Implementation of the Sarbanes Oxley Act

A study on the problems that can arise when implementing an innovation tool in a company
1. Summary

We are all aware of that there exist some companies that are not honest in their business, some of you have probably heard of the WorldCom and Enron frauds. After these scandals the Sarbanes Oxley Act (SOX) was put into legislation in order to prevent fraud and contribute to a higher degree of security so that the trust of the stockholders and other creditors could be regained. The implementation also brings changes within the organization and some people are less perceptible than other to these changes.

Problem: Which problems can arise when implementing a new innovation tool in a company?

Purpose: Review the implementation process of SOX in one company to be able to estimate which factors that are significant for individuals when it comes to accepting SOX as a tool to improving control processes.

We have managed our problem from the hermeneutical view on knowledge with semi-structural interviews because it is not “true” knowledge we want to establish, but rather an interpretation on how the adoption process and the different forces and barriers materialize. In order to best view the adoption process and its factors we have chosen to view the problem from an end-users perspective.

Our approach in attacking the reality has been the golden middle-way, which means we have went into the reality with already constructed theories but along as the study went on we have refined theories, thus shifting between inductive and deductive approach.

Our theoretical framework on how innovation comes to acceptance consists of how the characteristic of the innovation can sped up or slow down adoption of an innovation, how members social system communicate, receive and react to change. How time affects adoption and how communication channels looks like. Other theories that affect change can also be explained with the size and complexity of organizations along with other barriers and facilitators.

The empirical part consists of five interviews each conducted in our targeted company for our case study. All respondents were chosen by one of us researchers that are currently working in the company. We then compared the chosen theory with the respondents’ attitudes towards the new tool that was implemented in the company. We found out that the chosen theory was applicable to the study and many barriers that preventing adoption and change existed in the company. Important obstacles that prevented adoption of the innovation had to do the characteristic of the innovation and the size and complexity of the organization; however we believed that the most significant blockade against change was the non-existing communication between the three different parties, namely consultants, managers and end-users.
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1.1 The Origin of SOX

The corporate scandals in 2001 and 2002 came to change the way internal and external auditors, board of directors and senior corporate management have to work.¹ Companies such as Enron and Worldcom were accused of filing inaccurate financial statements, using off balance sheet accounting to hide certain debt that was not viewed positive from management and accountants. Huge personal profits by the CFO of Enron were made from these transactions even though it went against the Enron code of conduct. The CFO of Enron overrode this and even got the approval from the board of directors. When these fraudulent activities got known to public Enron were forced to bring up the off balance sheet transactions and the debt they wanted so badly to keep hidden back behind the financial statement. Before the discovery of the fraud Enron was considered as a prominent company with good financial numbers. Enron had agreements with creditors and certain financial numbers were to be held up at a certain level.

After the fraud was discovered Enron had to consolidate these off balance sheet transactions back in their statement, and the numbers that were once so good were now under the ratio established by creditors. The financial status was so poor that Enron had to declare bankruptcy in 2002.²

In order to restore the broken trust that had been damaged after the Enron, Worldcom and Healthcare scandals, President Bush signed in a new act in the legislation system in July 2002, the Sarbanes- Oxley Act.

The act is a tool for the implementation of the greater responsibilities that was lacking in some of the companies that was convicted of fraud. The act means that companies shall try to focus on strong ethic codes, honesty in business, integrity and transparency.³ However this is a complex act, which contains 11 titles and 69 sections and has caused problems for many companies.⁴

We have understood that this is a complex and very costly act, and of which is very likely to bring great changes within the organization. Our interest in this study is to examine how people view these changes and look into the implementation process and see which factors that is important for achieving change. Factors like characteristics of the innovation, the design of the social system, time and design of the communication channels is important for innovation to come to adoption.⁵ We also believe that the size and complexity of the organization, along with other undefined factors, also has an impact of the potential of change.

² Ibid p 1-2
Sox is an American invention and it could be a problem implementing such a model in different countries, all with different values, cultures and existing norms for multinational companies. The implementation here in Sweden is at its initial stage and has probably faced these cultural clashes already and other difficulties as well. We aim to investigate how the people’s attitudes towards this new tool materialize and take form.

**Problem; which problems can arise when implementing a new innovation tool in a company?**

**Purpose of this thesis is to review the implementation process of SOX in one company to be able to estimate which factors that are significant for individuals when it comes to accepting SOX as a tool to improving processes.**
2. Method

This chapter outlines our starting points in this study. We will begin discussing our pre-knowledge and how it has come to affect the choice of topic and the way we chose to conduct this study and from which perspective we chose to look at the phenomenon. This will give the reader a better understanding of why we have chosen to attack the problem with a specific method. We finish this chapter with a discussion on our chosen approach in the study along with discussing the chosen literature used in this thesis and what can be criticized in it.

2.1 Pre-knowledge

We agree that past experiences, education and social background can play an important role in our choice of topic. This might get reflected in our pre-knowledge about the chosen topic. When we interpret different situations, occurrences and other things in our presence, our preknowledge play an important role, since we all have different preknowledge it is fundamental that the reader of this thesis can read ours and therefore can draw his or hers on conclusions on why we have made certain choices.

Since this topic lies within the frame of what we are studying and the fact that we have read about in newspapers and are partially affected about the scandals of Enron and Worldcom, we both had some pre-knowledge of the chosen topic. Even though we knew the purpose of why SOX was introduced and put into legislation, some reading on the SOX act was needed to fully grasp what this would mean for companies. One of us researchers in this study is currently working as a Controller, and is affected by SOX on a daily basis and has therefore more preknowledge about this topic then the other researcher in this study. He has also more knowledge about how the practical effects on how the implementation of SOX materializes. The fact that we both have specialized in finance and accounting, and not management change, a further reading of material of various authors that specializes in organizational change, innovation adoption and the way diffusion processes occur was needed. We do have some pre-knowledge about the chosen topic since we have had some courses within our study program about organization and management, but still the theoretical framework from those courses are not enough when writing a thesis. We also both have experienced change within organizations in our lives on a more tangible level, this within e.g. football associations, new schooling and education system that caused resistance from the persons in those contexts. So the topic “organizational change and how ideas comes to acceptance” are not new to us even though from the starting point we lacked parts in the theoretical framework.

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7 Lindholm, Stig. *Forska och skriva– En liten vägledning*. p 10
After reading various articles and books about management change, diffusion processes and how adoption processes occur, we came into the study with a broader preknowledge that impacts the quality of the study positively. Also, when we look back at previous situations in our lives concerning organizational change and how innovations comes to acceptance after reading the theoretical framework we can understand better why certain resistance was built up or why the change met resistance from certain players and which key players that facilitated the change. With the theoretical framework applied to these earlier situations in our lives it can be we can put possible events in a broader context that will give us a better understanding about the events.

2.2 Our choice of topic

Both of us have chosen to focus on accounting and finance when participating in the Master program. Therefore a topic concerning either finance or accounting was in our minds even before this topic was decided. We both wanted to examine in depth a topic that was “up to date” and of interest for many corporations. We both view the world as changeable and problems must be put in context to best be explained. Therefore a study with a “greater depth” was decided even before this specific topic was chosen. As we said earlier that we both have some pre-knowledge about organizational change, at least we have been within organizations when change processes have taken place. These organizations are not as big as the company we will investigate, but this will make it more interesting for us to analyze. The size and complexity of this organization puts our topic into an actual and real context. We believe this is important because it puts the subject outside of an isolated research environment. The problem in our study could just as well been studied in a smaller organization, but we believe that there are more forces at work in a bigger organization, thus leaving us to detect more factors and draw conclusions derived from our empiric work and theoretical framework.

The implementation process of SOX is at its beginning and the fact that one of us is working as a controller helped us decide this specific topic. The implementation of SOX will bring great changes to companies and will likely affect staff in a way we desire to get more knowledge about. We have come to the understanding that SOX is something companies have high on their agenda and is being discussed as a very important issue. However, there are also many companies that are reluctant implementing SOX because of the high cost associated to it. Many companies discuss whether the pain is worth the gain. At first we wanted to study how the internal control was affected with the implementation of SOX, which is considered to represent to be the highest cost associated to the implementation of SOX. After a while we decided that studying the change in the company that the implementation of SOX brought, was more appealing for us. These because it gives a broader perspective on which forces of change are at work within an organization than just studying the internal control processes.

The implementation of SOX is a process that is currently adopted by corporations in order to be able to trade stock in the market of United States.
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Since this is a current process and not many studies have been made yet about this, we see it as a great opportunity to write our thesis about this process.

2.3 Perspective

In order to complete this study a choice of perspective or perspectives has to be made. This is made in order to get an opinion on how the reality or problem looks like from one or more angles. This can sometimes be hard to choose from which angle to look from, and can easily alter to a perspective that is close to one’s own since it is hard for individuals to separate themselves from the social reality that they live in.\(^8\)

We believe that we can best obtain a credible view on how the implementation process looks and its effect on management change within the company by looking at the phenomenon from the “floor” or the end-users of the tool. We have tried to include respondents with different work-tasks in our empirical chapter that deal with SOX on a daily basis. By choosing this perspective we can get a notion on which attitudes towards SOX the people working on a daily basis got.

We could also have chosen the perspective from managers, which would be interesting to see how they try to implement the tool for compliance and which problems and resistance that might occur from their point of view. However we have chosen to view it from the end-users perspective because we believe there are some risks of watching it from managers’ side. The risks might be that the managers do not perceive that resistance built up by the end-users because they might not have the personal contact or “sits” to far away from the end-users. Also there is a risk that managers for our chosen multinational company sits abroad which would make it more difficult for us to conduct the study.

2.3 View on Knowledge

The fundamental traditional methods of science that can be viewed as each other’s opposite can be called hermeneutic and positivistic. Those disciplines discuss whether “true” knowledge from a study can be obtained in an objective way.\(^9\)

Interpreting the observable reality in order to comprehend how the world looks like is the hermeneutical way. Positivists on the other hand means that the world is objective and therefore no interpretation can be made since this means it cannot be made in an objective manner.\(^10\)

When these two traditional research techniques investigate different domains, it results in that they develop different theories and methods in order to measure and obtain as accurate results as possible from these domains of the

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\(^8\) Eliasson, Rosmari. Forskningsetik och perspektivval. p 28.

\(^9\) Eriksson, LT, Wiedersheim-Paul, F. Att utreda forska och rapportera. p 197-201

\(^10\) Johansson Lindfors, p. 10.
phenomenon studied. The positivistic tradition is more connected to quantitative studies and measuring relationships between subjects.\textsuperscript{11}

Also the positivistic view desires full objectivity between the subject studied and the researcher.\textsuperscript{12} Positivists mean that the world is objective and it is possible to predict how people will behave in certain situations.\textsuperscript{13}

We are not in accordance with the positivistic view on knowledge in this study since we believe the view on knowledge is too stringent and can not be used to explain certain situations. We do not believe we live in black or white zone all the time, sometimes we find ourselves living in a grey zone. Nor do we believe that knowledge is constant like the positivists dispute, but it changes through time as the world changes around us. Not long time ago we believed the world was flat. We do not think that we cannot measure our given problem such as implementation processes and management change on a scale in these complex situations, nor do we believe that full objectivity between researcher and subject can result in a reliable result of the phenomenon studied in this case.

The hermeneutical view means that the demand for objectivity that exists in the positivistic view of knowledge is not possible, which leads to that the subject can not be left free from the ideals and values of the researcher.\textsuperscript{14}

Some even means that it is not desirable since the hermeneutical studies focus a lot of interpretation. The hermeneutical view focuses on interpretation and interaction between individuals; this is done because it is believed that through interaction with the subject the researcher can bring more understanding to the phenomenon studied.\textsuperscript{15}

Hermeneutics also means that knowledge changes as time goes by, and that a phenomenon studied always must be put into context before one can understand it.\textsuperscript{16}

In order to best solve our problem and fulfil our purpose we have conducted the study with a more hermeneutical approach. This because we strongly believe that it can best explain our problem. Furthermore we believe that in order to understand the implementation process of SOX and its effects and change that occurs in the company we need to stay close to the subject. If we stay close to the subjects we can manage to interpret how they see the reality of the phenomenon, and hence form a credible analysis and conclusions from it. We strive for a broader understanding of the SOX implementation and see which factors that influence change, not to come up with “exact” measures like the positivistic view suggests. Our results of the study will not be the same if

\textsuperscript{11} Hartman, J.: Grundad teori. p. 20.
\textsuperscript{12} Johansson Lindfors, p. 45.
\textsuperscript{13} Ericsson and Widersheim- Paul, p 56
\textsuperscript{14} Johansson Lindfors, M-B. p 45
\textsuperscript{15} Hartman, J. p. 21
\textsuperscript{16} Lundahl, U. Skärvad, P-H. utredningsmetodik för samhällsvetare och ekonomer. p 36- 42
the study is conducted on another occasion, this because the hermeneutical view on knowledge focuses on interpretation and that a phenomenon must be put into a context much like our chosen problem. Therefore the results of this study will depend on how we interpret the subjects, and also which subject we interpret. If the same study will be conducted half a year later, the results could probably be different as well, this because the person interviewed might change and also the phenomenon itself has changed or evolved in some way that would affect the way result would not be the same. What is real today might not be real tomorrow.

2.4 Approaches to the Problem- Inductive Vs Deductive

In order for the researcher to examine a phenomenon he has to choose how to approach the empirical reality. There are many ways to approach the reality, scientists usually talk about inductive and deductive approaches, which are each other’s opposite.

The deductive approach is associated with quantitative methods and the inductive are linked with qualitative methods. The deductive method focuses on measures and relations between objects, these relations and measures must be able to be measured in a correct way so the study can obtain validity. The disadvantage with deductive approach is that there is little space for subjective interpretation of the phenomenon, because of the close link with positivism, which leads to difficulties to increase our understanding of the implementation process due to SOX compliance.

The inductive method is related to the hermeneutical approach and does not have to be connected to already existing theories.

Following either the inductive or deductive approach throughout the study would be an ideal situation, however many researchers find themselves in the middle of these approaches. This is called “the golden middle way” by author Maj- Britt Johansson- Lindfors. Straus and Corben means that going back and forth between these approaches can also be applicable to scientific studies, although inductive approaches are generally linked to qualitative studies and deductive studies to quantitative, since the process has a presence of a “human element“ and all people have some kind of preconceptions which will affect the study.

As this study tries to come to an understanding on how the implementation process brings change within the organization a more hermeneutical view on knowledge with an inductive approach would be preferable. This is because the study involves “softer” values and needs subjective interpretations and not quantifiable measurements. On the other hand we did not have the required

17 Johansson Lindfors, M-B. p. 54- 55

18 Hartman, J, P 21 - 22.

19 Johansson- Lindfors, M-B p 54- 5

20 Strauss, A. and Corbin, J. Basics of qualitative research, p 136- 137
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pre-knowledge in order to start our study from the empirical part, like the inductive approach suggests.\(^{21}\)

It was important for us to first achieve knowledge and form a foundation for the phenomenon from theoretical framework by other authors in order to approach our subjects with high-quality questions, which are the characteristic of a more deductive approach. In this study we have started from the theoretical part, like the deductive approach suggests, but when it comes to draw interpreting the respondents, analyse and draw conclusions from the empirical data we believe that our study is more linked to the inductive approach. This thesis objective is not to “test” a certain framework or to verify or reject a hypothesis, which is the main objective of the deductive approach.\(^{22}\)

We believe that we have picked in elements of both approaches, which can be linked to Maj Britt Lindfors “the middle golden way and Strauss and Corbens approach. This we believe because during the whole study we have refined our theoretical and methodological parts going back and forth between the empirical findings and theories.

2.5 Qualitative case study

A qualitative case study has been chosen in order to study the phenomenon intended. Qualitative interviews have been chosen in order to give us a better understanding of the phenomenon. We believe that with quantitative methods such as surveys, measurement and relations of studies in a wide range are not appropriate when the phenomenon in this study requires a narrow research range but investigating deep. We believe that with qualitative interviews we can focus on a narrow area of the implementation process, and through this we can probe the problem more thoroughly allowing us to ask more precise questions and further interpret the respondents. Advantages with qualitative interviews is the possibility to ask follow-up questions, this is an advantage because if we find something that the respondent says interesting and important a follow-up question can be asked in order to enlighten this further. Merriam believes this situation as appropriate for conducting a qualitative case study.\(^{23}\)

We believe that from our defined problem that this is a suitable method for us as well. Because we also want to explore, seek new insight and discoveries of the phenomenon. Also to look at the implementation process of SOX of many companies should be a reasonable approach. However we rejected this because we have exceptionally good access at our case company and we choose to fully use the advantages with that. If other companies had been chosen a risk of not so good access and that respondent might hide something or disguise their contempt for a certain issue. With our chosen company we are quite sure to

\(^{21}\) Hartman, J.P 25-26

\(^{22}\) Thurén, T. Vetenskapsteori för nybörjare. p. 19,23

get good access and the interviewed people will be able to speak freely about their experience about SOX due to the co-worker relation that exists with the researcher in this study currently is working there. Another advantage with our chosen company is we know whom to speak with to get good information about the studied phenomenon. We are aware that the outcome of this study depends on the selection of respondents and therefore can give another picture on how the change looks like if different companies would have been chosen other than the chosen case company. This is in accordance with what Guba and Lincoln states in their work saying that sometimes in a case study, circumstances can be exaggerated or oversimplified leading to the reader does not see the reality as it is24.

But as we are more interested on identifying the change, how it materializes and which forces of resistance that are at work within a specified company and not within a large number of companies searching for general factors of the change process we have chosen to investigate one company.

When doing a case study, some aspect must be taken into consideration. It is possible that the case study will overstate factors about the perceived reality in our case. This because we have chosen a company that has made SOX their first priority which can lead that some extreme factors that are present in the case company are not present in other companies, thus leading to overstating and generalization.

3. Practical method

3.1 Collection of literature

Secondary data is another data that can be of importance to a researcher, this data allows the researcher to take part of already made studies and use it for his intended area of interest.\textsuperscript{25}

The literature used in this study has mainly been obtained from the library of the University of Umeå and the library of Stockholm’s University. The search engines Album, Business source premier and Libris at the library of Umeå University have been most excessively used. The work of Simone Wenisch (implementation of the balanced scorecard) served as a foundation for the study giving us ideas on how to conduct the study, which authors that were prominent in the area and articles that were often used in this research area. From there our search for literature and articles started, words in English and Swedish were used. This gave us more theories to choose from and could therefore be applied with more accuracy to the purpose and problem chosen for the study. However search in Swedish words did not get that many results and therefore we have listed some relevant key-words in English in combination with each other. The words used as an input in the search engines were; organizational change, governance, management change, innovation adoption, and implementation processes. Also articles and books more SOX informative where used in order to find other relevant references that could be used in our study. We also tried to find as much articles with a high degree of scientific knowledge in order to get our study as credible as possible. Another source that was used was Rogers, which is famous in this area of research. The books and authors can somewhat be regarded as older in some cases. Some say that is better to use material that is more up to date, however the secondary sources used in this thesis we believed to be valid today as well even though some material is older. We do not believe that the “foreign” literature or articles used in the theory could be regarded as invalid or have large impact just because it is comes from foreign countries. However we do believe that individuals in different countries are likely to react to different factors in the implementation processes. The possible cultural differences have an impact on behaviour but we believe that the literatures from the foreign authors, which are mostly western culture, (e.g. Anglo-Saxon) are quite similar to our own.

We also know that when using others work, one has to take into consideration that there is a risk of including the authors’ values, interpretations etc. We have tried to reflect over the chosen theories why these are applicable and important in our case. We have also tried to compare theories with each other; this will help us in the end of our study to conclude which theory that was more applicable in our defined problem.

\textsuperscript{25} Halvorson, K. Samhällsvetenskaplig metod. P.81
3.1.1 Choice of respondents

When initiating contact with the respondents we told them that we where about to write our master thesis. The intended study would regard Management accounting change from the implementation of SOX. A further explanation was given before the interviews, exactly what we intended to look at, this because we did not have an already developed purpose and problem in the beginning, but we knew what we wanted and where to go with the study.

The result from the qualitative method is very dependent on information obtained from the respondents and the researchers’ ability to interpret it. Therefore an important step in the study is selecting the respondents. 26

We believe that we had a number of factors working in our favours when in the selection process of the respondents, for example we did not have the problems of picking the companies for our study since one of us is currently working in a company which SOX is obligated to implement. If not one of us have had this opportunity some problems might have occurred for example the limited offer of companies that are exposed to SOX in Sweden thus not giving the researchers the possibility and option to choose the ones that they consider interesting or perhaps have a personal interest in investigating. We consider that we benefited from these aspects very much since we had the luck doing the study at the workplace of one of us which is very beneficial for our personal interest but we also consider the company chosen is very interesting since it has put SOX as their highest priority leaving our topic management accounting change and its forces even more interesting. This because we are under the impression that when something is implemented with a very high priority and with force, matters regarding resistance of change can become more easily observed and the communication between the different parties and individuals more important.

Another thing that we benefited from having the access to the selected company we knew which persons that were interesting for our study, we could choose persons that did not have exactly the same work-tasks which we believe that could have given us a rather different picture of the phenomenon. We mean that if people have same work-tasks it is possible to assume that certain tasks are more complicated and therefore create more resistance by individuals, gather information from other “sides” of the organization allows us to get a broader and clearer picture of the phenomenon. We also consider that there is a risk when one of us is currently working for the company selected, for example if a researcher working there has had a negative approach towards the phenomenon, it is a risk that we would selects respondents that only had a negative approach towards the phenomenon as well. We have tried to disregard the positive and negative attitudes we had from the phenomenon and tried base our selection of respondents that deal with different tasks.

26 Holme, I. M. & Solvag, B. K. Forskningsmetodik, P 101
The access that we had in the studied company and to our respondents was very high. We had always the possibility to come back if we wanted to ask more questions. We also could hand-pick the respondents and decide on the time the interviews took place and the length of it. Of course we chose the timing that would suit the respondents best and also asked when was the absolute best time to get a relaxed interview without any time stress and finish early. Access is a very important factor when making a qualitative study. The existence or non-existence of real access is crucial of being able to penetrate the problem. A person might open up much more if they know the researcher but it can also be the other way around if the interviewer is known to the respondent but not liked or have any other interpersonal problems between them. Hopefully that is not the case in this study and the impression we got is such.

To know how many interviews to conduct can sometimes create a problem. Too few will lead to an incomplete picture of a phenomenon and too many can sometimes lead to difficulties to create a clear picture of the phenomenon and some important details can easily get lost in the excessive material.27

We believed that 5 interviews would suffice for increasing our knowledge and giving a clear picture of the phenomenon. If we would have came to the conclusion that these 5 interviews would not have been sufficient we would have made further interviews in the company until we would be satisfied with the material. This was not necessary since we believed the material gathered covered our intended study and we perceived that the problems with SOX, told by the respondents, became repetitive and therefore no further respondents were chosen.

The selected respondents were the following:
Håkan; Financial Controller
Maria; Business Controller and former SOX Implementation analyst.
Kristina; Accountant, Corporate Finance.
Göran; Business Finance Manager
Anita; SOX Implementation Analyst

3.2 Interviews

Our chosen approach for the conducted interviews can be called open semi-structural interviews. We believed this was the best approach and has a lot of advantages such as flexibility to ask follow-up questions.28

This allowed us to “explore” further and “dig” deeper if some relevant information, which came up along the interview, might have had an effect on the problem. Letting the respondents to talk freely about certain chosen topics with the advantage of asking follow up questions we saw as a smooth way of interacting with the respondent and let the conversation flow in a nice way, preventing the interviews from getting rigid which could lead to not obtaining

27 Trost, J. Kvalitativa intervjuer, P 110
28 Holme, I, M. & Solvang, B. K. Forskningsmetodik. P 84- 85
the information desired, such as getting incorrect answers due to lead-questions from a more rigid interview-approach.\textsuperscript{29}

The one of us working there marked a date for the interviews, the respondents found time to make the interviews in the mornings. All the interviews took place at the targeted company for the case study. A tape recorder was brought to the scene of the interviews in order to facilitate the summary of the empirical chapter. Once the interviews were made we sat down playing the recordings again writing the interviews word by word on a word document. After that we sat down summarizing them and put them in the empirical chapter like they are right now. Advantages with performing the interviews at the company meeting them in person, rather than doing interviews by phone, is that it is easier to interpret, if the answers from the respondent should be vague, due to the body-language or face-expression.

The department boarding room was used, a setting that was very relaxing and calm. This we saw as good since noisy environments, interruptions of other kinds can affect the interviews negatively. The respondents interviewed seemed relaxed and eager to share their experiences and attitudes regarding the SOX implementation. We conducted the interviews during a reporting period which might in normal cases lead to that people hurry through the questions so they can go back to work. However we did not experience this behaviour in any of our respondents, on the contrary, the respondents seemed very relaxed and discussed the subject thoroughly.

Our theories served as a foundation for the interview-guide, since the theory about management accounting change include many factors, one might deal with communication and other with barriers or change leaders, we tried to divide up these “chapters” and put a general question about it, letting the respondent to speak freely about it. SUB-questions were also set up as a precaution if the respondent did not go deep enough or missed some part we believed to be important. In order to create a safe atmosphere for the respondent we started to assure that the tape recorder brought was just for facilitate and increase quality on the empirical work later and that they could remain anonymous if they would like. We then started the interview with questions about their job-tasks and other questions which could be regarded more challenging, this because we believe that questions of a more provocative nature can scare off the respondent if they are put as a first question. We do not believe that our questions where of a provocative nature but nevertheless we saw it as the best option when conducting the interview also because to let the respondent to relax and settle down. After the interview the respondents did not have any problems if we came back and asked more questions if we realized we had forgot to ask something.

We are aware of the possible effect the interviewee might have on the interviewed, therefore we have tried to hold ourselves neutral and passive during the interviewed. Also we have tried to form our questions free of our

\textsuperscript{29} Ejvegard, R. Vetenskaplig metod. P 49.
own values and give the respondent time and space to fully express his attitude towards the questions.\textsuperscript{30}

The respondent will feel much better and the information from the interview will be of higher quality if there is a band of faith is established between the respondent and the interviewer.\textsuperscript{31}

The fact that one of us works there has helped to establish a good band of faith with our respondents which was also seen during the interviews, a good mode and willingness not to hold back information was perceived by us. The interviews lasted about 40 minutes except for one that lasted 30 minutes with Göran. This because his answers where not as extensive as the others, however the quality of the interview we believe still to be of as good quality as the others. The respondents did not seem to bother to remain anonymous when they were asked again after the interviews, this indicates that their answers were not considered of sensitive nature and withholding other information that could be considered offending to someone. Although they did not seem to bother about anonymity but we have still given other names to our respondents in our study.

### 3.3 Critique primary sources

We are satisfied with the primary sources in this thesis, they all seemed competent and they all had a view on the implementation of SOX they wanted to share with us. We are not under the impression that due to being the period of financial close at the time during the interviews affected the respondents very negatively. There is always the possibility that respondents do not tell the truth, are afraid to tell the truth or withhold other relevant information due to the fact that they are representatives for the company or other personal reasons. However in this study we are under the impression that the respondents spoke and acted truthfully. Another factor that might have affected the study is the fact, as we have stated before, that one of us is working for the company thus having a both professional and friendly relation to many of the respondents. This could result in the questions asked to the respondents, if asked by the one working for the company, might not get in profundity since the respondent already knows the interviewee attitude towards the subject. However this we solved by letting the independent researcher lead the interview.

We noticed sometimes during the interview and the summarizing of the empirical part that some respondents were telling things they had already told before about another question, which became a bit repetitive. This is of course something we have taken into consideration in our analysis work.

### 3.4 Collection of Data.

\textsuperscript{30} Descomb, M. Forskningshandboken: För småskaliga forskningsprojekt inom samhällsvetenskaperna, P. 138-140
\textsuperscript{31} Johansson Lindfors, M-B, p. 122-123
Directly after the interviews were made me went home and listened to the taped recordings and put everything down on paper. When the entire interview was input we started to analyze the answers and decide which was important to keep and which should be discharged as not interesting for our study. This procedure was undertaken for each of the interviews during the week that we made our empirical research. After having taken out the parts of the interviews that was important to keep we started our process of trying to look back to the theory that we used and discussed how we could structure and “label” the different parts of the interviews. This was only something for ourselves in order to get a grip of the material and to get an understanding on what we actually had learned. We sorted the answers to see if there were any more or less common answer and if the different respondent had thought or argued in the same way. The process of structuring an interview is never easy and there is actually never a real end to when you are actually done whit this work. The Collection of data can even if it is a qualitative study that does not deal with numbers be a systematic and structured work. We work with analysing feelings and personal opinions expressed by respondents. This does not mean that some of the quantitative approaches cannot be used when working with the empirical material. We can all learn from the different research techniques.
4. Theory

4.1 The Innovation Diffusion Process

An innovation sometimes meets resistance before it gets adopted. Depending on the level of resistance that faces the innovation might slow down the adaptation process. The social system plays a crucial role in order for innovations to get adapted. Resistance from the social system sometimes occurs and it has a negative effect on the pace the innovation gets adapted. A social system with little resistance leads to a quicker degree of adaptation of the innovation.32

4.1.1 The Four Main Elements in the Diffusion Process

Rogers has listed four elements that are according to him always present in studies of diffusion of innovations.

“Diffusion is a process by which innovation is communicated through certain channels over time among members of a social system”. These main elements are the innovation itself, communication channels, time and social system.33

4.1.2 Social change

In the work of Robert’s book Communication of innovations, Rogers explains why communication is essential for social change. Roberts further explains the process social change is going through. In order for the social change to occur it must undergo three steps. The first step is Innovation, this step occurs when new ideas are defined and developed. Second step is diffusion; this process focuses on the communication of the ideas from the members of a social system. The third process Rogers calls consequence, this process result in either a rejection or the acceptance of the new ideas. Social change occurs when rejection or acceptance of the ideas is decided. According to Roberts’s definition of social change: “is the process by which alteration occurs in the structure and function of a social system”.34

Robert also gives examples of different categories of social change, the immanent change and contact change. Robert describes the immanent social change as a change that occurs within the system internally. This could be an innovation from an individual member of a social system that influences other individuals to use the innovation and therefore brings change from “within”. The contact change occurs when external forces from the social system bring new innovations to life. Contact change can be either selective or directed. The

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32 Everett, M. Rogers, Diffusion of innovations, p. 8-10.
33 Everett, M. Rogers, Diffusion of innovations p. 8
34 Everett, M. Rogers. Communication of innovations. P. 6-7
selective contact change arises when ideas are being rejected or accepted from the influences of external forces.

Directed contact change also appear from external forces but this change is somehow different. This change comes from outsiders, for example institutions that oblige social members to follow the goal they have set up.  

Identifying the change that SOX compliant organizations are under, we would agree that it is part of a contact change, since it is not a social change that is taken place internally in the system, but a change that comes from external forces with a common goal mainly to restore faith in business. We also agree that the change in this case is directed because it comes from the government that has passed on the SOX compliance in the legislation. To understand what causes the social change it is significant to know where it comes form even though it are apart of a greater change.

4.1.3 The innovation

Rogers lists us the elements in the diffusion process of new ideas. First we have the innovation, which Rogers define as “is an idea, practice, or object perceived as new by an individual.”

Innovations have all some characteristic and attributes that have a large impact on the speed of the innovation adaptation process. These factors can speed up or slow down the adaptation process depending on the receiver’s attitude about these certain characteristic. The different characteristics Rogers consider the most important and discusses about are: Relative advantage, compatibility, complexity, trialability and observability.

4.1.4 Relative advantage

The benefit of what the innovation gives in relation to other forerunner products is not just the economical advantage the innovation brings but also other advantages such as convenience, handiness, satisfaction and social status etc should be included. If its consumers perceive the innovation with great relative advantage, the speed of the adoption process will increase.

We see it as reasonable to believe that this characteristic is applicable and important to our study. We can see the SOX act in this context spoken of as an innovation and a tool that has got benefits and disadvantages. If this innovation will give relative advantage to companies and if companies realize this, this will certainly speed up the adaptation process, if not, resistance will be built up hence not letting the innovation to come into adoption by its users.

4.1.5 Compatibility

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35 Everett, M. Rogers. Communication of innovations. P. 8 - 9
36 Ibid, P. 19
37 Ibid, P. 22
Theoretical Framework

Refers to the innovations characteristic to co-exist with current values and norms of the social system. If these characteristics of the innovation are not compatible with the moral, values and ethics that define the society, the innovation is less likely to be adapted by its users.  

We also are under the impression that our innovation characteristic can co-exist with our current norms and values of the social system. This because SOX is created to bring safer financial reporting to investors, something that is beneficial to the company, and therefore also should bee seen as beneficial to managers. Also it is designed to prevent fraud something that is clearly ready to co-exist with existing values and norms and moral of having a functional company where honesty in reporting and doing business is met. However, we mean that there can still be some elements in the compatibility characteristic that can build up resistance and slow down adoption or reject adoption.

4.1.6 Complexity

Users that perceive the innovation as complex and difficult to use will more likely adopt at a slower pace. Depending on cultural differences, social and personal characteristic, innovations can be perceived difficult to use. The greater the difference in these factors the slower the pace in adaptation.

In Peansupap and Walker’s study about information and communication technology diffusion and adoption 5 main issues is listed and related to ICT diffusion, one of them is labeled technology characteristics. This goes well in hand with the literature of Roger’s three elements of the innovation characteristic, namely relative advantage, compatibility, and complexity.

Many articles we have read have discussed the complexity of SOX and its high cost. In the case of SOX we are sure that if members in the social system perceive SOX as a complex tool, the resistance of change will increase. We also mean that this characteristic, if we relate it to SOX, can be very important. This because of the extreme complicity it brings and work routines that sometimes took 5 minutes now take much more time. This characteristic further deserves to be taken into consideration before going to the empirical part because it serves much attention.

4.1.7 Trialability

Is the extent an innovation can be experimented with before making decisions whether adoption is desirable by its users. This will make user perceive advantages and disadvantages in an early stage and hence the adoption process will be quicker if the users of the innovation see advantages with it.

38 Ibid, P. 22
39 Everett, M. Rogers Communication of innovations P. 22
Greater risk is associated with innovations with little space for experiments and therefore the adaptation process will slow down.\(^{41}\)

We are not entirely sure in which ways SOX has or can be experimented with at this time, so we are not sure about the importance of this characteristic about SOX. However, when going into the empirical part we are of the opinion that we will get a clearer picture about this variable and from there determine its importance.

### 4.1.8 Observability

If users can see the result from an innovation the more likely they will adopt the innovation much quicker.\(^ {42}\)

We are not sure whether this characteristic can be considered to be an important element for our study yet. We do think that it is an important element but since the implementation of SOX is at its beginning we are under the impression that not many positive results have appeared yet and therefore it will probably be difficult to say if its users are adapting it in a quicker pace. However we mean that this element can serve us to explain if resistance is built up, if the users cannot see the results of the innovation.

### 4.2 The Communication and Diffusion Process

Rogers describes the process of communication as: “the process by which messages are transferred from a source to a receiver.”

The communication process starts from the source (S) that sends a message (M) through a certain channel (C) to the receiving person (R), this is what Rogers describes as the S-M-C-R model.\(^ {43}\)

The diffusion process is somewhat defined differently: “the process by which innovations spread to the members of a social system. The behavior of the individual is somewhat different when we talk about diffusion process and communication process since the diffusion process deals with ideas that originate from innovations when the communication process can deal with ordinary daily messages. Rogers further explain that ideas that are beingcommunicated from a source to a receiver can be ether homophile or heterophile. The source often chooses a receiver that has got same beliefs, values, interest and are on a more similar level socially and personally, like himself. The more the receiver is similar in these attributes the more effective communication process. A more effective communication process also brings greater knowledge gain and evident behavioral change because individuals are more similar in social characteristic and therefore more receivable to obtain knowledge and accept change. On the other hand if the source is heterophily from the receiver, ineffective communication arises, this because the source is

\(^{41}\) Everett, M. Rogers \textit{Communication of innovations} P. 23

\(^{42}\) Everett, M. Rogers . P. 22

\(^{43}\) Everett, M. Rogers . P. 11-12
different in social and personal characteristic, education and so forth, which make it hard to talk the same language.
This gap in diffusion widens if heterophily does not exists in cross- cultural communication between source and receiver.\textsuperscript{44}

We mean that within the SOX implementation process that the communication process tends to be homophile, this because many people dealing with SOX, managers and controllers and other parts that might be affected by it, have many things in common. They might not have all same background but we mean that their social level together with that many people share same beliefs and values. If this is the case the diffusion process should dissolve quicker and work in favor of the SOX implementation.

Ax and Bjorneak point out some potential barrier in the diffusion process in their study, distance is one barrier that can hinder or delay change. If the receiver is far away from the sender a barrier can arise, the distance to the sender can take form in cultural or psychological distances or linguistic ones. Another potential barrier in the diffusion process is the lack of resources in the organization.\textsuperscript{45}

In order for the message to get through to the receiver, communication channels are needed. The stronger the better but to each situation a different approach might be needed to reach to the intended receivers. Rogers gives us a list of different communication channels. Mass media is considered as a strong channel were potential adopters can be informed swiftly and to a large number at a short time. However we do not think this channel of communication is a good approach to reach out to receivers to influence and speed up the rate of adoption of the innovation in our case. Another method of approaching the receiver is called through interpersonal channels. This means that information flows between the source and receiver face to face. This approach is generally even more effective when source and receiver have similar socioeconomic status such as background education and other factors that tie socioeconomic status together.\textsuperscript{46}

When doing a research in the SOX process we are of the opinion that the interpersonal channels are the important one since we mean that they are communicated through a face-to-face basis with people with similar backgrounds.

4.2.1 Time

\textsuperscript{44} Everett, M. Rogers. Communication of innovations. P. 12- 15
\textsuperscript{45} Ax, C. Bjorneak, T. Bundling and diffusion of management accounting innovations- the case of the balanced scorecard in Sweden. Management accounting research 16, 20051- 20. P. 3 and 17
\textsuperscript{46} Everett, M. Rogers, Diffusion of innovations, free press 2003. Fifth edition. p. 18
Theoretical Framework

Time is another important element in the diffusion process and Rogers taking time as an element to measure the time that elapses between first knowledge of an innovation until the acceptance or rejection in the diffusion process.47

We also suggest that time is an important element for innovation to diffuse, but in our study it might be less significant for the outcome and results of this particular study. At this time SOX can be described at its initiating stage and therefore it is less chance that a diffusion of this innovation has already taken place. If this particular study would be made in two years time there is a higher chance that we would see a diffusion and adoption of the SOX.

4.2.2 Social System

Within a social system diffusion takes place, the way a social system is structured influence how the innovation’s diffusion occur. Rogers sees social system as “a set of interrelated units that are engaged in joint problem solving to accomplish a common goal.” These units are formed by individual, organizations and informal groups. The manner an innovation diffuses is formed on existing norms within the social system. The way opinion leaders and change agents reach other individual or units and which types of innovation decision chosen are other factors within the structure of the social system that influences the diffusion process.48

Rogers has listed 3 innovation decisions in the social system that has an influence in the diffusion process; the optional innovation-decisions which signify that the independent individual can choose to accept or reject the innovation regardless what other members of the social system chooses. Collective innovation-decisions are rejected or accepted and taken in consideration by all members of a social system. In authority innovation-decisions the individual has little say in whether to adopt or reject the decision. Individuals often make these decisions in the higher hierarchy and therefore the individual must try to adjust. Authority innovation-decisions tend to have a quicker adoption rate than the other two mentioned.49

Clearly the SOX law that was passed in the legislation can be seen as an authority innovation-decision and individuals in the social system simply need to implement the decision made without having a say so in it. Therefore we mean, when dealing with authority innovation-decisions, that change agents and opinion leaders are important to get the social system to adopt more quickly.

4.2.3 Change Agents and Opinion Leaders

In these social systems there are some key players to take notice of. The change agents and opinion leaders are important players in order to facilitate the adaptation of the innovation. As Rogers argue that adaptation is a

48 Ibid. P. 23- 24
49 Everett, M. Rogers, p. 28- 29
communication process from different social actors, we come to see here the importance of the change agent to the extent they can speed up the adaptation process. Change agents have early knowledge about an innovation and can therefore transmit the information to other social players in order for them to learn how the innovation works and the desirable outcome with the innovations function. The role of the change agent is not to be a marketer but to serve as an educator.\textsuperscript{50}

An opinion leader also serves as a person that gives counsel and information about new innovations in order for the user of the social system to adapt at a quicker pace. The opinion leader does not divert as much as the change agent in comparison to other social members therefore, social members often see opinion leaders as more credible than change agents.\textsuperscript{51}

Alan Sangster is in accordance with Roberts that there are some key players that can facilitate the diffusion process and overcome the resistance of change. According to Sangster “role models” and “champions” are the players to lead the change and smooth the diffusion process and the resistance of change among managers.\textsuperscript{52}

Irwin and Langham also see the importance of key players, like change agents in the change process, these are referred as catalyst in their study. But Irwin and Langham also mention that communicating through middle management is not the only determinant factor causing change. Top management should allocate extensive time and establish a positive climate in order to accomplish the change desired. If resistance to change occurs, top management must comprehend its causes and therefore find the strategy best suited to achieve their goals. The change in whichever way they see fit in order to achieve their goals and that they devote the time needed to achieve this.\textsuperscript{53}

Argyris and Kaplan also emphasizes the necessity of a target, to whom which the information transmitted from the change agent will change his/her behavior and attitude about the system. The target should be someone that has some kind of authority or power within the organization.\textsuperscript{54}

We are certain from our previous experiences and occurrences in our lives that certain key players can facilitate the adoption process and be able to break down barriers and hence overcoming the resistance to change. We have seen this in our daily lives such as dealing with family when it might be easier too “target” one family member and that he acts as a key player initiating the change. When working we have seen this in organizations as well, when a charismatic boss acting as a change agent and hence make the change of work routines possible. Our previous situations concerning these key players in the

\begin{thebibliography}{99}
\item Sevic, P. \textit{Innovation diffusion}. Business communications review. P. 9-11
\item Everett, M. Rogers . P. 34-35
\item Irwin, P. H. Langham ,F, W, Jr. \textit{The change seekers}. HBR Jan- Feb 1966. P. 82- 84
\item Chris Argyris and Robert Kaplan, \textit{Implementing new knowledge: The case of Activity Base Costing}. P 87- 88
\end{thebibliography}
facilitation of the diffusion process are not in the same scale as the complicity of the SOX implementation and maybe the vitality of it differs. We mean that in the SOX implementation there are more elements to be considered than the role of key players. In our previous experiences to cause a change within organization the role of key players has been more crucial the change. Nevertheless we see this as an important element in the process whether the key players are termed catalyst. Change agents, opinion leaders, role models or champions.

Argyris and Kaplan emphasize two processes that are very helpful implementing technical systems. The study made by Argyris and Kaplan deals with Activity Base Costing, which was created in order to supplying managers with better and more correct information about the business costs and profits, and therefore give managers a enhanced chance to make better decisions.  

We consider that this study with ABC costing of Argyris and Kaplan can be applicable to our study. Both systems will provide managers with no misleading information about firm’s cost and profits, and help managers make decision easier. We also mean that many forces of resistance and the way the implementation should be made are very similar to the forces of resistance and the complication of the implementation process with SOX.

If SOX will prove as a good tool for information and financial reporting and that it provides managers to come to a decision quicker we see this as an element that should make the implementation quicker and lead to adoption faster. If we again compare with the 5 characteristic of the innovation from Rogers we see that this is related to what Argyris and Kaplan states.

The first process that Argyris and Kaplan discuss is; Education and Sponsorship. Education focuses on the ability to finding “gaps” in existing theory and practice and the mending of those, fixing it with a new theory and thereafter communicating and providing examples on how organizations will benefit of these new theories.  

Sponsorship focuses on finding “Key persons” to lead the change process, a recommended approach is selecting a change agent to be the project leader, the change agent has the same function as Irwin and Langham also see the necessity for catalysts. The authors point out the importance of catalytic managers that are key communicators and implementers and that the catalytic management will tie together the talents of their work force to the innovation in order to facilitate the implementation.  

In the SOX implementation process for our studied company the project leader is indeed a well known Swedish employee. However during our empirical work very little focus was put to on her role as a change agent instead it seems more that it was the consultants working as implementers who tried to serve as change agents.

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55 Ibid P 83-84  
56 Ibid P 85-86  
57 Irwin, P. H. Langham ,F, W, Jr. The change seekers. P. 88
The second process of implementing a new system is the supporting incentives of the company. In order to make the change possible the organization can give bonuses in form of money or in other attributes than money for employees giving suggestions on how to cope with the change or other beneficial actions for the organization.\(^58\)

We are of the opinion that this is an important factor but not the most important one. Indeed, an efficient innovation diffusion might become possible by paying large bonuses etc but it is not value adding nor is it a very long-term solution.

We chose to include this work from Argyris and Kaplan because it seems reasonable to consider that change can be facilitated if people are given the chance to be creative and suggest changes which makes them feel good about themselves and that they have helped their organization in a good way. Also bonuses in form of money or other attributes give people the feeling that the organization gives something back to them and this we also think have a positive effect on how change comes to be accepted.

These internal factors are also the foundations in Cobbs accounting change model but are not considered sufficient to explain and understand the change. According to Cobb motivators, facilitators and catalyst alone are not enough to drive the change, without the factors of leaders and momentum for change the potential for change will deflect against the barriers of change. Cobb means that leaders and momentum are crucial elements in the change process since change only can occur through commitment of individuals, even though catalyst are important for the change, change would not occur without their leadership role and commitment. Momentum is the drive and expectation for change, without this present within the organization change may slow down or hinder the change.\(^59\)

**Figure 4.1. Accounting change model by Cobb\(^60\)**

Tommy Kasurinen extends the model by Cobb. This because Kasurinen believes that further subdividing of some barriers will explain the forces facilitating or hindering change in a way that will give a better picture of the change since, according to Kasurinen, literature on barriers is fragmented. These barriers are subcategorized as; confusers, delayers and frustrators. When people have different views on change or if there are hesitations whether the project has a prominent role to play for the firm in the future, barriers can occur in form as confusers as Kasurinen call them. Barriers as frustrators can be linked to the organizational culture, power distribution and existing

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\(^{58}\) Chris Argyris and Robert Kaplan, Implementing new knowledge P 89-90  
\(^{59}\) Cobb, I. Heliar, C. Innes, J. Management accounting change in a bank. P 172-173  
\(^{60}\) Cobb, et al.
reporting systems. Delayers are brought up as a barrier hindering change. In the study of Kasurinen the perceived delayers where lack of precise strategies by management and inadequate information systems.  

Figure 4.2. Accounting change model by Kasurinen.  

We mean that the study of Kasurinen; implementation of balanced scorecard. Is a good complement of the work of Cobb, giving us a better understanding of which forces that can hinder the change. Although the implementation of a balanced scorecard is somewhat different from the implementation of SOX, we think that individuals have the same preconceptions about change and therefore this model can be used even if this change concerns SOX.

4.2.4 Environmental change

One of the main concerns for a manager is change. The change a manager must react to can either be self-inflicted or motivated by external factors. A company must always evolve and constantly improve their business in order to meet the increasing competition from other competing companies. Many organizations try continuously to create new organizational systems, streamline and search actively their competitive environment for opportunities and threats. This puts a lot of strain on the organization that the constant change in organizational design gets implemented efficiently.

Organizational environments are changing rapidly and can be explained as a result of both the increasing effectiveness in communication and software technology and also the increased effectiveness of transportation technology. The transportation technology has made the globalization a reality and the increased information (communication) technology has made it easier for organizations to control occurrences around the globe. This has perhaps sharpened the competition and raised the need for faster reaction for the enterprise. At the same time as the companies environments changed the available knowledge has also dramatically increased. The fast growing number of information sources and advanced communications technologies has to a great extent increased the accessibility of the data produced.


63 George P. Huber. William H. Glick. Organisational change and redesign. Preface

64 Ibid P 4.

65 Ibid. P 4.
Environmental complexity and turbulence induces a company to change its organization. The changes in organizational environments therefore lead to changes in organizational processes. As the Figure taken from Huber and Glick shows that the workload and efficiency must increase in speed, accuracy and efficiency.

Changes in organizational Environments Changes in organizational processes

- Increasing knowledge

- Increasing complexity
- Increasing turbulence
- More effective information technology.
- More effective transportation technology

Decision Making
- More frequent
- More effective
- More complex

Information acquisition
- More continuous
- More wide-ranging

Information distribution
- More directed

Organizational learning
- More managed

Decision implementation
- More rapid

Figure 4.3 Source: Huber & Glick. 66

From a SOX implementation perspective we are of the opinion that the globalization and the increased efficiency in information technology have opened a belief among business leaders that it is highly possible to control and streamline processes. The technological infrastructure is improving everyday and this gives international companies the possibility to manage their subsidiaries with more detailed control. SOX controls become a possible option to implement and also to make the control processes similar in every country. Country operating units must be quicker in their responses and communications with the mother company and become more efficient in changing their businesses to current existing demands. We mean that “Top-down” project implementations will add into the increasing complexity and turbulence for the staff involved and affected. However the changes will become as described in the figure from Huber & Glick that it will benefit from it in the long run by improving processes.

66 Ibid. P 8.
4.2.5 Barriers

When implementing or reformulating a new strategy or process in a company it is necessary to take into account the emotional reactions from the person subject to the change. It does not matter if the strategy used is top-down or bottom-up, the change will still put large amount of stress and frustration to the staff. To successfully implement a new process in a company it is key to think about emotionality and whether it is rational. 67

(1). “Considerations of both emotionality and rationality are central to effectively managing strategy implementation processes”. 68

(2). “Acknowledging, planning for, and managing emotionality issues will result in that a weak strategy implementation situations becoming stronger, and thus potentially more effective and successful”69

One important cause of failure for strategy and process implementation is to neglect the emotional aspect of the project and for the people involved. The people involved are the strategists, implementers and nonetheless also the recipients. The agents are the ones who effectively implement the systems therefore it is crucial to understand that those same people think, feel and do not always in a rational matter. Emotions can get neglected when strategies are implemented and that can be the “primary source of defensive routines”. This has been acknowledged as one of the key sources of failure. Carrying out strategies is about changing the environment and all change leads to either positive or negative emotions from the recipient. How change affects a person is a highly complex social subject were aspects as the role you play in a group, social interaction and the political atmosphere counts. These aspects will affect the implementation of new systems highly. 70

68 Ibid. P 72
69 Ibid. P 72
70 Ibid P 72-73
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<td>Use when organizations is in fit but needs minor adjustment, or is out of fit but time is available, but key interest groups oppose change</td>
<td>Use when organizations are out of fit, there is no time for extensive participation and no support within the organization for radical change, but radical change is vital to organizational survival and fulfilment of basic mission</td>
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Table 4.1. Source: David O’Donnell table 5.1

4.2.6 Stress and Change (the stress factor)

A fair share of companies is now considered as labour intensive and not capital intensive. Since staff therefore is considered as an “asset” awareness has been raised on the implications of stress and the costs of stress at work. When implementing change in an organisation the potential stress that is induced must be taken into consideration, both for the implementers and the
staff. What consequences does stress lead to for the organisation and how can management help to reduce this?\footnote{Caroll Borill, Shannon Parker, Change Management and Stress. Managing strategy implementation. P 80f.}

We mean that this is an important consideration to take. Raising awareness on stress among the change agents/project leaders will make them more sensible to early warning signals and give them the possibility to take action on time.

Even though stress is largely an individual problem in the sense that it is mostly affecting the person involved we will in this study focus on the implications from an organizational perspective.

Stress is one of the top three cause of sick absence and primary cause of reduced productivity. Vast amounts of money get lost every year due to high personnel turnover, absence, and poor performance for the companies.\footnote{Caroll Borill, Shannon Parker, P 81} As we stated before stress is undoubtedly a significant factor to regard when managing change. No company would let there fixed assets deteriorate or misuse them as well as no company wants their intellectual capital gets “damaged”.

As stress reduces the staff’s productivity and efficiency then the opposite relationship would lead to increased financial performance in the company.\footnote{Ibid P 82.} There have been quite a large amount of studies made on this subject since there are so many benefits at hand for an organization if it becomes better at handling the stress factor when managing change.

In the Cooper and Cartwright model of stress factors\footnote{Ibid. P 82.} the sources of stress that influence the individual have been put in relation with the symptoms of stress and the possible outcome for that person. Those factors are as follows:

- \textit{Intrinsic to the job}
- \textit{Role in the organization}
- \textit{Relationships at work}
- \textit{Career development}
- \textit{Organizational structure and climate}
- \textit{Home-work interface}

The factor “\textit{Intrinsic to the job}” consist of different working conditions such as long working hours, work overload/underload, poor job design and for
example new or different technology. The second aspect that influences stress is what type of “Role in the organisation” the employee has. This factor can be explained by the position the individual have and whether he or she is clear about their task and duties or their amount of responsibility. “Career development” is according to carol Borill and Sharon Parker, different depending on which phase of life and career you are in. At the Early phases unmet expectations or not being able to create clear role identity may be of greatest concern whilst in the later phases work-life balance with your private life and job security is a much probable cause of stress. “Organizational structure and climate” can be summed up with the communication processes in the company and the order of decision-making. “Relationships at work” and “Home-work interface” is also important factors playing their part in what causes stress for the staff in an organisation.75

We noticed during our empirical research for this thesis that many were afraid or at least very much aware of the stress factor. That might give a negative disposition to new projects and change in overall. We are however of the opinion that a change agent must be both very cautious and straightforward in his/hers communication in explaining how the changes will affect the staff. Cautious in the sense that he/she can be miss-interpreted and straightforward to reduce speculations on how the change will impact the day-to-day work.

Whatever the change in an organisation may be caused by it is always the possibility that it will cause stress to the people affected by it. Studies have shown that there are two central reasons for this to happen. Unfavourable change regarding the factors that support a healthy work environment i.e. good work design, people management etc is one of the reasons. The second cause for stress is that all change, even if it is in a positive direction, puts the persons involved uneasy at least. Too much unease can cause stress eventually. The emotions and psychological effects for a person in a changing environment go through different phases/processes. This enables the person to adapt to the present situation.76

As can be seen in the figure 4.3 on the next page, different transition phases affect the mood differently. At first people often react with some kind of shock or immobilisation especially when the change is related to negative actions. The emotions may be disappointment, self-doubt, anxiety, anger and/or feeling of depression. When the person has processed these emotions it is time to move on to the next phase. Of course these reactions differ from person to person and must be analyzed from the specific event studied. Some people may get stressed easier than other and the ability to manage a changing environment may differ. It is however important to notice that even though there are people who manage stress and change better than others it may not only be due to their personality. The amount of social support, age, gender and in which life-stage the person is significant. Consequently, since there some people that can cope with stress considerably better it also occurs that some

75 Caroll Borill, Shannon Parker. P 82f.
76. Ibid P 83f.
people progress swiftly through the initial stages until the acceptance and integration phase without any problem.\textsuperscript{77}

**Figure 4.3. Seven-Phase model of stages accompanying transition**\textsuperscript{78}

*Description*
1. Immobilization
2. Reaction
2a. Elation or despair
2b. Minimization
3. Self-doubt
4. Letting go
5. Testing
6. Search for meaning
7. Integration

It is therefore our opinion that it is important for the general management and project managers to maybe be able to map and pinpoint these different phases in order to reassure that the implementation process and transitions to change gets smoother and less dramatic for all the people involved.

\textsuperscript{77} Ibid P 84.
\textsuperscript{78} Caroll Borill, Shannon Parker, P 83f.
4.2.8 Common obstacles for change

There are different features that may have impact on an implementation process. The extent to which the suggested change will be of a routine or non-routine character. A proposal of a new routine task which may change the old structure and possibly also change the influence of key person’s power in the organisation, they might work against such change. It will not be regarded as a sensible change and the, for example, middle managers will hold back the implementation process if they are affected. To try and join the process implemented with the existing structure of the company will make the transition much smoother and will reduce the possible barriers that the employees may become. 79

Not surprisingly is that when changes are seen as an opportunity for the people affected the acceptance is increased on opposite to when it is perceived as a risk. Welfare and personal interests for the manager’s influence highly the incorporation of the change. Since “enterprise first” is not always a certainty in larger organisations there are when designing an implementation process risks that the managers and key personnel may look for their own interest (or their departments). This risk gets increased, as the organisations get larger and more complex.

If a company changes in a very fast and frequent pace the different departments and branches may only try to get past the most recent project with the knowledge that there will come another one very soon. This leads to a quite big problem in finding support for change. Hand in hand with the problems connected to a high and frequent change pace is the prioritisation of what is relevant information and what is not. In a growing large organisation there is an overwhelming stream of information and it is probable that the managers cannot process all the information. If the messages forms the change initiatives are made vaguely and unclear different people will receive it different. This can take the edge off of the real intention of the change and perhaps halt the process. The information from the company might be too intense and makes it hard for the people involved to keep “on top of things”. 80

A company must be very clear and straightforward in its communication to staff on how high the implemented project is prioritized and give an estimate on the time it will persist if possible. The enterprise must show how significant the project will become and try to give as much information on the benefits as is possible.

4.3 Corporate Personality Theory

79 Philip Stiles. The problem of the middle manager. Managing strategy implementation. P 171-173f
80 Ibid P 171- 173f.
Although Roger’s theories are accepted by researchers as framework for other studies in the same area it has received some criticism by Copeland and Shank for having limitations when applying to accountant studies. Copeland and Shank means there are more forces at work than the five characteristic of the innovation and mean that management itself is responsible for effecting the change. Many researchers though have not been able to reject nor accept Roger’s models relevance when applied to accounting phenomenon. Copeland and Shank therefore propose to apply a corporate personality theory to explain accounting change. The theory underlines the importance that management must have a tendency to respond to new circumstances the way they are accustomed to in a consist manner that matches their responses in previous situations, in other word a behavioral set, when undertaking a new choice of reporting system. The corporate personality theory therefore stresses the importance of behavioral set in the management group when new reporting methods are presented.\(^{81}\)

However Copeland and Shank do not believe accounting change can be explained with just the theory of corporate personal theory and admits that Roger’s framework is also an important factor explaining accounting change.\(^{82}\)

Figure 4.3 Own constructed figure on how Copeland and Shank view accountant change.

Baldridge and Burnham have a different view on how innovations come to acceptance. The individualist perspective on how innovations diffuse and become accepted is not in focus here they mean that Rogers individual characteristic is not as important factor as the dynamics of organizations. The authors think that organizational factors like size and complexity of the organization is more important. Also environmental factors are believed to be of high importance in the diffusion process since the organization can obtain valuable input from the environment and process it.\(^{83}\)

4.4 Discussion about Chosen Literature


\(^{82}\) Ibid. P. 497

\(^{83}\) Baldridge, V, J and Burnham, R, A. Organizational innovation: individual, organizational, and environmental impacts. vol 20. P. 165,172,175
We have chosen some theories in order to come to a greater understanding of the phenomenon. Although we mean that a phenomenon such as change is of a complex nature and more factors could be used to explain management change, we mean that we have chosen to investigate the more important variables. In order to study the phenomenon management change we have included theories of the diffusion process, certain barriers that can either facilitate change or hinder it and environmental change.

We have included theory from Roberts in our theoretical chapter, this because he is a prominent researcher within innovation diffusion and adaptation processes, and his work holds high scientific level and reliability, and however we found it necessary to include other researcher’s work, in order to get a broader base for our upcoming empirical chapter. Although many theories in this thesis from other researchers than Roberts, acknowledge and give credit to his work, but we needed to lift in others factors affecting account change than just the framework of Roberts. His work focuses on the innovation characteristic seen from of the individual perspective, we mean that other factors, from other perspectives, such as structuralist perspective and interactive process perspective can be of use as when studying change. Also other researchers work like, like Cobb, Baldrige, Kasurinen and Argyris etc, has given us theories how potential barriers and resistance might build up and affect the change. We felt it necessary to have a broad base of many theories concerning innovation, adoption and change processes in order to be able to explain a phenomenon of such complicity as the implementation process of SOX.

We mean that we have covered most of the important factors concerning change in the theoretical part, we do realize that other factors could have been included, but we do not think that these factors would have provided extra relevance to the study.

### 4.5 Connecting Theoretical framework to study

If we assume that the diffusion of an innovation is the goal. For our studied company that goal is SOX compliance. Moving the organization through the change process until diffusion of the innovation becomes reality many different obstacles and considerations appear. We will try to illustrate this in a model summarizing in short the theoretical framework below.

*Figure 4.4: Own Constructed model.*
5. Empirical Material

5.1 Interview with a SOX Implementation Analyst

Anita is a SOX Implementation analyst. Works closely with consultants from audit firms and local business functions to implement financial SOX processes.

5.1.2 The Social System

The cultural aspect in Scandinavia is that one trust each other in a broader extent than in other cultures and we have probably one of the least hierarchic ways to treat managers and employees, of course this is not always good, Anita explains, but this new view does not seem to work well here. Everybody wants proof and nobody can be trusted anymore and everything needs a signature, this feels remote for our culture and our way of working.

One of the reasons their company, according to Anita, are very concerned with this matter and want to take the SOX implementation to a high level is that they once overvalued their stock value and when this was out in the open it affected the stock price very negatively. Therefore top management is highly concerned with this and does not want it to happen again.

Regarding the matter if SOX can lead to advantages in the future Anita thinks that they might be earned in the future if the company succeeds with the implementation. Companies around the world are on different levels still unsure to which level they want to take the performance on SOX, this is a matter of interpretation and some companies want to take it to an extremely high level and over-interpreting the SOX rules like in Anita’s company, other companies might choose to hold a lower profile.

When the interview moves to the issues surrounding internal control Anita gives her view about it and if it needs to be sharpened,

“This SOX has not been a bad test for us, it has been a very expensive one so far but there are many good things coming out of it too.”

5.1.3 The Implementation

She agree that this has so far been costly but are quite convinced that SOX in the future will not cost as much as now, furthermore she believes that many of the complex processes will take forms in easier processes later on.

Anita explains that the SOX project has been very inconsistently implemented. New conditions have shown up and the leadership has not been decided in Europe and globally so new directives have also suddenly appeared. This has a negative effect on Anita’s attitude towards SOX. On the other hand Anita believes that people in the organization is relatively used to sudden changes in their working routines. Consultants’ trying to implement SOX does not seem
too eager to enter the organization to create a dialog with people, nor are they willing to study the existing processes within the implementing company and to win over the people to their side thus facilitating the implementation.

Anita further explains that the consultants approaches differently and provides us an example when consultants chose to send a documentation that nobody can understand which might be to technical for the users to comprehend rather than sitting down with the people in the organization trying to get the end user to understand the processes. Anita feels this as frustrating when it is so easy to just sit down with people and explain rather than sending a document that nobody understands which will get very time consuming for end users.

5.1.4 Change Agents

Anita has been sitting down with the people in the organization working together to create a greater understanding of these processes together. This has sometimes been a tough job and a lot of efforts has been put in to this, on the other hand Anita sees that this has been a good idea debating with people, giving the information why the processes are necessary and therefore gives the chance for the staff to be apart of the implementation; which is better than to just give orders that nobody understands. Anita believes that it is very important to have a consistent dialog with the staff. She believes that just sending e-mails to people in order to get them to do different working tasks is a poor solution to get some response back. She also points out that it is no use of complaining all the time about these new rules and processes, for her it would be harder to achieve the implementation as well if she herself were talking bad about it.

There has come and gone many hired consultants, which have lead to many uncertainties and frustration from the staff side. Many directives has been sent from the project groups implementing SOX, these directives are very strict and supposed to be formed in formal English, and hard to comprehend according to Anita. Sometimes project groups have taken another approach on how to implement and therefore new directives have shown up suddenly. Anita has heard staff complaining about getting the same question again and again from the project groups and that they cannot understand the documents concerning SOX, also the people in the organization think it is annoying that they do not seem to have any control about what their co-workers from the consultant side are doing, this also takes form in frustration when the staff needs to do the same task many times and in the same time have deadlines which they are obliged to meet as well. The planning is also sometimes poorly performed. Anita says that consultants are sent from London by a central function. One time when a request for one extra consultant was filed in to the office in London because there were a consultant quitting his job. In the end the consultant arrived, but arrived more than one month later than he was supposed to start.
Some minor problems with consultants have also been that they have different
degree of working experience, some higher and some less, resulting in sloppy
work for some. Even though everybody speaks English it can set result in some
complications at times, to write in formal, sometimes very technical and
perfect English is hard. Explaining technical details in order for the consultant
to grasp the process used within the organization is hard and can lead to
misinterpretations. When people come from other countries and enter other
corporate-cultures it can sometimes affect the outcome of the
implementation. Anita means that it is not the easiest thing to do, coming to a
new company and get in contact with people and get them to do what they are
told, some interpersonal skills are also required. Anita has noticed that not all
of them had these attributes such as interpersonal skills and noticed that not
all were used to the Swedish corporate-culture, furthermore she believes that
this is why some of the work has not worked out well during the
implementation. However Anita points out that she likes to work with foreign
consultants and while some has been good and other less good she has
learned much from them and has obtained more knowledge from these
different cultures.

5.1.4 Communication and planning

Communication about the implementation from the local managers are non-
existent because we get all our directed from Europe. Anita means that mails
and that other person Lena is a receiver trying to communicate to the project
leader in Sweden handle all communication. Anita has tried to bring up some
of the problems to the management, she did not feel that the management
listened carefully to her suggestions, and after some time elapsed she got the
answer that they had to take care of the problem by themselves. Later when
they had solved the problem, managers in Europe were complaining that they
had solved it in an incorrect way. Anita has seen that this sort of behaviour
creates some frustration within the organization. Since it is such a high
priority for the company Anita believes that managers responsible for
implementing the SOX, are very afraid to commit errors thus letting on the
responsibility to somebody else in some situations.

Anita is under the impression that the management commanding the
implementation does not have the insight in the organization to make a fair
judgment if the organization has the time and resources to fully be able to
submit to the current demands to fulfil the compliance. She has noticed this in
the deadlines they have had in the company, postponed deadlines due to SOX
compliance has been quite common lately.

Anita feels that the working conditions concerning the “redundant stone age”
controls such as documenting every little trivial thing and the need for signing
every document has declined, and therefore she do not see that high pressure
and stressed importance about what the implementation brings to her working
routines are as high as before. The fact that they have cut some of the complex
procedures off is according to Anita that Sweden is not a big country and seen
as less important, globally speaking.
The whole implementation process does not feel well thought through according to Anita, she further imply that the consultants seem to follow their own agenda more than they should and might want to get more assignments and impose more demands, thus putting the bar a little bit higher creating more job for us leading to a more stressful environment and frustration.
5.2 Interview with an Accountant

Kristina works as accountant in the Corporate Finance department for the Swedish group and is highly responsible for the statutory group reporting and part of many SOX control processes.

When Kristina first heard about the imminent SOX act she did not have any positive nor negative preconceptions about it. She knew that it would contribute some new working routines but by working with bookkeeping and accountancy it is something she is used with in her work life.

Kristina does not see that the internal control in general needs some special modification, however working since 2002 at the company she describes the internal controls as very poor but are now much better.

Kristina describes how she has faced the implementation process. She does not see the process as a tool for contributing to a higher degree of security since the tool focuses on wrong things according to her. She gives us an example about how they now have built up a routine on how information shall be gathered concerning the degree of the inflation during the year, which is very time consuming and takes a lot of resources but doing the process just so makes it called SOX compliant. Kristina would rather redirect some of the focus and allocate the resources at more important matters, for example getting the result of the year as precise as possible.

Another matter regarding consultants implementing SOX Kristina finds troublesome is that she describes that there are many new faces amongst the consultants which creates uncertainties in the work environment, for example many of the consultants do not know what the previous consultant has made and therefore inquire papers and ask questions concerning SOX that staff has already provided once or twice to them already. This leads that the staff gets a negative attitude towards this way of working and when they has to do the same job all over again.

5.2.1 Communication

The lack of communication is a problem according to Kristina, she has not got a framework or anything to help her in her work towards compliance. Furthermore she describes some situations regarding people that deal with SOX handing over- or wanting papers and asking questions and then leaps off and suddenly they want to make a control of something that Kristina have not even got the chance to read. So it is very hard to understand and grasp what to do to get compliant when the process is not understood.

The communication once again shows itself as a missing factor in some steps in order to become SOX compliant. Kristina tells us an example regarding how to deal with underlying information, which is an essential factor toward SOX compliance. She points out that the information on how to deal with the
underlying documentation is very poor or sometimes she does not have it either, therefore she cannot be compliant whether she has done the control itself in a correct way. Kristina also stresses that it is a lot of work needed and a lot of resources are being allocated to be compliant. Also other tasks that made Kristina frown, is that sometimes things are decided that Kristina is not apart of, things that is not in her working tasks. She gives us an example of when she had to go through a control she had never seen before which included that she needed a list that she did not have the authority to obtain. Kristina also provides information of the complexity of the SOX act. When taxes are calculated or when bookkeeping closure approaches it generates a whole lot of paper and in the end there might be needed 17 signatures just for one paper she says with irony.

There is a problem when a dialog is non-existent between the higher management implementing SOX and the end users. Kristina brings up the treasurer in London that will not make himself a subject to this model. Kristina has reported this to higher levels within the organization but no action is taken and Kristina gets the impression that they just want to get this over and done with. Kristina means that they should stop and think a little bit before they choose to go on with this, she means that it is better to stop and think what to do with these sorts of problems.

5.2.2 The Stress and Change

The implementation has contributed to more pressure and stress according to Kristina. This takes its form in that before the implementation it was easy to get a figure that was needed, she only had to go and ask somebody that had that information. Now it is harder because the new system builds on mailing, first she has to mail and ask if the person knows that figure then she has to wait for an answer. When the answer comes she must do a formal question according to the SOX compliance rules. The person that has got the figure must seek approval from his/hers boss before it can be sent back to Kristina. When receiving the figure Kristina must get a signature from her supervisor. This is a procedure that takes a lot of time and creates a more stressful environment and more pressure to all the deadlines. The processes however is getting shorter and shorter because of the people are learning from them, but so is the deadline for financial reporting. Kristina also gives her view about how people have a hard time embracing the new model. She gives us an example concerning how the one person in London that refuses one step because he/she believes that Kristina can do it just as well. The problem lies that Kristina does not have this control and therefore she means that they cannot sign papers just to get them satisfied. The papers must be handled with care and if any signing has to be made people need to know what the papers are concerning.

Reasons for controls are for safety, now we have established controls just for the sake of controls.

5.2.3 Barriers
We also wanted to know the dialog with the people implementing the change. Therefore we asked Kristina if the people building controls were listening about the criticism or suggestions about the implementation. Kristina means that they now listen but it is hard when they do not understand the processes in the company which means that it is hard for them to know what the control is supposed to consist of. However Kristina can see a change in the degree of listening now and when it started. She means that now they listen more than in the beginning.

The organization goes in with the goal to accomplish SOX compliance but it is not a 2-way discussion they have with them. It is more as if they give directives what they are suppose to do, and then it is just to find a way to do them.

While the implementation has been made Kristina has noticed some problems concerning the diminished responsibility that SOX leads to. She points out that here in Sweden people are used to have responsibility in their professional setting. SOX diminish this responsibility and can lead to the pleasure in working decline as well, a case that Kristina has seen in some co-workers. Kristina also stresses that it is important to trust people, with SOX everything has to be checked again, which is the same as doing the same work all over. Also now the company must divide the responsibility in some processes, this takes a lot of the company’s resources as well, and sometimes when an order is made or handling of inventory is made 2-3 person’s needs to be allocated to this when the company used to manage it with one person. Kristina sees this as a problem but have notion on how to solve it.

Kristina further explains that she has gone from a neutral attitude towards a negative attitude towards SOX since the SOX controls do not look at reason, she means that they should focus more on the important ones. The money spent is way too much and she means that with that money they could have used to build up internal control and internal revision and hire some expert that check up consistently the internal processes would have been better spent money.

She also believes that this big control apparatus, as it is constructed now, will never work since the people using it do not find it useful since a control should be practical and valuable in its nature.

The management does probably realize that very big resources are being allocated to this implementation and it does feel, like they said, that SOX compliance is first priority. This is probably going to persist until a new leader will make some savings or put his/her mark on this company Kristina speculates.

When we ask Kristina if there is any incentive to employees that creates valuable information on how to deal or smooth out the complex implementation process she shakes her head and says that it is not a current issue here since it is implemented from the outside of the company.
There are both people from the company and external consultants trying to make the company compliant. This leads to that they just try to apply the control apparatus to our organization. They do not know how our processes look like and therefore it is hard to implement in an efficient way.

“They probably have a dialog between them but that is not something that we are apart of “

Kristina believes that other companies have an easier task implementing SOX because her company took the SOX implementation to the extreme, while other companies took it lighter with all the control processes.
5.3 Interview with a Finance Manager

Göran works as Finance and administration manager for a business in the Swedish group.

5.3.1 The Innovation

It took a while to get an opinion about SOX because when it was new as a concept, Göran did not really know what it was. His opinion now is that SOX as a concept is good, but there is a will power of overworking the details, details that according to Göran does not really has to do anything why SOX was created. SOX was created in order to protect the shareholders and these shareholders do not get any value added when it take lots of time and resources investigating small details and focus on costs items. Göran does not consider himself to be a change agent promoting SOX, especially in its current form. But he believes that there are other ways achieving security so that the Enron scandal will not repeated.

The internal control within the business Göran works in needs in to be modified, but these does not necessarily originate from the SOX directives but can be drawn from other sources to obtain a more secure internal control. Göran also points out that some controls drawn from the SOX directives have been good, such as controls concerning big items in the balances sheet like fixed assets. But Göran believes in its current form SOX is shaped, companies that follow it all the way will loose their competition advantage on the market since it is way to expensive to be compliant at the moment. However, he ads, if focus is put on the big post it could be a value added activity for the shareholders.

5.3.2 Communication

Göran got his information communicated about SOX mainly from Helena that is responsible for the implementation in Sweden. The guidelines have been drawn up and later accountants have been contacting Göran for further information about targeted processes. After that the accountants have tested these processes to see if they are suitable. However minor problems have occurred during these processes. Göran explains that almost all of the accountants are foreigners and many of them do not have the extended knowledge, which is required in their specific business, and therefore do not know the processes needed. The language they use is also a problem that has lead to many misunderstandings. This because terms used can be very technical and are very hard to understand in some cases.

Göran has never made any complaints or suggestions to the managers on how to better implement SOX. Although he believes that at some point he should have done it. Göran gives us an example when they had to communicate with
and consultant from London and he spoke very broad cockney, which was almost impossible to understand.

5.3.3 Change agents and Potential Barriers

When it comes to time and resources adjusted for the extra time spent on SOX he has not noticed anything different. He explains that it is first priority for the company and they just need to deal with it. Any extra resources are not really put in order to cope with the more complicated processes that are now apart of the systems. One might believe that this puts some extra stress on Göran but he says that he has got used to it.

“If they want it this way I will do as they want.”

Göran has become used to the fact that controls and processes are changed all the time so he cannot put to much energy in something because he knows it can be changed some weeks later.

He also has noticed the attitude towards SOX on his co-workers. He says that they have accepted the role of SOX with reluctance.

“They have accepted it but it is not like they made the wave exactly”

He has not seen anybody disregarding these new directives of SOX, all have done what they were told to do.

He does not believe that his work will be more difficult, but he means that a lot of time will go to putting his name on papers. For a control to be useful one has to be aware of what is signed. There is a big risk that a responsible party just signs not knowing what is being signed, and then a control has totally lost its relevance.

In one way his responsibility has increased, this because he is now responsible for everything that he has signed. His authorities have decreased a little bit, nowadays he needs to seek clearance and someone needs to sign something so that he can do a task. It used to be simpler when he did not have to go through various people to get the simplest thing done. Even though SOX brings more responsibility in his job he does not see this as a positive responsibility. He means that responsibility in taking own decisions would contribute in a higher job- satisfaction. He does not see a higher job- satisfaction in putting his name on papers. Also it is not possible for him to know if everything that he signs for is correct, to be sure of this he himself physically must go and control it, something that he describes as impossible. If an error is made at an earlier stage he becomes responsible for it and that does not really seem thought through carefully by management. He believes that many companies will realize that SOX in its current form is not compatible and he hopes that his company will also comprehend this. The risk of SOX is also that they document every control therefore it can be an approached by people that want
to commit fraud to know which buttons to push since the information about the controls are visible and documented.

Some problems regarding on how to set up controls has appeared in the implementation process. The consultant wanted to use a system that was according to Göran inadequate. In the end the system was not implemented because the corporations decision on letting Sweden have less complex control-systems, due to the relative small importance of the small market of Sweden. But this shows that the consultant wanted to implement the system just so that he could finish his work, reporting to superiors that they now were compliant. Not caring whether the system was good or bad. Göran believes that there are many people that are afraid of doing mistakes because SOX is such a high priority for the corporation.

It does not feel very though through from the top managers to have this structure of the process, according to Göran.

He does not believe that the greatest reluctance against this implementation is on how important these new processes are for the company. He rather believes that people, including himself, will have a hard time accepting the change because of the degree of increased work it brings to them. He also points out trust as an important factor. People want to feel that are trusted and sometimes he has heard the comment “Do they think that we are thieves or…..?”

He thinks that it would have been a good idea to explain to people why certain things must be done in certain ways, this because people believe in things that seems meaningful. And also to perform a routine that they can not see leading anywhere only leads to questioning its relevance and scepticism, getting people more resistant towards the change.

However according to Göran the major resistance towards change is that the innovation focuses on wrong things.
5.4 Interview with a Financial Controller

Håkan works as Financial Controller for a business in the Swedish group.

5.4.1 The Innovation

When SOX first came up as a suggestion and when the purpose of SOX was described to Håkan he saw it as a positive tool to be used for their company since he thinks the handling of the documentation in his company is not performed adequately and thoroughly enough. This because he has previously worked for SJ and in his opinion these sorts of issues were handled better. When the implementation process started in the falls of 2004 his positive attitude towards SOX took a turn, feeling dejected and disappointed of the way his company tried to do this implementation, which was in Håkan’s opinion a completely wrong way to do an implementation. At that time the company in Sweden had been out for sale for a while and therefore the administration was slimmed down and some guidelines and financial reports and other rules that other companies apart of the group fulfilment was not followed in the business in Sweden. When the SOX project started, 4 months was dedicated to the question how their processes had been made in the past when, according to Håkan, since they knew what the goal was they should have started focusing on making the company compliant to the new rules and guidelines. There is no use documenting processes that will disappear and of which was not compliant to the new guidelines.

He thinks many of us saw problems with SOX and gave their point of view on the problems of the current implementation to the people of the implementation of SOX but they did not seem to respond to their view very much and just continued on with the directives they had got from the top managers.

Håkan is of the firm belief that in his company the internal control needs to be improved especially the documentation part that has not been good in the past. But he further points out that it does not necessary need to be improved by SOX but also other approaches can be used. However he means that some controls that SOX has brought are good and needed, other controls are too complicated, unnecessary and redundant, but this originates from the intention from the company because of their goal to be “best in class” with SOX. Håkan has also noticed that the scope of becoming SOX compliant is still high on their agenda but some processes has been made easier, this because top management realized that some things were to complex and has therefore made it easier.

As it is now SOX will not generate extra shareholders value because the costs of becoming SOX compliant are too high. However Håkan believes that if the 50% of the SOX controls are cut off, meaning cutting off the unnecessary part of SOX and keeping the good part extra shareholders value could appear.
5.4.2 Communication

It is hard and confusing to follow the processes and to comprehend what it is all about because the consultants show up, give a very brief explanation, ask some questions how we work and leaps off, comes back a couple of weeks later to ask some complementing questions and then they are suddenly ready to establish the process. The problem with this is that in many cases, when ready to install the process within the company, they realize that they have totally misunderstood each other. Håkan points out that these misunderstandings could have been avoided if some information about the current processes is explained to everybody that has to deal with them in the future and also inform about the new directives and purposes from the SOX so that everybody better understand why and which direction they are going with this.

The dialog with the consultants is perceived by Håkan as good, it is just the information between them that has gone wrong sometimes. He also points out that it is not an easy job being a SOX consultant because when they need to ask questions they come down and sometimes it is very stressful and people can be swamped up in work, so to have time to answer questions might not fall high on their agenda at the time and the risk for misunderstanding always exists. However Håkan believes that many of the problems could have been avoided by having a simple flow of information established between them.

“All of this could have been avoided if we have had the chance to explain how our organisation is working and if they had explained what their SOX processes means to the company”

5.4.3 Implementation

It has also been up to four consultants working out a process for a documentation of a journal voucher, which is less relevant for the company to focus on since it is not of great importance for the company, according to Håkan. Many times the same questions has been asked from the different consultants which indicates that they do not seem to have been informing each other what they are working with. Håkan thinks this is a bit frustrating and time consuming sometimes when has to explain the same thing more then once.

The time spent on SOX is not as long as one might think, however he points out that sometimes this SOX issues appear at the wrong time thus creating stressful environment, especially when these issues need to be solved at the same time the period for financial reporting or other deadlines are supposed to be met. Håkan believes that this would not be a problem at all if the SOX people had done some planning and coordinating with us, which is according to Håkan a very simple thing to do.

Håkan means that the stress and pressure that new working routines might bring does not affect him in any notable way, at least not right now since he is
not entirely sure which controls he is responsible for at the moment. He has not got a list of controls or information about controls he is responsible for and therefore he believes that it is useless to be anxious about things that he cannot affect.

“If they cannot present a list of controls I, can not walk around worrying about it”

Håkan sees the “trust” as another factor that is affected in the implementation of SOX. Since SOX demands more controls and many documents and has to be checked more than once, people feel like they do not have any trust. This is a negative factor according to Håkan. He also feel that this is not in accordance with the Swedish corporate culture were it is common that people within an organization is used to perform many different tasks and are trusted to do these different task. This takes a negative affect, in this culture, when people are treated that they cannot be trusted. The SOX act is probably more applicable in USA.

He believes that SOX is necessary but not in its current form. He does not promote it to other people. He believes that there are other ways of reaching a good administration and internal control.

The biggest problem in the implementation process is according to Håkan communication and information.

The segregation of duties is another issue that has complicated the job. In Sweden one person is used to perform many tasks, now 2-3 persons are included to perform this task and this can create problem if one of them are sick, holiday etc. the different roles in the administration in the organizations are not clear.
5.5 Interview with a Business Controller and SOX implementation analyst

Maria works as a Business Controller but has also been a part of the SOX implementation team as a local resource for one year.

5.5.1 The Innovation

Maria was not really aware of what SOX was about before she got involved in the implementation team. The core in SOX, to increase internal control, was something Maria felt very strongly about because she had experienced some flaws here and there in the organisation before. Maria has worked for the organisation for 17 years at the moment of the interview so she said she was also aware of how the companies projects usually ends up.

“I have seen many projects being implemented by this organisation and they tend to grow by themselves until they finally become huge and unmanageable with too many people involved”

Her apprehension was that SOX would become an enormous project but she explains that she could never have even imagined the size it finally got. The finalization and deadline of the project has been post-poned may times already by many different reasons.

Maria’s day-to-day routines as a controller have not changed very much now that some of the SOX controls have been implemented. Some control processes have changed but Maria knows that in some departments and staff the work processes has changed a lot and this has lead to in her opinion some resistance. Some things are changed radically and some areas must be totally changed due to the segregation of duties control. Since in some departments there is not enough staff to cover all the elements in a defined process then you need to disperse task and that can make work a bit impractical. There might be people needed to sign documents just for the sake of having a signature but they do not understand what they really are signing.

5.5.2 Change Agents

The implementation process has been managed very centralized Maria explains. A central team in London has been established which has developed a methodology that we should follow. This team has mainly been consultants hired by the company to roll this out globally in the organisation. The project team locally has consisted in both local staff and hired consultants. The SOX implementation manager is an experienced finance person that has worked in the Swedish company for many years. She has been taking instructions from the Central Global SOX team. There have been many hired consultants where some has been for a longer period and some for a shorter period. Since both internal staff and consultants have built up the team it has taken some time
for the consultants to adapt to the environment and understand and learn the organisation.

In a bigger perspective Maria says she thinks the implementation has worked ok. But as in all projects there come periods when there is a lot of deadlines and also increased employee turnover and then the new staff needs to get trained and that can definitely be hard sometimes.

In some cases it might be good to change implementation analyst if they have not made their job properly and then just the mere fact that it is a new person in charge things might work smoother. However Maria is of a strong belief that in order to go forward in a project like SOX it is crucial to have experienced internal staff instead of only consultants. To root in and diffuse the new processes becomes much easier if it comes from internal staff.

5.5.3 Communication

It was very hard to get any response from the project team when Maria felt that something was wrong. It was very top-down but not impossible, she explains. The methodology that was used was very strictly followed and the all the material produced had to go through the quality assurance responsible. However these person/persons could reject processes, which were described in a very, very high detail just because their guidelines have changed all the time. The quality assurance have demanded more and more detail and even from the time you start with a process the demands have changed during the work without being communicated. Then it got rejected and Maria explains that the process had to be re-written. The methodology has also changed during the process a lot. It has become more and more detailed and a lot of the things done in the first stages of the project were not good enough later on. But this was not communicated to the implementers.

“Everything got stricter with more rules added and a more thorough process description”

The quality assurance people have had varied quality on their own work. We had to redo a lot of our work due to the changing demands. At first the quality assurance let things pass through that might not been good enough and that is seen now. After the first stage of describing the processes and judging if the financial controls complied with SOX it was time to test everything. Test scripts were drawn up and they were needed to be extremely detailed to be able to test correctly. When the tests started Maria and the other implementers saw that the processes were not good enough and was not properly described. There was a lack of information on what they actually should test.

The implementation team did not really know when the goal was reached, i.e. when it was enough of SOX controls implemented. The process of how an implementation should be conducted had several stages in it. And when all the checks had been made they compared it to what was called SOX guidelines. If there were control processes, which did not get approved, they had to
implement further controls that were good enough. The implementers then had to re-write the descriptions of the processes again and go through the quality assurance process once more. During this time that the work was done once again the descriptions for the quality assurance work had changed and increased their demands once more. And that made the implementers having to re-do the work with even more details even more times.

In the different implementation teams many people reacted on how incredibly detailed everything was and that they after a while realized that it might have been better doing things differently. Some of the processes made had detailed instructions were the actual money involved was ridiculously small. Just before this interview it was communicated that the scope of the implementation was changed and this time it was decreased Maria informs us. This decision was taken as a result that time was running out, materiality on the controls was not accurate and that many had reacted on that the level of detail on the small controls was too high.

But when this process of redoing the descriptions of the unapproved processes the implementers also realised that some of them really was not good enough. Some of the approved process descriptions were perhaps judged to lightly and they weren’t really enough detailed. The work became also inflated by the fact that they had to describe the processes for all the different businesses even though it was the same procedure done. A separate control was made for every line of business and subsidiary Maria explains. This lead to a high increase in controls that in many ways is similar. Maria concludes that the scope of the SOX project has changed all the time since the project started and that has made things harder.

5.5.3 Will it work?

Maria speculates if it might be possible that the resistance also can exist be due to the fact that some people feel that they lose power in the organisation. They might feel that they have lost credibility since they now need to have signatures on what they produce. This possible problem is nothing that has been taken into account. But the project staff was aware it might happen. Maria says that the project team was aware that there might be situations were it could be hard to get things right. But it was never an issue that if there was resistance they did not need to do it Maria explains. This project was going to be implemented and if there was somebody who did not want to cooperate we focused on the problem and tried to get it done somehow. But the further the project went the harder it became when the deadlines were closing in. If the staff did still resist we had to take the issues to a higher management level and discuss it there.

Stress and worries is something that Maria understands that the staff might feel but states that the change is something that everyone finally gets used to and that at the end of the day is something constructive and good that is done. There might also be someone that feels that they loose power and gets even more negative but Maria believes this must be quite rare. Many times staff has
refused to do the controls procedures but after some persuasion they have finally solved it in some way or the other. Maria says that in the long run the controls are there to protect us from doing wrong and it is important to know that, you can always look at things from different perspectives Maria sums up.

Maria’s opinion has changed significantly on a lot of areas regarding SOX. She has become more critical to the company way of establishing project teams. As an example she describes the way the company stated they had lots of experts in the central team but after a while you notice that the “experts” have made mistakes and maneuvers that weren’t really thought through. It might have something to do with the time pressure and pressure that the entire group had to be compliant before a certain date Maria speculates. There was absolutely no one in top management level who wanted to be the one slowing the process down. If things had been made different from the beginning much work could have been saved.

The thing that could have been done better is that the guidelines needed improvements. Instead of stating that things should be done in a certain specific way it might have been better to look at the highest risks itself and in what way they could avoid them. The implementation process should also used the end users of the SOX controls opinions more, since they are the ones with the knowledge of the real work. With such a methodology the project might had be done different in different parts of the world but that would have gone against how the company works. Everything has to be streamlined and all the processes around the globe need to be harmonized. Without the streamline processes it might have given the staff a chance to feel more a part of the project and not just being ordered to do something extra in everyone’s already filled schedules. Maria believes her way might have taken more time but SOX would have been received more positive by staff.

Some of the controls that are not needed anymore are the company still meaning to keep since in some ways they have improved their daily work even though it is not defined as SOX anymore. At a wider perspective Maria believes that they have gained something anyway from making all the testing. But it has been very expensive. The company has only in Sweden had lots of consultant employed for a very long time. However Maria also thinks that many of the consultants have done a tremendous good job but that after they have described the processes been sent to other countries to implement the procedures and that has generated more and more work for the consultant firms themselves. Maria does not believe that the consultant firms actively and intentionally did this but she explains that it was the consultants who raised the bar all the time and nobody in top management has wanted to be the one stopping the escalating SOX focus because they been afraid of being pin pointed as the reason for being un-compliant. “We have been pretty much in the hands of the consultants” Maria tells us.

Company staff has always been a part of the process but it has always been the consultant that has written the guidelines and we have used them as a blueprint of how it should be done. But the consultants working with quality assurance have always been the ones raising the bar. Another problem has
been that these consultants have demanded that everything is written in English. The English becomes very “dry” and hard to understand for some people since it is sometimes complex procedures explained. There is always the risk that things get misinterpreted but that has tried to be avoided. For example all the long texts detailing the processes have sometimes also been summarized in short sentences in Swedish. This was made to save time and avoid the risk of misunderstandings.

Weather SOX as a control tool is compatible at its current state in the organization is not totally clear. In a large perspective it is good. But it is important to decrease the scope so that SOX only looks at the financial controls alone and not as we have done in this company. We should go through all the controls that we made and that are now worth keeping. Some of the controls have felt as they only created more work for the involved but the protection is minimal. But in the end we need to do it since SOX project managers has said we have to do it in this certain way
6. Analysis

This chapter will serve as a foundation for our conclusions. We will compare our chosen theory with the information given from our respondents and from there further analyze our findings.

6.1.1 The Innovation

According to the theory of Rogers in, “Diffusion of innovations”, the five characteristic of the innovation are one of the three other basic elements along with time, communication channels and social system that determines the rate of adoption. The less resistance the five characteristics meet from its potential adopters the more likely is the innovation to adopt. During our interviews we perceived that many of these characteristics were present in our innovation, thus creating resistance from users in our targeted case-company. It is important to say that our chosen company might not represent the general SOX implementation process in general for companies due to the strong focus they have. This can lead to that the five characteristics of the innovation might show overstated significance in comparison with other companies implementing SOX.

6.1.2 The Innovation- Relative Advantage

We noticed that everybody of our included respondents in this study mentioned that SOX focus on the wrong things. If we compare with Roger's first characteristic of the innovation, relative advantage, we can ask ourselves this question... is there any relative advantage of SOX when there does not seem to be any benefits from it?

Kristina did not think that the apparatus look at any reason and Håkan and Kristina suggested that Sox necessarily did not have to be used, but other techniques could be used instead and just as well. If this is so, the characteristic relative advantage has lost its importance in this case, and when people perceive this, some resistance should be built up, which we also have seen in this case. Anita and Göran also add that no value added to stockholders is being generated in SOX in its current form. The relative advantage once perceived to use SOX as a tool to strengthen the credibility of stockholders and creditors has poured out in to many costs. Our respondents also pointed out that the control that were established to contribute to higher safety have not done so at all, on the contrary, the safety has become worse because if one wants to cheat one knows the weak points of the system. When we hear these opinions about the lacking of safety we can connect them to the relative advantage of the innovation. If it is easier to cheat than before, the relative advantage of the innovation has totally failed what it was intended for and therefore should be met with hard resistance from its users. It is quite clear that the relative advantage factor has met with resistance from its user due to the factors; focuses on the wrong things, less safety now than before and other techniques could be performed with better results.
On the other hand we are under the impression that there exists a relative advantage that could be very beneficial for companies if the tool would focus on larger costs and not on the small posts of the costs (materiality). And if the users would perceive the relative advantage that SOX contributes to a higher degree of safety, we would more likely see less resistance by the users and would speed up the rate of adoption of SOX. But for the users to perceive this relative advantage, a communication needs to be established where management and consultants need to be explained the problem with its current form.

We believe that the potential of the relative advantage is that big so it is hard for companies to disregard it. Of course it is hard to disregard when it is obligatory for companies to stay on the American Stock market, but nevertheless we believe that it has great relative advantage potential when done properly.

6.1.3 The innovation- complexity

We have come to the conclusion that our respondents believe that SOX as a tool is complex to use. If an innovation is perceived too complex to use, according to Rogers, resistance will be built up and hence slow down the rate of adoption. The complexity of the innovation, according to our respondents, consists of; complex processes and documents, not being practical, complex controls and - hard to get access- to figures that according to SOX you are not entitled to obtain (segregation of duties). We can see that the complexity of SOX creates some resistance by its users in the targeted company. This we see as quite obvious and natural since it does not make sense to prefer complex solutions in front of simpler ones. The problem lies in that there are right now no less complex solutions, since the company has set up so high goals. If the goals with SOX should diminish the complexity should as well.

Also, working with SOX is a learning process that takes time and we believe that our respondents are well aware of that, which leads to that they have to try to cope with the complexity, hoping that things will get easier later. We see a need of trying to get information to managers in order to facilitate the complex process that currently exists.

However we do believe that more resistance should have been built up if there were other simpler solutions nearby that were not chosen to be used, even if they were close at hand.

6.1.4 The Innovation- Compatibility

We have seen that incompatibility exist within the SOX and its users, Roberts in *Communication of Innovations* explains that in order for an innovation to adopt more easily it has to be able to co-exist with the current values of the social system, norms, ethics and moral. Like we said earlier, people should like the idea that companies are well protected against fraudulent occurrences and that companies are run in an honest way. The situation is just that end-users
of SOX feel like they are being treated like criminals. Our respondents pointed out that here in Sweden people in the business environment have more responsible and trust between individuals and this permeates the organization than in many other countries. The idea of SOX was originated in America and now we can see how the idea makes the members of the social system in Sweden feel. As one of our respondents stated; SOX probably works better in America were people have less personal responsibility and less extended trust than in Swedish corporations. It could be so that end-users do not feel that bad in other cultures of the diminishing trust that users feel in Sweden. This is however only an argumentation on the reasons of the possibility of the feelings Swedish staff gets. But nevertheless there is a difference and once again we see the need of the managers and consultants listening to end-users approach in order to make a more compatible approach among them.

6.1.5 The Innovation - Trialability

As we mentioned earlier in the theory section, triability is to the extent an innovation that can be experimented with before making decisions whether adoption is desirable by its users. SOX as an innovation have great potential to do some experimenting with before deciding whether adoption is desirable.

In this case study, we have seen a very low rate of experimenting, and an erroneous way of experimenting with SOX as well complicating procedures. Our respondents felt like the process became more and more detailed and now lately some of the more detailed processes were put out of focus. This indicates that there has been some experimenting with the innovation. However we do not consider this experimenting with the innovation to a great extent. First we must consider that the reason for skipping focus on the detailed part was because of Sweden’s importance in the global market which is not really of any great significance. Another thing we see as an important factor for the slow trialability in the innovation is the fact that the guidelines are written by consultants and the framework is decided by managers on a higher hierarchy. We are under the impression that if end-users had been more included in the processes, giving their view and opinions on how processes should be made, a higher rate of trialability would lead to adoption earlier should have occurred. The existing trialability has not been going in the right direction because the experimenting with the innovation has only created more resistance among its adopters.

6.1.6 The Innovation- Observability

There is little degree of Observability in SOX if we talk about the main purpose why SOX was put into legislation right now. Observability is the willingness to adopt the innovation when users see the results from it. So far our respondents have not seen any final results from it if when we talk about restoring investors faith and preventing fraud, this will not likely to occur in our nearest future. Because of the non-existing Observability in this innovation, theory tells us that the rate of the adoption is riskier to not occur, a theory that, in this case matches up. If we talk about some more “physical”
observed results from the innovation that the users has noticed, is the more complicated processes and extended amount of work the innovation brings. This observability should be considered to slow down the adoption process.

It is more likely that observability will be a stage that will occur in the future when it is more likely to see benefits and results from SOX.

6.1.7 Time

Time according to Roberts in Communication of Innovations definition as we described in the theoretical framework, is the element to measure the elapsed time between first knowledge until acceptance or rejection of an innovation in the diffusion process. The more time that elapses the more probably is that the innovation should come to acceptance or rejection. We can conclude by the interview with our respondents that we are in the initial stage of SOX and therefore a rejection and adoption should not have taken place already. However Göran said that they have all accepted the role of SOX with reluctance already, but when we talk about acceptance of an innovation we do not mean that they are obligated to acceptance due to the fact that SOX is put in the legislation, but mean that acceptance of an innovation should consist of actions made with reluctance.

However Time seemed as an important factor to our respondents in some way, we also believe it to be a factor that will facilitate the adoption-rate, our respondents had the impression that the SOX process would be easier in the future.

6.1.8 Social System

The structure of the social system decides in which manner the diffusion occur depending on the existing norms within the system, which type of innovation-decision is at hand, the way opinion leaders and change agents influence their surroundings, or other factors within the structure that might influence the diffusion process.

As we said earlier, SOX is an authority innovation-decision. In general these come to an acceptance at an earlier stage then other innovation decisions. We see the main reason that this innovation has not yet come to acceptance is Time. Our respondents will eventually come to accept these new rules and it is only a matter of time until, although it might take a while, they manage to solve their current problems. None of our respondents had taken the role as an opinion leader or change agent except for Anita that has the role of a change agent, which is shown in her role of trying to win over people to in order to facilitate the implementation process. Unfortunately for her, there are not many people that she can win over at the moment when SOX is designed the way it is now, nor did we get the impression that she directs her focus to a special target that has some power within the organization. This we believe because of the existing norms in the social system. We mean that it is hard to win over people when users think that focus on SOX lies on wrong things and
people do not like to do things that seem pointless and also the diminishing of trust that SOX brings are another factors that members in the social system do not find compatible to the current norms. We are of the opinion that Anita would have much easier to win over people if the SOX were more compatible to the current existing norms of the members of the social system.

6.1.9 Communication systems

In the work of Rogers *Communication of Innovations* it is mentioned that communicating through interpersonal channels, face-to-face to people with similar background, interests and beliefs are considered to be a strong channel that can facilitate the adoption of an innovation. If the source is homophile it is even more likely that the adoption-process speeds up.

We are under the impression that SOX has been communicated through interpersonal channels to users with similar backgrounds as the sender. From the answers from our respondents we can conclude that the channels are strong in their character, in other words, the intended message gets through to the receiver without any interruptions. The communication channels are definitely strong in this case, which should make it easier for the innovation to get accepted, but it is the communication itself between source and receiver that is failing. Listening to our respondents we hear that the communication is a one-way-communication. This can be similar to letting a new product on the market without taking in consideration the response of the product from the consumers. It seems that management is eager to give out new directives, and succeeding with getting the messages through to the users, but disregarding the response of the users. We are quite sure that if a two-way communication were established between source and receiver, a greater rate of adoption would occur.

Ax and Bjorneak in their article *Bundling and diffusion of management accounting innovations* the case of the balanced scorecard in Sweden pointed out some potential barriers that we had in our theory. These have been identified in this study and according to us have a great impact on this case. The barriers mentioned by Ax and Bjorneak where the distance between the receiver and sender can take form in cultural, psychological and linguistic ones. Another barrier mentioned is the lack of recourses in the organization.

Our respondents have perceived both linguistic and cultural barriers. A good example of linguistic barrier in this case is when Göran mentioned that he could not understand one of the consultants because of his broad cockney English. Other respondents also had remarks about the complex formal English documentation and the difficult terms used in when controls where mapped and created. We believe that this contributes to the total resistance towards adopting this tool towards compliance. These linguistic barriers can also contribute to stressful environment, we mean if the company have a deadline and a consultant comes inquiring about existing controls or new ones, and the person can not understand what the person says due to the complex terms used.
Another stressful situation could be dealing with a document that has to be in formal perfect English while the person has got many other things to do. We feel that the company investigated should have extra resources to throw in because it is a large multinational company. However when we spoke with our respondents they all mentioned that they had to manage the extra work anyway. We are under the impression that the management did not believe that much extra work would be generated because of SOX and simply took water over their head when they set up so high goals with it.

Throughout this study we can see a red thread of lacking of communication from the top to the end-users. In the theoretical framework we discussed Irwin and Langham *The change seekers* theory about the example above on managers should behave they pointed out another key player, namely the top management. Top-management should not only communicate thorough middle management but to allocate their own time to establish the change desired. In this case top managers according to our respondents does not want to take any responsibility, they just want to implement SOX just to say that it is now compliant and do not seem to think about the best for the end-user or the company. They seem afraid to make mistakes so they just follow the directives or frameworks without thinking.

We consider these problems above as more common in big multinational companies, like our company in this study, than smaller ones. However this behavior of managers, plus the distance of the sender and lack of resources further enhance the resistance against change and adoption.

As we described earlier in this thesis Argylis and Kaplan suggested in the article *Implementing new knowledge: The case of Activity Base Costing* supporting incentives, for example bonuses or other rewarding attributes in order to achieve change. Our respondents told us that there did not exist any form of bonuses or other forms of attributes within the company. We do believe that it could be a way to get people more innovative and find better solutions to existing problems. However this would need a management and absorb that information coming from the employees regarding the problems. In this case Management seems to be so “far” away from the end user therefore we do not see a reason to introduce such a system.

The second process of implementing a new system is the supporting incentives of the company. In order to make the change possible the organization can give bonuses in form of money or in other attributes than money for employees giving suggestions to how to cope with the change or other beneficial actions for the organization.

We are under the impression that the size and complexity of the organization, as also the authors Baldridge and Langham proclaim in the article *Organizational innovation: individual, organizational, and environmental impacts* to be important factors in order to make innovations to come to acceptance. All our respondents commented that is the segregation of duties was a burden to the work because of the complexity of authorizing data to
end-users. Clearly on a small organization this would have been a less problem since the segregation of duties is allocated to a less number of employees. In a larger organization this is allocated to a large number of individuals, who makes it harder to obtain data. However large organizations hold the potential to make use of the numbers of staff to really be able to efficiently segregate responsibility and lessen transparency.

We also see that when SOX is centralized in a large organization like our studied company this could be a problem. We have seen that communication has failed between the end-users and management, this would probably been less of a problem in a smaller company because of the distance between the two parties. In a small company the decision making distance shorter and therefore the problems with SOX regarding communication would be more efficiently distributed between end-users and management. Anita and Göran are under the impression that managers are afraid to commit errors. This seems to complicate the implementation process due to the fact that managers seem to shift their responsibility to someone else and does not alter their behavior even if things should be done differently. We believe see that this as a problem within big organizations, like our chosen company. We believe this to be more evident in a big organization than in a small organization because we are of the opinion that in small companies the approach to solve problems are differently due to the fact that managers are probably more close and have better contact with each others and when they see a problem that are more likely to react.

A big organization cross-cultural problem is more likely to arise than in a small organization. This because of the fact that a big organization are more likely to operate in many different countries and therefore if implementing something different, the units in other countries can perceive this in a different manner and cultural clash can occur. If the Swedish unit were in charge of the implementation instead of the American counterparts, a different approach would probably have been chosen. Lack of trust seem to be a issue that is perceived as very negative here in Sweden and in America it is more compliant to American norms according to our respondents. It can be hard for a big organization to suit every existing norms and work-conditions to every country.

According to Cobbs in Management accounting change in a bank and Kasurinen in Exploring management accounting change: the case of balanced scorecard implementation, as explained in the theoretical framework there needs to be an element of drive and expectation to change, a momentum for change, or else the adoption will slow down or not occur at all. We noticed that there existed such a drive in the interview with our respondents. We see this as a positive sign for accepting the innovation.

Below is an own constructed model on how we view the different elements that effects change, in this study we would like to enlighten the importance of communication between the different parties. We believe that the communication can facilitate the resistance of the innovation characteristic in
its current form and also in the social system, communication channels, size and complexity of the organization and also other factors.

**Forces working in favor of rejection or acceptance of the innovation**

**Conclusion**

**Figure 6.1: Own constructed model**

### 6.2.1 The Stress Factor

When studying theory about change management and stress it is evident that this is a very important factor to consider. In the Cooper and Cartwright model on stress factors in Caroll Borill, Shannon Parkers, *Change Management and*
It is evident that the respondents have been subjected to many kinds of different tension, pressure and worry. They are worried if they will fail to be compliant or if they are going to fail to implement the controls or even if the workload will make it to tough to cope. In our empirical research we have found that little has been done to reduce stress. It is almost as if stress has been wanted by implementers by putting short deadlines, higher and higher demands, changing deadlines. Very high staff turnover has been normal in the implementation team as well. Every respondent also touched this subject as something negative and some of them said it out clear. However two of the respondents said that the staff is very used to change and that they are so used to different projects that are rolled-out all the time that they do not get so worried.

Something that was commonly discussed was the risk of job satisfaction decrease and the change in corporate culture from trust to distrust. The SOX implementation might have hidden costs since the price of having stressed and dissatisfied staff can be extremely high in the long run. Not only is there a close risk at hand that people get “burned out” but also that they find it better to search for new jobs outside of the company were they do not use the SOX act as strict. Many of the problems are related to miss-communication of some kind and improving this might change the situation considerably and quite cheaply.

### 6.2.2 Potential Barriers

David O’Donnell discusses in “Emotional world of strategy implementation”, that what is key when managing strategy implementation processes is to consider both emotionality and rationality on those affected. New innovations can be more efficiently implemented if emotionality issues are discussed and planned beforehand. Our studied company does not seem to have made this a part of their strategy when planning the implementation. Every one of the respondents answered more or less negatively on how the SOX project had been handled but they all was of the opinion that increased control was positive. The negative emotions were quite obvious and outspoken. Since it has mainly been a top-down implementation the aspects of social interactions and different roles in a group has not been considered. Since the political atmosphere counts and the political atmosphere have been quite authoritarian it might have been efficient in some culture but perhaps met some resistance in the Swedish company. Examples on barriers have been shown during our empirical work were we saw the example of a London based worker who refused to comply to the rules or when the implementation analysts had problems on getting staff acceptance to the processes. If the barriers had been more analyzed and properly handled perhaps the efficiency would have increased.
The empirical study has showed us that the SOX project has had narrow deadlines and a lot of pressure has been put from the top to bottom of the organization. SOX were highly prioritized and the company needed to be compliant, there were no options if the act could be implemented or not. Using David O'Donnell’s model in table 4.1 we might conclude that the method used was of a dictatorial transformation type i.e. a directive/coercive mode. Failing to comply with SOX would lead to terrible amount of shareholder values lost and could not be accepted by the company. However as David O'Donnell concludes this method will lead to a strongly negative emotionality by its participants/end users.

6.2.3 Environmental changes in the company

The increased global competition and heightened information and communication technology has made that the workload and efficiency needing to increase in speed, accuracy and efficiency according to Huber & Glicks Organizational change and redesign. As we argued in the theoretical part of this thesis that this fact might have opened a window for top management in multinational companies to control its businesses by centralizing its processes and project delivering. This seems to be the case in our studied company as well. The SOX project team was London Based and it was they who for example decided on staff manning and recruitment issues. This seemed for our respondents to be a new approach which they were not really used to. To change the company environment it is also necessary to become more efficient in decision making, information acquisition and nevertheless information distribution, as have been shown in figure 4.3 from Huber & Glick.

However, our studied company seems to have failed on some of these necessities and that might have been due to the sudden need to change and implement SOX very fast. The environmental change might have went to fast for some parts of the companies and the Swedish operating unit faced some problems during that transition.
6.2 Conclusions

6.2.1 The innovation diffusion process

We have drawn the conclusions that the characteristics of the innovation are all slowing down the rate of the adoption. The forces that surround the innovation, Relative advantage, Complexity, Compatibility, Trialability and Observability all are surrounded with negative forces working against the general acceptance of SOX. The people in our studied company do not see an advantage for using SOX and therefore does not see any use of it, they believe that other methods can be used for achieving good internal control for a lower cost. We also believe that resistance has been built up because of the complexity and compatibility that characterize SOX. If the innovation had been less complex to use and existed in a harmony with our current values and norms it would have been more likely to come to acceptance more efficiently and more smoothly. We also consider the observability as a characteristic that is slowing down the adoption rate since there are not yet any obtainable results that SOX has lead to. The triability has a potential force to speed up the adoption but in this case has not been experimented much with and the experimenting made done has only been met with resistance from its users.

Time will work in favor of the innovation to come to acceptance, this we believe because SOX is an authority decision and will probably not be discarded easily.

There existed a negative force between the receiver and sender but the positive forces in the interpersonal channels and homophility between sender and receiver outweighed the negative forces. Therefore we consider the communication channels as fairly good in the innovation diffusion process. We need to emphasize that it is the communication channels that we consider fairly good and not the communication at all levels in the project.

The members in the social system do not yet have come to accept the innovation. There are many negative forces at work there. Even though there are some positive forces as well, such as the momentum for change, we do believe that they are of less importance than the negative ones. Forces such as the complicated procedures SOX brings and the perception of present value and existing norms in the social system does not allow the innovation to diffuse and come to adoption. The opinion about the innovation is key for a possible adoption.

Size and complexity of the organization also seem to contribute to the fact that the innovation has not yet diffused. It is hard to say to what extent, but we believe that the distance between end-user and management in this case stands far from each other in terms of communication, in this large organization, which contributes to the resistance against SOX. This could also be for many other companies because the companies that need to implement SOX are larger organizations. Other factors such as the extra amount of work,
stressful environment, linguistic barriers and the lack of resources should also contribute to a higher degree of resistance. These are factors that cannot be disregarded and are important for the diffusion of the innovation.

We are of the firm belief that the communication is the foundation of the problems concerning the implementation of SOX and the resistance built up by its users. If communication were established in a two-way flow between consultants, management and end-users many negative forces would turn to more positive forces. We believe that it would be able to turn the negative forces of the innovation into positive ones. If management and consultants perceived the difficulties with SOX in its current form with the help of more communication between the parties, relative advantage, complexity, compatibility, trialability, and observability should be able turn to less negative forces or even to positive forces. Information to the management and consultants why SOX focuses on the wrong things and does not contribute to higher degree of security has not reached them and therefore the potential relative advantage does not exist for the end-users. Information between the parties would also lessen the negative forces of the innovations characteristics complexity and compatibility and trialability. Management would receive feedback about the complexity and compatibility and therefore try to adjust the innovation to local needs hence allowing to experimenting with the innovation on a higher degree. With this done it would also be easier to spot the results of the innovation, hence creating greater observability.

The communication also affects the other elements in the innovation in a large extent. Social system and communication systems would benefit and adoption would take place in a higher pace if communication between mangers, consultants and end-users would establish a more effective communication with each other. This would probably give the managers insight in the problems concerning SOX in its current form and managers would probably be able to detect the more essential negative forces, like the incompatibility of SOX and the current norms and values of the society, and do something about it. The negative forces listed as “other forces” would benefit from more communication as well. Stressful environment due to too few recourses and the extra work that SOX brings would be easier to fix if managers would be aware for this problems. In order to be able to fix these problems we see the necessity of establishing a communication between the parties.
Appendix

7. Veracity of the study and suggestions for future research

When conducting a study the truthfulness it the study becomes an important issue. We have chosen three criteria for measuring the truthfulness in this study, validity, transferability and reliability. This gives the reader to further check our approaches as a whole in the study, thus leaving him/her to decide if the results in this study have been achieved in a good quality manner.

7.1 Validity

Validity in a study is an important criteria in a study, this criteria helps the reader to critically evaluate if the researcher have succeeded in examining what they intended to examine. In this study we have applied certain methods, which contribute to a higher validity of the study. In previous chapters we have given our methodological viewpoints, how the world is constructed, our scientific ideals, the practical technique we used to conduct the study and the criticism of used sources. This will help the reader to evaluate if our study was conducted in a good way and also make the reader understand our analyze and conclusions about the phenomenon. Secondly we have sent back the empirical material for reviewing to our respondents, something that Johansson- Lindfors calls intersubjectivity and sees as important.

If respondents did not agree our interpretations of them they have the chance to speak up and give us the chance to change the empirical material so that it agrees to their view on reality. According to Merriam this also contributes to a higher degree of internal validity.

This does not necessarily, just because of this, means that a study has a high degree of validity. But we believe that a qualitative study has a better chance of obtaining reliable information due to the proximity the researcher has with the respondent.

We believe that our respondents was suitable for interview-objects, they all had insight and experience in the field of work. We believe that our chosen theories were adequate for this study and should contribute to a higher degree of validity when used to get answers from the respondents that pinpoint the problem.

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84 Ejvégard, R. *Vetenskaplig metod*, P. 70-71
85 Johansson- Lindfors, M-B. P 166
86 Merriam S.B. *Fallstudien som forskingsmetod*, P179-180
87 Holme, I, M & Solvang, B. K. *Forskningsmetodik*, P. 94
88 Holme, I, M & Solvang, B. K. *Forskningsmetodik*, P. 169
It is possible that further interviews could have been conducted to further increase the validity of the study, but we believe that we have found the problem within the existing material.

### 7.2 Transferability

Transferability refers to the practical value that other might have for our study, this means if our study can be applied to other companies. In order for external value to be present internal value must exist, or else the study will not be applicable to the reality. However to generalize and apply to other companies is hard with our study because it is a case study. We do not seek to generalize our results and findings but come to a greater understanding with more depth about the phenomenon.  

There is a downside with the qualitative method, it is not as easy to generalize and apply to other situations and there are always new things that appear and needs to be taken into consideration, something we have perceived during this study.

### 7.3 Reliability

Since we are of the scientific attitude that people change and societies changes constantly we do not believe that a phenomenon of the nature we have chosen to examine in this study can obtain the exact same results if done at a future date. If we would choose to conduct the study at a future date people’s attitude and the form of the implementation of SOX would likely have taken another approach towards and therefore obtaining the same results would be virtually impossible.

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89 Merriam S.B. *Fallstudien som forskningsmetod*, P183-184
90 Eneroth, Bo. *Hur mäter man vackert? grundbok i kvalitativ metod*. P 65
91 Merriam S.B. *Fallstudien som forskningsmetod*, P180-181
Appendix

Interview guide

Theory we would like to enlighten in our empirical chapter:

- Barriers
- Facilitators, motivators and catalysts
- Change and the effect of the current change
- Adoption process
- Communication and diffusion process
- Power

1. Tell us about your current position and tasks you work with?

2. What opinion did you have about SOX when the concept was totally new?
   - What complications did you see with the implementation?
   - Did you find it necessary to improve the internal control?

3. How has the implementation process been implemented?
   - How has the implementation process been communicated to you?

4. How do you find the implementation to be adjusted to your current work situation?
   (Time, resources?)

5. Have this change made you more stressed?
   - In which way?
   - Will your tasks be more difficult or simpler?
   - How will you deal with the potential stress that the implementation brings?

6. How does the SOX implementation affect your responsibilities and influence?
   - How do you feel about this?

7. How have these new directives been communicated to you?
   - Are you keeping yourself updated with the progress of SOX?

8. Can you describe your opinions about SOX from the beginning to the end?

9. How has the support from the organization been?
   - do you feel that this is something the organization really sees as important

10. Do you see yourself as person that is pro SOX?
    - In which way?
11. How has the support from the organization, do you feel that it is something that you they are putting much effort into?
Intervjuguide på svenska

1. Berätta vad du gör osv?

2. Kan du berätta vad du tyckte/ hade för åsikter om SOX när det var nytt som koncept?
   - Vad trodde du skulle bli mest komplikationer med SOX?
   - Tycker du den interna kontrollen generellt behöver förbättras?

3. Hur har implementations-processen gått till, dvs hur har SOX kommuniceras till dig, på vilka sätt?

4. Hur har du bemött förändringarna (motstånd till förändring), positivt eller negativt?

5. Hur anser du att implementeringen är anpassad till din arbetsituation (tid, resurser mm)?

6. Känner du dig oroad/stressad över denna förändring?
   - På vilket sätt?
   - Kommer ditt arbete att försvåras/förenklas?
   - Hur påverkar du den potentiella stressen över arbete/situation?

7. Hur påverkar SOX ditt ansvar och befogenhet (makt struktur fråga)?
   - Hur påverkar detta dig?

8. Hur har alla direktiv (nya premisserna) kommuniceras till dig från företaget?
   - Har du själv koll på hur utvecklingen går?

9. Kan du beskriva dina åsikter om SOX, hur har dessa åsikter varit från början tills nu?

10. Ansar du att du förespråkar SOX, på vilket sätt?

11. Hur har stödet i organisationen varit, känns det som att detta är något som det satsas på?
Appendix

Literature


Eneroth, Bo. *Hur mäter man vackert? grundbok i kvalitativ metod*. Göteborg; Graphic Systems AB. 1984


Halvorsen, K. *Samhällsvetenskaplig metod*. Lund : Studentlitteratur, 1992


Appendix


Articles


Appendix


