes in developing economies (Hopper et al., 2009; Tsamenyi et al., 2017; Ashraf and Uddin, 2015; Jayasinghe and Uddin, 2019; Moilanen, 2007, 2008; Paladi and Fenies, 2016). According to Lounsbury and Wang (2020), Ukraine has become a buffer zone between liberal and illiberal anti-world societies, due to its geographical location and willingness to embrace liberal Western society. As evidenced by this case study, the process of transformation has started and is evolving further.

Further, the paper provides compelling evidence that much work has been done by institutional entrepreneurs (Battilana et al., 2009; Argento et al., 2018) within the company – managers with Western education who mobilized resources and teams of like-minded people to believe in and follow their ideas. Further research is required on this issue. We need a richer understanding of how institutional entrepreneurs drive change (Hoogstraaten et al., 2020) in contexts like Ukraine. Institutional entrepreneurs are reflexive; they know what they are doing and possess experience and knowledge about how to champion changes. This may be an internationally valid observation. In their African studies, Lassou et al. (2021) found that regional change agents have often been trained in or worked in the West.

This study has several limitations. First, from a methodological perspective, a relatively short period was investigated after major transformational changes were undertaken, and only some voices (mostly of managers) were heard in this analysis. We provide few details on the company’s development after the military conflict in the East of Ukraine and further escalation. Although the company is quite large, evidently, it does not represent the Ukraine’s entire extractive industry. Further, we use retrospective interviews, and thus some of the minutiae and challenges may have been “glossed over”. From a theoretical perspective, we are concerned with the macro or field-level institutional logics and their influence on the new MAC regime, considering no other levels of analysis in detail. Likewise, we do not deeply consider the power relations between actors and their interests. We encourage future research on this topic, specifically efforts to identify conflicts and struggles at the interstices of institutional logics (Friedland and Arjaliès, 2019).

Several additional directions for further research can be highlighted. First, it may be interesting to further investigate MAC's role in conditions of institutional complexity and conflicting institutional logics (Schäffer et al., 2015). Second, as the case study indicates, in conditions of instability and uncertainty (as in Ukraine), it is important to maintain control over assets, knowledge, and space for innovation. In this respect, further study of the (possible) survival of businesses and the role of accounting in conditions of war may be warranted. Third, the fact that we do not focus on privatization and MAC changes in detail (Carter and Mueller, 2006) is another limitation and, therefore, an opportunity for further research. Also, noting the possibility to combine institutional logics and institutional work theories, to provide better insights into the micro-processes that lead to change (Damayanthi and Gooneratne, 2017; Kallio et al., 2021), we suggest this direction for further research. Despite its limitations, our study provides novel and extensive data that help in understanding MAC's institutional evolution in post-socialist countries, as Ukraine.

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Appendix A: Primary data collection – list of interviews and interviewees (made by authors)

Location	Interview details
Head office	Chief Executive Director (Interviewee 1) – One interview: 1-h duration (December 2013)
	Head of Divisional Control (2012–2014)/Group CFO (2014–2016) (Interviewee 2) – Three interviews: one of 1 h and 30 min (December 2013) and two of 1 h and 20 min (April 2014; March 2016)
	Specialist from the Department of Capital Budgeting (Interviewee 3) – Two interviews: 1 h and 20 min (August 2012) and 1 h (September 2013)
	Head of the Department of Operational Improvements (Interviewee 4) – One interview: 1 h and 30 min (December 2013)
	Director of External Affairs (Interviewee 5) – One interview: 1 h and 30 min (December 2013)
	Head of the “Vertical” Reorganization Program (Interviewee 6) – One interview: 1 h and 30 min (December 2013)
	Leading CSR Specialist (Interviewee 7) – Two interviews: each 1-h duration (September 2013; December 2013)
	Head of the CSR Department (Interviewee 8) – One interview: 1-h duration (December 2013)
	PR Manager of ENCO (Interviewee 9) – One interview: 1-h duration (September 2013)
	General Director of ENCO (Interviewee 17) – One 40-min interview (December 2012)
Daughter company	Director of the Mine (Interviewee 10) – Two interviews: each 1-h duration (September 2013; December 2013)
	Head of the Department of Operational Improvements (Interviewee 11) – One interview: 1-h duration (September 2013)
	Accountant (Interviewee 12) – Three 1-h interviews (September 2013; December 2013; April 2014)
	Specialist from the Department of Operational Improvements (Interviewee 13) – Three 1-h interviews (August 2012; September 2013; December 2013)
	Leading Specialist from the Economics Department (Interviewee 14) – Three 1-hour interviews (August 2012; September 2013; December 2013)
	Head of the Investment Planning and Monitoring Department (Interviewee 15) – Two 1-h interviews (August 2012; September 2013)
	PR Manager (Interviewee 16) – Four interviews: two of 1-h duration (August 2012; September 2013) and two of 30 min (December 2013; May 2014)

Appendix B: Overview of secondary data sources (made by authors)

Documents	Description
ENCO's corporate documents	<p>Passports of the reorganizational program "Vertical" (May 2012: Description; November 2012: Implementation; July 2013: Efficiency).</p> <p>Program "Vertical": results for 2012 and plans for 2013.</p> <p>Brochures: "Memo for the manager" (2011; 2012; 2013).</p> <p>Long-term strategy of ENCO (2012) – strategy for the next 30 years.</p> <p>Internal document explaining the strategy adopted by the organization.</p> <p>Company's Development Concept (2012).</p> <p>Code of Conduct (2012 version).</p> <p>ENCO's Annual Reports (2011-2015).</p> <p>Description of corporate initiatives (Novator, Vertical, Factory of Payments) with results and news about those initiatives available on the official web-page of the company.</p> <p>Budget of ENCO (2013).</p>
Corporate newspaper (CN) (selected articles communicating MAC regime changes)	<p><i>"ENCO develops ties with the West"</i>, Head of the CSR Department, Corporate newspaper, No. 7 (114), April 2013, p. 5.</p> <p><i>"Energy Business 'Perestroika'⁵: Why did we need to change and where are we going?"</i>, ENCO journalist, Communication department, Corporate newspaper, No. 9 (116), June 2013, pp. 6-7.</p> <p><i>"'Novator' shows the way towards efficiency"</i>, Chief Executive Director, Corporate newspaper, No. 13, August 2013, pp. 6-7.</p> <p><i>"From 'a hard business executive' we must transform into a customer-oriented company"</i>, General Director of ENCO, Corporate newspaper, No. 15 (126), September 2013, p. 6.</p> <p><i>"Bureaucracy should be efficient"</i>, Head of the "Vertical" Reorganization Program, Corporate newspaper, No. 16 (122), December 2013, pp. 6-7.</p>
Industry-wide sources and mass media	<p>Mining industry overview by the Ministry of Energy and Coal Mining.</p> <p>Publications on ENCO's management from investgazeta.net and urist.in.ua (2012).</p>

⁵ "Perestroika" is the policy or practice of restructuring or reforming the economic and political system. The term is used as a metaphor in the newspaper.

Appendix C: Topics for conversations (made by authors)

General information about the interviewee and his/her role in the company

- What is your position/role in ENCO and what are your areas of responsibility?
- How long have you worked for the company?
- Has the range of your responsibilities changed over time? If so, how?
- What do you like most about your work? Are there any achievements that you are particularly proud of?
- How would you characterize your company?
- What are the spheres in which you feel your company is the 'best' or is pioneering?

ENCO's change and development over time

- How would you characterize ENCO as a company? How much do you know about the company's past (history)?
- Have there been any changes in the goals and overall organizational philosophy, to accompany the change in the ownership structure?
- Do you observe/feel any changes in your work and in that of your colleagues?
- What do you think are the major challenges related to the management of ENCO (a big, vertically integrated company)? What does the company do to overcome those challenges?
- How does its context (the political and economic situation in the country) influence the company?

Management and strategy

- Could you name some strengths and weaknesses of your business?
- Who decided how the business should develop?
- What are the reasons for implementing the new management systems described in ENCO's strategy?
- ENCO has a long-term strategy until 2030. Could you please say more about this strategy?
- Do you feel that you have any influence over the process of strategy development?

Organizational structure and 'transformation projects'

- How has the organizational structure of ENCO changed over time, and why?
- On the official web-page, much has been written about the projects that the company is currently implementing, including the new organizational structure (vertical), the new management accounting (control) system, LEAN management, etc. What initiatives/projects do you think are most important for the company now, and why? Where do the ideas behind those changes originate?
- What is the "Vertical" reorganization program (re-organization project)? What is this program/project about? How is it being implemented? What does it mean for you as an employee/manager?
- What were the results of this program/project? What has it changed? How have employees responded to it? Do you see any difficulties with that?

Management control and accounting systems and the perception of control

- How would you describe ENCO's management accounting and control system?

- Do you use budgets? What does the budgeting process look like?
- What other elements of management accounting and control are being used/implemented?
- How has accountability and the way you disclose information changed/evolved during recent years?
- What does the company's reporting system look like (what types of reports are produced, and how many times a year)? Has anything changed in the last two years?
- What electronic systems are used for accounting and control purposes?
- Are there any issues in management, including management control and accounting, related to the company's Soviet past?
- What are the company's major indicators of 'good' performance?
- Do you use international accounting standards?
- With all the changes undertaken recently at ENCO, do you feel that you are controlled more? And do you have more control?

Capital budgeting and investments

- The annual reports mention that ENCO has an impressive investment portfolio. Could you please tell me more about it?
- What does the investment decision-making process look like? What information and procedures are taken into account?
- What management control system is used after an investment decision has been made (or an investment project has been implemented)?
- Who decides whether the project is worth pursuing? Are particular people or departments in your organization tasked with performing an investment analysis (feasibility analysis)? Which tools are used (NPV, PI, etc.)? How do you use these calculations in your work?