Internal Communication During the Budgeting Process

- A case study of developing a model for factors affecting internal communications during the budgeting process

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Abstract
The budget is used in many organizations to estimate and control costs. The budgeting process requires extensive knowledge and information exchange between the budget setters in the organization. It is therefore critical for budget setters, often finance and line managers, to communicate and exchange knowledge to reach a budget for the upcoming period.

The aim of this thesis is to highlight both budgeting and internal communication findings from past research, and develop a model for how internal communication is affected by different factors during the budgeting process. Specifically, we develop an unprecedented model based on previous research and test it through qualitative semi-structured interviews. We then improve and develop the model to provide a theoretical framework for future research on factors affecting internal communication during the budgeting process.

Our empirical study of communication between line managers and finance managers in GE Healthcare in their budgeting process indicates that the factors are intertwined, and that the various factors can affect internal communication during the budgeting process directly and indirectly. The factors we find to directly affect internal communication are geographical distance, interpersonal relationship, communication method, organizational distance and characteristics of the budgeting process. The indirect factors are characteristics of the participant and time constraint. The study also finds a series of interconnected relationships of both the direct and indirect factors with each other.

Keywords: Internal Communication, Budgeting, Formulation Stage, Implementation Stage, Geographical Distance, Organizational Distance, Communication Method, Interpersonal Relationship, Characteristics of the Participant.

Acronyms
FM – Finance manager
CMC – Computer-mediated communication
GE – General Electric.
GEHC – General Electric Healthcare
GEHC BP – General Electric Healthcare BioProcess
LM – Line manager
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1. Introduction

The budget system is adopted and put into practice by many organizations to plan ahead and control costs. This is also reflected in the world of academia where an abundance of studies has been made on the budgeting process. The budgeting process is constantly under scrutiny to identify and improve deficiencies. The budget is often seen as a financial planning and forecasting tool for the future, which therefore requires the combination of knowledge about operation, strategy, as well as the market in which the business is based. Such knowledge needs to be shared between people in the process of conducting the budget to get a more accurate prognosis. One essential aspect of the budgeting process has therefore been to study the interaction between individuals involved in the budgeting process, and more specifically the internal communication between them (Drury, 2000; Hopwood, 1976).

A thorough understanding of the business is needed to reach an accurate budget to manage costs for the upcoming period. Therefore extensive communication between the top management and the line managements is necessary to eliminate the effects of information asymmetry between the top management and the operations (Ross 1973). This means that the top management that does not participate in the daily operations lacks the information to create accurate budgets, the particular information which the line management possesses. In large multinational corporations, finance managers act as the link between the top management and the line management in the budgeting process. Therefore we want to focus our attention on the internal communication between the finance and line managers during the budgeting process.

Despite the importance of internal communication in the budgeting process, there is a gap in this area of research. Past research either focuses on the budgeting process excluding the communication aspects, or on internal communication that includes a wide spectrum of subjects from interpersonal communication to corporate top-down employer branding programs. Consequently, we see a need to develop a model to understand the factors affecting internal communication during specifically the budgeting process.

Previous research on internal communication focuses on a number of factors that influence internal communication. For example, Hoegl and Prosperpio (2004) focus on the geographical proximity’s implication on communication to increase teamwork quality, while Goggin & Mascaro (2013) explain organizational distance as a potential barrier for effective communication. Other factors include background and experiences (Festinger & Thibaut, 1951; Salazar, 1997), interpersonal relationships (White et al., 2010) and communication technology (Iveroth, 2011). But the question is how each and every one of these factors affects the internal communication during the budgeting process. Or perhaps there are other aspects to consider when it comes to internal communication during the budgeting process.

Budgeting is a common and frequently applied business process that requires internal communication between the stakeholders involved (Searfoss & Monczka, 1973; Wallander, 1999), and this case is the finance managers (FM)
and the line managers (LM). Thorough understanding of the business is needed to reach an accurate budget to manage costs for the upcoming period. This is made further intricate when the participants have various degrees of geographical proximity (Hornstein & Zhao, 2011) in large organizations, with implications on among other things - time zones, and planning and execution of the communication process (Kogut & Zander, 1992; Jaffe et al, 1993). Furthermore, the specific characteristic of the budgeting process is its two main stages – the formulation stage in which the budget is decided, and the execution stage in which the budget is implemented, monitored, and controlled (Giroux et al., 1986). Various stages of the budgeting process require various degrees of intensity and speediness in communication (Drury, 2000). This calls for model building and theory development to map out how internal communication is affected by various factors in the budgeting process.

Our aim with this paper is to highlight internal communication findings from past research and develop a model for how internal communication is affected by different factors during the budgeting process. Specifically, we have identified a gap between past research in internal communication and the budgeting process that has its own characteristics. The factors affecting internal communication which previous studies focus on cannot provide a holistic picture of the internal communication during the budgeting process. Consequently, the characteristics of the budgeting process must also be identified as they affect the communication as well. Therefore we want to use our case study of internal communication during the budgeting process at GE Healthcare to develop a model based on previous research and test it. The testing is done through in-depth interviews and aims to provide a platform for future research and development of an internal communication model for the budgeting process.

Our empirical study is General Electric (GE). GE is a large corporation with many business units located across the world. Specifically, at GE Healthcare BioProcess (GEHC BP), the finance support team is located in Uppsala Sweden, while the business units are located both in Uppsala and in other places in the world including US, India, China, etc. GE acts a good case to study as it avidly adopts a budget system in its financial planning and controlling processes. Finance managers located in Uppsala are responsible to support the business units across the globe, and they communicate with line managers for these business units to set budget and to control costs. However, the finance managers find it sometimes difficult to communicate and work with line managers on the complex budgeting process. We find this to be an interesting situation to study to provide insights into the internal communication between finance and line managers during the budgeting process, and to identify the effects of the budgeting stages on the perception of the internal communication. The managers communicate extensively to reach an agreement on the budget based on the information they have, and unexpected events can occur which could cause deviations in the actuals.

In this thesis we apply relevant budget and internal communication literatures to construct a model for factors affecting the internal communication during the budgeting process. Due to the lack of precedent, we create a preliminary model
to test qualitatively through our deductive study. The study starts with descriptive approach of “what is” as we identify the factors basing on past research; it transits into adopting a normative approach of “what should be” after it is tested in our case study and adjusted accordingly. The qualitative nature of the study is effective as we aim to construct a model through exploration in an unprecedented manner. The qualitative study aims to provide the basic understanding of factors affecting internal communication during the budgeting process to open up future studies in this specific area. More explanation is conveyed in section 3.

1.1 Outline of study
The thesis is composed in a structured manner to reach our aim. First, we highlight the literature review based on relevant past research in both the budgeting process and internal communication to provide a basis for our thesis. Then we convey the method on how the empirical findings are collected and how the analysis is conducted. Following that, we present the findings of our empirical study. Lastly, the findings are analyzed in the discussion session to reach our aim. We believe our paper contributes to the academia by exploring and providing understandings of the internal communication during the budgeting process.
2. Literature Review

In this section we put together findings from past research to help us conduct our study. The literature review aims to provide us a thorough understanding of both the budgeting process and internal communication, so that we may use the relevant areas to build, develop and test our theoretical model. We believe the combination of the two areas would provide the best theoretical ground for our paper, as internal communication during the budgeting process is a complex situation that are a part of both areas.

First, we convey past research on the relevant areas of the budgeting process for our study. The areas we explore are characteristics of the budgeting cycle and the time constraint under various stages. This would give us an understanding of the process relevant from the budgeting perspective. We also bring up various budgeting approaches from past research to provide a holistic view on budgeting.

Secondly, we outline previous studies on factors affecting internal communication. Factors outlined are geographical distance, organizational distance, educational background and previous experiences, interpersonal relationships and communication technology. Certain factors (e.g. geographical distance) are more extensively studied in past research than others (Grabher & Ibert, 2013; Hoegl & Prosperpio, 2004). Internal communication is not easy to grasp due to its intangible nature and because the effectiveness of communication in general is defined by how it is perceived (Clampitt & Downs, 1993). Factors affecting internal communication are hence usually intertwined; and because of that it is seldom easy to distinguish what factors that were affecting a particular communication process. Nevertheless, all the factors play important roles in internal communication according to various literatures, which will be shown in this section of the thesis.

We are aware of the fact that it is possible that not all factors affecting internal communication during the budgeting process are covered in the literature review. However, we have identified some of the most prominent ones from previous internal communication research and believe that they cover most areas and would provide a good starting point of our research. During our empirical study and analysis (which will be explained in the next section) we adopt an open approach and are receptive to possible additional factors not included but appear relevant.

2.1 The stages and steps of the budgeting process

Hassel & Cunningham (1996) find evidence that internal communication in dynamic environments affect budgeting and consequently performance. Mostly because of the fact that information is shared more extensively and frequently when participants perceive good communication. It is however crucial to get an insight to how the budgeting process looks in order to grasp how the perception of internal communication affects it.

There are different kinds of budget approaches to work with in order to forecast the future financials of an organization (Hou, 2006). Two of these approaches are
the fiscal year approach and the multiyear approach (Hou, 2006). The fiscal year approach is the approach in which is effective at controlling spending and managing financial operations. It is perceived inadequate due to the fact that it has been based on a yearly basis, as it often leads to cyclical deficits (Hou, 2006). Hou (2006) suggests another approach to budgeting than the conventional fiscal year approach, namely the multiyear approach. The author suggests that due to the mismatch between the annual budget cycle and the year-end balance, there is a need to take a longer-term perspective in budgeting to promote fiscal stability over the economic cycle. However, we focus on the fiscal year approach as our study focuses on the internal communication during the budgeting process rather than the long-term results.

Regardless of approach, the term budget cycle is often used as a name for the budgeting process (Drury, 2000). The budgeting process is divided into two stages – formulation and implementation stages (Giroux et al., 1986). The budget itself could be seen as a management tool for top executives that help them communicate with subordinate managers about their expectations so that these subordinate managers can coordinate their activities accordingly to meet those expectations (Drury, 2000). The budgeting process can differ depending on the company's way to approach the budget itself. Although, the process can be further broken down and divided into seven explicit steps from the formulation and implementation stages. Even though some steps could be disregarded and others added in certain cases, most companies follow this seven-step structure in their corporate budget approach (Drury, 2000) (Figure 1).

**Figure 1: The budget cycle with seven steps and two stages.**

Giroux et al. (1986) divides the activities of the budgeting process into the two stages called formulation and implementation whereas Drury (2000) divides the activities of the whole process into seven steps. Steps 1 to 4 are steps corresponding to the formulation stage, whereas steps 5 to 7 are steps that correspond to the implementation stage. The budget cycle is a communicative finance process, which requires participants to possess certain skills and dedication to complete the task. There are certain steps and work tasks in the process that must be followed to complete the task as mentioned previously. The budgeting process requires communication and constitutes an excellent setting for information sharing and is therefore included as a factor affecting internal communication (Hopwood, 1976; Parker & Kyl, 2006).
One of the criticizing arguments against budgeting is that the process itself is time-consuming (Wallander, 1999). The budget work always has a deadline, which makes time constraint an integral part of budgeting that is hard to avoid or control. This also has an impact on the communication process where more time will provide better conditions for effective communication. It could for instance imply that they have more time for face-to-face meetings and for interaction to understand each other, or that they have more time for feedback from each other to sort out unclear things from the message. Chong et al (2012) find indications in their study that time-sensitive situations with deadlines do not benefit from physical proximity since time pressure would inhibit the participants from sharing information successfully with each other. Time pressure can potentially oppose a threat for effective communication if the level of stress is deemed to be high (Kruglanski & Webster, 1996). Individuals tend to communicate shallower and neglect more in-depth communication and simply disregard complex and peripheral information. One can simply not relate his or her thoughts to the counterpart’s thoughts, which causes a threat when it comes to understanding each other. In other words, time-specific processes with deadlines could constitute a threat and create stress among the participants. That could in turn hinder them from effective communication and affect the budgeting process.

### 2.1.1 Formulation stage

The formulation stage is the step where strategic goals from management, both overall strategic goals and unit specific goals, are communicated down to the subordinates and unit specific managers. They in turn have to communicate back whether these goals are realistic, achievable and how they will be measured in terms of finance. This process will occur over and over again until the goals are set (Drury, 2000). This stage is also about recognizing the company's strengths, risks and weaknesses with their current situation. It is about analyzing potential strategies to reach and fulfill the goals that were determined in the earlier stage. Furthermore, it requires communication among all the people and functions it concerns that are involved with such assessments and analyses (Drury, 2000). After that it is time to evaluate and compare different strategic options, where advantages and drawbacks of each strategy are discussed thoroughly, in which persons involved with such tasks need to communicate to reach a decision and select a course of action (Drury, 2000). Once the course is decided the budget setters need to communicate it to relevant departments and individuals.

### 2.1.2 Implementation stage

This stage starts with the implementation of the end product of the formulation stage and the chosen strategy of action (the budget). The individual, usually finance or line managers, have to communicate with their staff and with each other to execute the budget since the implementation of the formulated budget normally is decentralized to various middle managers (Drury, 2000). The finance managers monitor the budget, and the results are reported to top management. The top management then communicates the monitoring of the budget down to finance managers again. It could also be argued that this stage is a bottom-up flow of communication of the budget status. Top management then encourage or demand actions to respond to divergences, which is communicated down in a
top-bottom direction from top management to middle managers all the way down to staff (Hassel & Cunningham, 1996). How far up or down the communication goes in such cases certainly depends on the level of decentralization within an organization.

2.1.3 Strategic planning – A similar process
Strategic planning is previously examined as a communicative process and many of the interactions and aspects of strategic planning are similar to the budgeting process, which implies that some of the findings are of relevance for this study when it comes to internal communication (Spee & Jarzabkowski, 2006). The processes that are eminent in both strategic planning and budgeting are constructing objectives and targets, setting performance indicators and allocating the organization’s resources accordingly (Drury, 2000; Spee & Jarzabkowski, 2006). The study conducted by Spee & Jarzabkowski (2006) distinguishes text and talk in the conceptualization of the strategic plan as a communicative process. One of the findings is that communication is an integral part of the planning of the activity and not something that would arise solely during the process. The interplay between text and talk minimized the risk for various interpretations in the strategic planning process and in the preparing phase of the process. Text includes documents and e-mails whereas talk includes phone calls, videoconferences and face-to-face meeting. The study recognizes two processes that occur in the strategic planning namely recontextualization and decontextualization. Recontextualization contributes to interaction and enables different interests to give voice, thus fruitful for communication. Decontextualization is on the other hand another process that occurs and it implies a power struggle and is of a more political nature that enables some actors to become more dominant and exercise authority at the expense of others, coupled to their authoritative position in the organization. Text is, as opposed to talk, also highly connected to such authoritative dominance due to the assumption among participants that the text has been subject to others involved (Spee & Jarzabkowski, 2006). Text is thereby perceived to be worse for internal communication as it could initiate and amplify a decontextualization process. Vice versa applies for talk as it potentially could initiate and amplify recontextualization processes.

2.2 The Budgeting Process: Helpful or Harmful?
There has been an extensive debate the past couple of years about the budget and whether it brings any extra value to an organization, or whether it should be abandoned completely (Shastri & Stout, 2008). There are also scholars and practitioners who argue that the budget is helpful but that it often is used badly (Ekholm & Wallin, 2000; Libby & Lindsay, 2010).

Hope & Fraser (2003) are two scholars who adamantly argue against the traditional budgeting process. The authors published a book named Beyond Budgeting where they criticize the budget and encourage managers to break free from time consuming and over-centralized fixed targets (Shastri & Stout, 2008). They argue that budgeting and the control culture behind it inhibits companies from thriving, as they become rigid central hierarchies unable to adjust to changing market conditions. Centralized decision-making simply ignores market conditions.
feedback and local units should therefore be allowed to make decisions autonomous. Hope & Fraser (2003) advocate relative performance targets that consider the market conditions and push the employees to perform their best, instead of just striving to reach fixed performance targets according to a budget. Wallander (1999) has a similar opinion about the budget. Wallander (1999) believes that the budget creates rigidity and inhibits innovation as well as creativity. Wallander (1999) backs his arguments with the success Swedish bank Handelsbanken had after decentralizing decision making and abandoning the budget, which allegedly allowed local bank offices to adjust to market changes more rapidly and successfully by applying free thinking. Wallander (1999) firmly states that the budget is useless if one does not believe in it. The budget will simply not help firms foresee deviations or help firms adjust to such deviations. There is at the same time a risk to look upon deviations from the budget as rare coincidences if one believes too much in a forecast (Wallander, 1999).

There are also scholars questioning the abandoning of the budget. Libby & Lindsay (2010) find evidence among mid- to large- sized North American organizations that the budget used for control purposes also is perceived to add value to an organization. Firms are more inclined towards adapting their use of the budget to overcome existing problems with it, rather than abandoning it completely. Furthermore, Libby & Lindsay (2010) argue that Hope & Fraser’s (2003) findings are over-generalized.

The greatest and frequently used arguments for the budget are that it works as a means of control of the financials, but also that it reduces uncertainty and helps coordinate activities (Arwidi & Samuelsson, 1993; Covaleski & Dirsmith, 1983; Merchant, 1981). The budget provides financial facts about the company and its expenditures, which some would argue instills more control and certainty (Covaleski & Dirsmith, 1983; Merchant, 1981). The budget can also work as a strategic plan for future growth as well as a financial roadmap, which discloses where the company is heading (Williams, 2008). The budget is used for various purposes these days and there are budget supporters who would assert that it facilitates communication within the organization, when it comes to expectations and goals (Hansena & Van der Stede, 2004; Hansen, 2010).

The abandoning of budgeting can have consequences for internal communication. Hope & Fraser (2003) and Wallander (1999) all argue that communication would and should go from a traditional top-down to a more horizontal and less hierarchical communication, with the abandoning of the budget. This would also imply that the decentralization correspondingly leads to a more bottom-up approach of communication (Wallander, 1999). Flat organizations require leaders to emphasize and establish bottom-up exchange of information, which implies listening to employees rather than just speaking to them in one-way communication (Groysberg & Slind, 2009; Mishra et al., 2014). Employees are simply not supposed to be mere passive receivers of information in flat organizations. Groysberg & Slind (2009) argue that “command-and-control” management is outdated due to globalization, new technology and changes in value-creation as well as increased customer interaction. The direct and more directive top-down communication from leaders should be replaced
with more dynamic and conversational communication processes (Groysberg & Slind, 2009).

2.2.1 Other budgeting approaches
The definitions of various budget control approaches could differ somewhat, although often similar (Bruggeman & Van der Stede, 1993). Top-down budgeting is when top management, with the support from corporate finance managers, prepares the budgets and the targets for the divisions (Bruggman & Van der Stede, 1993). They then impose the budgets to division managers. Bottom-up is when division managers can prepare their own budgets within the frames of the firm’s overall targets (Bruggman & Van der Stede, 1993). Regardless of the approach, the outlined literatures have conveyed the important of internal communication to enhance budgeting success. A budgeting process according to the bottom-up approach often requires more internal communication than top-down budgeting, since it often implies that more participants involved. Division managers are always included in bottom-up budgeting preparations, however not always included when budgeting according to a top-down approach (Bruggman & Van der Stede, 1993).

There are also different philosophies on how firm top management is about the outcome of the financials. Tight budgetary control implies that top management demands the actual financial outcome to be rather close to the forecast for the budgeted period (Bruggman & Van der Stede, 1993). Negative deviations are hence not tolerated from a top management point of view. Loose budgetary control is on the other hand an approach where occasional deviations are more tolerated (Bruggman & Van der Stede, 1993). Top management often put their trust in division managers to do a solid job. These two approaches also require different amounts of communication (Van der Stede, 2001). The tight budget approach often implies more interactions and more intense discussions with various budget participants, since top management then are less tolerant to deviations and consequently monitor the financials intensely (Van der Stede, 2001).

2.3 Internal communication research
In the upcoming sections we outline previous research in factors affecting internal communication. We believe these factors would also have a strong effect on internal communication during the budgeting system, and incorporate them into our preliminary model at the end of the Literature Review.

2.3.1 Geographical distance and proximity
Geographical distance places an important role in internal communication and is one of the most discussed topics in internal communication research (Allen, 1971; Chong et al., 2012; Hoegl & Prosperio, 2004; Monge, 1985; Salis & Williams, 2010). Proximity among employees within an organization is a variable that has influence on organizational outcomes, such as stress, performance and satisfaction (Monge, 1985). The physical placement of participants should therefore be emphasized as a central factor when it comes to organizational internal communication research.
The proximity of team members is significantly correlated to the teamwork quality (Hoegl & Proserpio, 2004). One aspect of the teamwork framework is communication. Allen (1971) highlights that team-internal communication is much more likely facilitated if the team-members are in close vicinity, due to (1) less effort is needed to initiate the communication, (2) increased probability of “spontaneous and/or informal face-to-face communication” (Hoegl & Proserpio, 2004), and (3) elevated richness in communication due to the decreasing proximity leading to the lack of non-verbal cues (Daft & Lengel, 1986). Besides the higher likelihood of informal communication, the proximity of team members also strengthens the personal ties between the participants of the interaction, as not only work-related matters but also personal matters are discussed (Hoegl & Proserpio, 2004).

Physical presence is, according to Chong et al (2012), historically highlighted as a superior circumstance for communication in the academic field of organizational studies. The reasons for this is deemed to be that physical proximity makes people understand each other’s strengths, weaknesses, moods and working styles more than in the case of physical distance. To put it in another Grabher & Ibert (2013) way, the way colleagues recognize and process physical attributes and signals also enhance communication between employees working together within an organization. Non-physical forms of communication, which imply physical distance, could according to still be used successfully when it comes to knowledge collaboration and information sharing, which are processes that require internal communication. However, the authors adamantly emphasize that physical proximity contributes to less ambiguity thus enhanced communication. Simply due to the fact that non-verbal cues such as body language, expressions and gestures do not exist, which would have enhanced interaction and mutual understanding in a face-to-face encounter. Torré (2008) presents a similar view on geographical proximity for knowledge transfer. It is argued that permanent physical proximity remains a necessity for certain processes such as R&D and Production activities, but that temporary face-to-face interactions are sufficient for knowledge sharing and for most everyday business activities within bigger organizations. Temporary face-to-face interaction is described as occasional mobility of individuals due to a special event that brings the individuals together. This process is deemed to occur regularly and naturally within bigger organizations. It is also stressed that people who work in teams, which usually is the case in for instance budgeting work, benefit from physical proximity, as the individual will feel a sense of group identity and team spirit (Ekholm & Wallin, 2010; Hoegl & Proserpio, 2004). Even low levels of geographic dispersion can in such a case worsen the teams’ perceived overall performance.

Geographical proximity allows the finance managers to work more closely with the line managers in the budget process. The increased participation from both sides in the budget process is attributed to the positive communication between the finance managers and line managers (Dunk, 1993). Line managers’ participation in the budgetary process helps the finance managers gain access to more extensive information. Such information can be more accurate and more responsive to changes, and often can contain private information, which can
affect the budget outcome (Baiman & Evans, 1983). It also lowers both the budgetary slack and the likelihood of the line managers to understate revenues and overstate costs (Schiff & Lewin, 1970). However, both parties can misinterpret such information, or even withhold it, therefore leading to an information asymmetry. Stronger personal ties between the parties can overcome the issues, with greater communication to eliminate the threats of misinterpretations, and creates openness in sharing information that would otherwise be withheld (Welch & Jackson, 2007). Previous studies indicate that geographical proximity in general and face-to-face meetings in particular, helps people interact more personally, which in turn could have a positive impact on internal communication and enhance organizational performance.

2.3.2 Organizational distance and barriers
Organizational barrier is where the barrier for communication between two persons is a sort of hierarchical distance where they do not understand each other's roles, knowledge for communication message or function within the organization completely (Goggins & Mascaro, 2013). There is some evidence that hierarchies caused by social structures make individuals less comfortable to communicate with a "higher ranked" counterpart, but also vice versa (Festinger, 1950). At the same time there is evidence that electronic communication (e.g. e-mails, text messages, chat functions etc.) is blind when it comes to organizational distance. High status and hierarchically high positioned persons may therefore be less influential when using electronic communication. This is due to the fact that prestige and power, such as clothes and other nonverbal cues, are concealed for the lower positioned counterpart (Kiesler et al., 1984).

Searfoss & Monczka (1973) highlight early on that the organizational hierarchy tend to have a distinct impact on the perception of participation for an individual. The further away one is hierarchically to another, the less participative they feel and they thereby perceive a worse communication. Furthermore, managers tend to use more e-mails and upload more information on internal websites to communicate the more the hierarchical distance is between them and the recipient (White et al, 2010). Managers with access to multiple communication channels also tend to neglect information by not recognizing the need for complementing pieces where information has been provided insufficiently. The reason for such unintentional neglecting is that the managers are rather familiar with the information and assume that everybody else would grasp the information (White et al, 2010). The organizational distance has a tendency of making individuals communicate less through face-to-face meetings and have less understanding for each other, hence influencing the perception of communication.

2.3.3 Educational background and experiences
The education of a budgeting participant, coupled with ones experiences, is logically playing an important role in how internal communication is affected during the budgeting process. Keller’s research (2001) on communication between cross-functional diversified teams during the budgeting process discovers that there is a greater emphasis needed for communication, but at the same time the outcome is improved due to more overall knowledge in the group.
In cross-functional teams, members are from different functions such as finance, product development, productions, etc. The diversity stems from members having different educations as well as different social circumstances (upbringing, family values, social context, culture, language skills, age, gender etc.) and work experiences (e.g. employment history, specialization, acquired skills, etc.). Keller’s (2001) study shows empirical evidence that increased internal communication in general has a positive effect on group cohesiveness as it makes group members forge relationships with each other. The functional diversity of team members, which is the individuals varied set of skills, does not seem to have a direct effect on the group cohesiveness according to Keller’s (2001) findings. However, the diversity between team members were seemingly causing the group members job related stress, which in turn caused low group cohesiveness. A diversified team is in other words good for budget performance, but bad for group cohesiveness. This is in line with previous research that are indicating the same results, which is that diversity in experiences or cross-functional backgrounds worsens informal communication between participants and makes it harder for them to socially integrate, thus worsens conditions for internal communication (Glick, Miller, & Huber, 1993; O’Reilly et al., 1989; Smith et al., 1994).

### 2.3.4 Interpersonal relationship

One of the reasons why physical proximity is deemed to be the superior way of communicating is because it makes people interact and bound more effectively (Salis & Williams, 2010). Another way of putting it is that interpersonal relationship in such a case is created more effectively and it enhances communication since individuals then can create a more stable foundation for understanding one another. Higher interpersonal relationship facilitates effective communication due to that individuals engage in more in-depth communication interactions with a higher desire to ask for more information and question information if deemed to be insufficiently given (Cameron & McGollum, 1993; Chong et al., 2012; Gould, 1969).

Rogers & Kincaid’s (1981) research shows that communication is a complex and costly process, in which people try to converge on a common sense. Personal chemistry could therefore be achieved when communication is effective between two individuals. Hoegl & Proserpio (2004) find that the closer the geographically location of the persons in the communication process, the higher the number of spontaneous and informal communication instances there are, which lead to less efforts required to converge on a common sense.

It is indicated that individuals within an organization, not only get the means for finding common ground when communicating, but also get to bound on a more personal level when they meet face-to-face and establish a relationship beyond merely professional (White et al., 2010). The individuals tend to perceive a better communication when they can forge such a relationship since it could make them interact more comfortably, which enhances communication. Well-established interpersonal relationships with a high level of personal chemistry makes participants bound and engage in deeper interactions as previously mentioned. Furthermore, it makes them more willing to share, question and
disclose information. The participants basically perceive a comfortable and safe situation with their counterpart when they reach a high level of personal chemistry and they will no longer be afraid of breaking social norms (e.g. being labeled as someone bothersome, difficult or annoying) (White et al., 2010). This shows how important the interpersonal relationship is for the perception of communication.

2.3.5 Technology
Technology has over the course of time changed business environment significantly and provides businesses with new channels to communicate thoroughly. One can now use conference phones and software to pursue two-way communication despite physical distances. IT-systems provide tools for a common background, which are proven to be effective for establishing a common communication platform within organizations during changes (Iveroth, 2011). Technology is an infinite and progressive process that always affects the way people communicates. How much better would one perceive a phone call today compared to twenty years ago for example? Flaherty et al. (1998) conduct a study on college students to see whether computer-mediated communication (communication through computers or other electrical devices) could fully replace face-to-face communication. The authors argue that computer-mediated communication is good for communication when it comes to entertainment, but that face-to-face is a better-perceived way of communicating for information sharing due to social presence and the possibility of immediate feedback. Participants who communicate through computer-mediated communication have a tendency to overcompensate for the constraint of not being physically present by neglecting social interaction and become more task oriented. This in turn can inhibit participants from socially interact and establish relationships (Bordia, 1997).

It is however also mentioned in academia that IT is more effective for one-way communication, in particular basic changes, whereas more complex (i.e. a lot of information) matters should be communicated through phone calls, videoconferences or preferably face-to-face meetings (Goodman & Truss, 2004). It is obviously hard for organizations to decline the opportunity to reduce costs and save time in times of harsh competition and rapidly changing social environment (Berry, 2011). The high costs and amount of time it takes to meet face-to-face is the greatest argument for technology solutions from a business point of view. Computer-mediated communication increases speed and agility when it comes to sharing information as a file with complex information quickly can be sent to anywhere and read anytime, but these advantages are not always easy to reach and benefit from (Berry, 2011). A developed system for computer-mediated communication requires technical support and it is hard to build up competence and expertise around the system, which can inhibit efficiency.

The most significant channels that technology has contributed to business communication are IT-systems that provide e-mail, internal chat functions, and videoconferences. Cell phones are also a big part of this as they are advanced enough to have functions for Internet, video calls, e-mail and voice calls. This makes people available almost all the time and allows flexibility. They do no
longer have to think about physical proximity and synchronized work hours as an obstacle for communication (Hollingshead et al., 1993). However, there is a consensus among scholars about the fact that face-to-face interactions are superior when it comes to effective communication (Berry, 2011; Cameron, 1993; Chong et al., 2012; Ekholm & Wallin, 2010; Hoegl & Proserpio, 2004; Hollingshead et al., 1993). Technology is nevertheless opening up new channels and improves already existing communication channels constantly, which implies that communicators can participate in communicative activities more frequent than before. This makes communication easier.

### 2.4 Summary and operationalization

After examining previous studies on the budgeting process and internal communication, we have outlined relevant research in the literature review. We believe the combination of the two areas would provide the best theoretical ground for our paper to build our model, as internal communication during the budgeting process is a complex situation that are a part of both areas.

First we identify research on the budgeting process, and its two main stages. During the formulation stage, the budget goals are set after thorough communication processes between involved stakeholders within an organization. During the implementation stage, finance managers and line managers execute and monitor the budget to ensure that the goals are reached. The budgeting process has high emphasis on communication between connected parties, and often under time pressure.

We outlined past research on budgeting to provide a comprehensive picture on it. We find that despite various approaches such as top-down or bottom-up, internal communication is crucial for the budget to be set properly and realized in the end of the budget period. Recent debates on the actuality of budgeting as a meaningful method to help organizations succeed are outlined, but for the purpose of this research we do not investigate deeper into that area.

Then we outline internal communication research on several areas. Geographical distance and proximity facilitates communication and elevate richness in communicated message. Organizational distance and barrier increases the difficulty to communicate as participants either cannot reach the counterparty or do not understand each other’s roles or knowledge. Background and experiences affect the internal communication as they affect the members’ abilities to socially integrate or the overall contribution to the group’s knowledge; its subcategories include cultural and work-related as outlined above. Interpersonal relationship enhances communication as individuals understand each other better and engage in more in-depth knowledge sharing. Finally, technology has changed internal communication by providing new channels and improving existing communication channels through both one-way and two-way communication channels.

Combining both the outlined budgeting research and internal communication research, we construct our preliminary model for factors affecting internal communication during the budgeting process in Figure 2. The arrows indicate
one factor affecting another one, e.g. geographical distance affects the internal communication during the budgeting process.

**Figure 2: Preliminary model for factors affecting internal communication during the budgeting process.**

Strategic planning is similar to the budgeting process, in which internal communication plays a central role. Two process in the strategic planning, namely recontextualization and decontextualization, can be applied to the budgeting process. Recontextualization, which connects to talk, is a process in which interaction is enhanced through communication, while decontextualization connected to text worsens internal communication as it makes communication participants to assume that the text has been subject to others involved.

We are aware of the fact that it is possible that not all factors affecting internal communication during the budgeting process are covered in the literature review. However, we have identified some of the most prominent ones and believe that they cover most areas and constitute a good starting point to start build and develop a theoretical model. During our empirical study and analysis (which will be explained in the next section) we adopt an open approach and are receptive to additional factors not included but appear relevant.
3. Method and Context

In this section we provide a detailed description of our method for empirical data collection and analysis to answer our aim, which is to develop a model for factors affecting internal communication during the budgeting process. We test our preliminary model (Figure 2) through semi-structured interviews in our case study at GEHC BP. We choose to adopt a qualitative study instead of a quantitative due to the lack of precedent in this academic area. We believe that the qualitative study would provide a good starting point by identifying the factors in our case study and to test our preliminary model, instead of risk losing focus with both identifying the factors and quantitatively testing their effects and correlations. The data is collected through semi-structured interviews with key persons at GEHC BP, and then analyzed through summarization and narrations into key themes. The analysis on the empirical findings with previous literatures tests and improves our preliminary model.

3.1 Case Study Setting – GE Healthcare BioProcess (GEHC BP)

GE Healthcare BioProcess is a part of GE Healthcare, which in turn is one of the main businesses of General Electric (GE). GE is an American multinational conglomerate corporation active in energy, transportation, technology infrastructure, capital finance, and other sectors. GE is one of the oldest companies in the world with its origin dating back to 1878. Currently GE employs over 300,000 people around the globe, and its combined revenue of 2013 is over 146 billion US dollar. Forbes and other institutions have named GE as one of the top ranked companies in the world for many consecutive years (GE Annual Report, 2013).

Finance is a central part of GE, and it is no different in the 18 billion US dollar Healthcare business. A large focus of finance is on planning and cost controlling through the use of a budget system. The budgeting process is identical in all GE businesses, just as the way finance works is similar throughout GE. GE Healthcare BioProcess is headquartered in Uppsala, where all the corporate support functions including finance are based. Manufacturing, research and development, and other functions are located in Sweden as well as across in globe in e.g. UK, India, Singapore, etc. The finance managers support their units from the Swedish headquarter in Uppsala (Lindstrand, 2014).

We believe GE Healthcare BioProcess is a strong case for our study because of the following factors. Firstly, GEHC BP has the same budgeting process as the rest of GE. Secondly, GE is both one of the largest and a finance-oriented company in the world, and therefore it has a very extensive and prominent budgeting process that can be worthy of studying. Finally, we believe that the findings from our case study on GE can be applied to other empirical situations.

3.2 Semi-structured interviews

Data collection is done through in-depth semi-structured interviews with key persons at GEHC BP during a three-week period. Each interview is conducted separated from another in order to avoid interviewees influencing each other’s answers. The interviews are scheduled to last for approximately thirty to forty-five minutes. The time provided the interviewees opportunities to talk freely and
often explore deeper into the questions. Each interview situation typically consist of two interviewers and one interviewee, so that interviewers may discover findings that would otherwise be excluded if only one interviewer is present. Both interviewers take notes and ask questions, even though one interviewer has the main responsibility to ask questions to avoid confusions during the interviews and that the other interviewer can take notes more extensively without interruption. Sometimes there are short pauses during the interviews in order for either the interviewee to reflect and give thorough answers or for the interviewers to reflect and ask follow-up questions. The interviews are audio recorded, but exact transcripts are not kept except key quotes; otherwise summaries of the interviews are kept. This adaptation gives us the possibility to more thoroughly understand the implying messages on our theoretical framework, as well as focusing more on the interviews themselves. The record-keeping nevertheless gives us the opportunity to focus more on the listening and additional questioning during the interview, as the opportunity to re-listen to the recorded interviews exists. However, the record-keeping may also cause the interviewees to feel uncomfortable and may constrain their answers (Saunders et al., 2009:341). We counter these effects by providing a detailed description of the interview in friendly manners. It is believed that the advantages outweigh the disadvantages of our interview methodology.

3.2.1 Interview Questions
The interview consists of two parts – the first part is a few general questions to get the momentum going while at the same time setting pace to help the interviewees relax to get the best results, and the second part is questions based on the areas discussed in Literature Review that would provide empirical findings for our study.

The questions in the second part are the main focus of the interviews (Appendix I). The questions are aimed to both get information on the internal communication during the budgeting process at GEHC BP. The questions cover the areas of (1) the budgeting process at GEHC BP, (2) geographical distance between the participants, (3) organizational distance between the participants, (4) educational background and experiences of the participants, (5) interpersonal relationship between the participants, and (6) the communication technology the participants use. As previously mentioned, we believe these areas are the probable main ones affecting internal communication during the budgeting process. We are aware of the fact that possibly not all factors are included. Therefore we are receptive and open to answers that are not within the predetermined factors as interviewees bring them up during the interviewers, and we improvise with new questions in possible new factors to explore further and enrich our empirical findings and analysis. Some improvised questions are a combination of two areas (e.g. questions on interviewees meeting informally during lunch or breaks) because as mentioned they can be intertwined. Some interviewees provide answers in one area that are linked to another area, and we follow up on the answers by further questions to combine the areas (e.g. questions on how time constraint affects communication methods during the different stages of the budgeting process). The reason is that our study’s focus is to test and develop a model to explain factors affecting internal communication
during the budgeting process. We are aware of the possibility that our preliminary model may not cover the whole scope of factors, and therefore aim to develop it through our empirical study.

Essentially, the questions (Appendix I) in the semi-structured interviews only provide a guideline for the interviews; what questions asked and answers shared depend on the flow of the interviews. Similar methods have been used in previous studies to measure internal communication, as shown in Meng & Pan’s research (2012). The various areas covered are not in any specific order. Interviews tend to start with (1), and follow the flow of the interview to eventually go through other areas in non-chronological order; all areas are covered nonetheless to provide a wholesome result. Each area is briefly explained to the interviewees to quickly get them acquainted to be able to provide relevant answers.

The exploratory nature of the interviews provide interviewees (1) the opportunities to answer a guideline questions based on various concepts from the operationalization of the theories, and (2) the possibility to examine deeper in various areas of interests as they appear during the interviews. The interview questions are structured with many open questions focusing in various areas, often contain or include words such as “how”, or “why”, to encourage the interviewees to answer with extensive and developed answers. As the interviews progress, more probing questions are posed that follow the logical structure of the interviews while exploring and developing unprecedented areas. The language the questions are phrased is simple and concise, and often free of academic terminologies. This is aimed to make the interviewees relaxed and the questions more comprehensible to them.

Saunders et al. (2009:326) convey two main issues related to the data quality of semi-structured interviews, namely reliability and bias. The authors question the reliability of semi-structured interviews on the possibility to receive the same answers as the interviewers. However, it can be argued that the semi-structured interviews are not aimed to be replicable, but rather to illustrate a given situation at a given time. The authors also question the bias from both the interviewee’s and interviewer’s sides. Interviewees may feel uncomfortable to answer certain questions and choose to not disclose certain aspects of things, while the interviewers may understand both the verbal and non-verbal cues the interviewees give differently. However, this is offset by (1) understanding the intricate concerns of the interviewees and by (2) having two interviewers who can discuss their individual findings to reach a less biased solution. Furthermore, one of the interviewers has been involved with GE and is familiar with processes and phrases that may be harder to understand if the interviewers are complete aliens. This provides not only deeper understandings of the findings from the interviews, but also would make the interviewees less susceptible to disclose certain aspects of things due to the feeling of being questioned “externally”. At the same time this could cause bias in our paper. Therefore the active participation of the second interviewee during both empirical data collection and analysis discussion can provide more neutral thoughts, and therefore limit the effects of the potential bias.
Meng & Pan (2012) convey that the measurement metrics used to assess the effects of internal communication vary across organizations due to the complexity in internal communication. Therefore our approach with in-depth semi-structured interviews provide flexibility for interviewees to not only answer questions related to the various concepts of communication in the budgeting process, but also the possibility for the managers to provide additional information in the forms of free speech and follow-up questions.

3.2.2 The interviewees
Researchers investigate internal communication through interviews on focused groups in previous studies. We follow a similar method in our study, and the interviewees are the finance and line managers that are involved in the communication process. Not all the finance and line managers are selected in our study, but we focus on providing several interviews in identical situations to be able to draw conclusions on results, at the same time as we have the opportunity to explore deeper.

In total sixteen interviews are conducted on eleven employees. The employees are both the finance managers and the line managers. The interviewees are anonymous in this study, which we believe is to our advantage as they can be more opened to explore things that can provide great insights to this study. The interviews are relationship based because communication is a two-way process; therefore we investigate in total of eight relationships, each of them between a finance manager and a line manager. Since each finance manager is responsible in entire departments at GEHC BP, we select three finance managers at GEHC BP as the starting point of our interviews, and they provide us line manager interviewees that are relevant in this study.

The finance managers are interviewed multiple times on the same occasion, and during the interview he or she answers the questions (Appendix I) related to each of the line managers separately. On the other hand, the line managers have one interview each, but the focus of the interviews is solely on the internal communication with the respective finance manager. This is because that finance managers often support many line managers in the budgeting process, and therefore have different links with the line managers depending on their position and role in the budgeting process; the line managers simply have one finance managers as support in the budgeting process, and therefore only that link is necessary to examine. A more detailed outline is shown in Table 1. The FMs are coded into letter A B and C, while the corresponding LMs are coded into names starting with the same letter as their respective FM during the budgeting process. We believe this way will make the presentation of empirical findings more transparent and easier to follow.
Table 1: The interviewees consisting of finance managers (FM) and their corresponding line managers (LM)

<table>
<thead>
<tr>
<th>Finance Manager (FM)</th>
<th>Corresponding Line Manager (LM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FM A</td>
<td>LM Anna</td>
</tr>
<tr>
<td></td>
<td>LM Albert</td>
</tr>
<tr>
<td></td>
<td>LM Alexia</td>
</tr>
<tr>
<td></td>
<td>LM Angie</td>
</tr>
<tr>
<td></td>
<td>LM Arnold</td>
</tr>
<tr>
<td>FM B</td>
<td>LM Ben</td>
</tr>
<tr>
<td></td>
<td>LM Betty</td>
</tr>
<tr>
<td>FM C</td>
<td>LM Chris</td>
</tr>
</tbody>
</table>

Interviews with all interviewees except LM Angie, LM Betty and LM Chris are conducted in Uppsala. Interviews with the three latter interviewees are conducted through phone because they are located in other countries than Uppsala. LM Arnold who is located in the US is interviewed at Uppsala when he or she is on visit to the Uppsala site. The relationships between FM and LM are both newly established and already established, and therefore we aim to eliminate the possibility of bias based on only already established relationships.

The multiple data sources in both the number of FMs and LMs in this study improve the data quality as the data triangulates. Sauner et al. (2009:602) conveys that data triangulation is “[t]he use of two or more independent sources of data...within one study in order to help ensure that the data are telling you what you think they are telling you”. FMs and LMs work with similar issues during the budgeting process, yet the multiple data collections of the different relationships examined in the empirical study repeats and ensures the validity of the data.

The scopes of the finance managers cover almost the entire organization in the budgeting process, and therefore the correspondent link – the line managers, covers the same scope of the organization. Saunders et al. (2009:240) describe this method of choosing interviewees as purposive or judgmental sampling, which consists of identifying the relevant individuals that can best achieve the aim. However, the authors also explain that this is a common method used in in-depth interviews, and the sampling method enables researchers to gain access to individuals representing different parts of the company, and thus providing a holistic view of the effects of geographical distance on the various stages of the budgeting process.

Two possible limitations exist here. Firstly, FM A has more interviews than other FMs. However, despite having more interviews than others, FM A works in similar ways as other FMs due to having similar duties and number of years involved in the budgeting process. Therefore it can be argued that FM A’s personal influence on the results should not deviate far from that of other FMs. The second limitation is that our study attempt to build a model for internal
communication during the budgeting process basing only on General Electric. We believe that this case can be representative for similar empirical situations in many large companies because that GE with its prominence and rich history is either influenced by the general budgeting principles or has a large influence on the development of budgeting process that currently are used by many companies. Therefore we conclude that internal communication during the budgeting process GE is a good case our paper.

3.3 Analysis of findings
Our method of empirical findings collection falls into a special dimension of the qualitative analysis proposed by Saunders et al. (2009:491). Firstly, the data collected in the interviews are summarized. Then the data is analyzed to find both confirmation and deviation from our preliminary model. The findings and analysis are then divided and presented in broader themes in section 4 and 5 of the paper.

3.3.1 Summarization of the qualitative data
After the empirical data are collected through semi-structured interviews, it is first prepared for analysis through summarization. It is to be noted that the summarization is not biased to be only basing on the areas conveyed in our literature review. Rather, the summaries are purely on the data collected during the interviews, i.e. if the interviewees convey areas not included in our literature review, then we summarize that as well to include in our study.

As we mention previously, the exact interview transcripts are not kept. The interviews are recorded together with extensive note taken on areas we find relevant to our study; the records are listened carefully post-interviews to make sure that no important detail is missed out. Based on the notes and the recordings, we summarize the findings of every interview. The interviews are reciprocal, which means that two interviews are conducted and summarized for each of the eight relationships – one from the perspective of the finance manager and one from that of a line manager. The two interviewers both take notes and summarize independently from each other and the findings are compared to find any discrepancies. In the case of existing discrepancies, the interviewers use the recordings to clear the possible misunderstandings.

The summaries are aimed for the interviewers to quickly refer back to certain interviews quickly, as the number of interviews with their data mount up. Since the data is examined multiple times, the summaries are used for the interviewers to quickly navigate through the data. When the needs for more thorough data emerge, the interviewers refer back to the notes and recordings of the interviews to get e.g. quotes.

3.3.2 Model-testing and analysis
The semi-structured interviews provide large amount of data, but not all of them are significant for our analysis. Instead, we identify several findings from the data that are significant to the study based on the following criteria: (1) they provide indications other than the ones from our literature review; (2) that new factors are discovered; (3) that several areas are intertwined that have not been
discussed in previous literatures. On this basis we convey our upcoming sections of the empirical findings and analysis.

Researchers examine the data multiple times to discover reoccurring findings that fit into one of the criteria above. This way only the most relevant data is presented in the empirical findings section of the paper, while eliminating the necessity to present the irrelevant or none-significant data. Four most prominent areas have been identified that would achieve the aim while at the same time contributing to bridging the gap in academia by providing empirical cases.

Both the empirical findings and discussion sections are constructed in accordance to the four most prominent thematic areas discovered in the data. We choose not to present the results and analysis for each individual factor because often these factors are interconnected. The questions are interconnected as well as the findings interviewees present, which consequently call for a more thematic approach to present the results in a holistic manner. The researchers use the summary, notes and recordings to bring forth the empirical data, with occasional quotes from the interviewees. The empirical data is then analyzed both with the help of the literature review; and when the literature review is obsolete, they are analyzed with newfound indications. The new indications are relevant in our paper because of the current literature gap in internal communication during the budgeting process that may not be able to adequately provide all necessary grounds for analysis. Finally we revise our preliminary model with our analysis of empirical findings to provide a more complete model for factors affecting internal communication during the budgeting process.

Qualitative studies with a theory-testing approach always run the risk of being self-fulfilling, as researchers tend to let their beliefs regarding the subject influence the way they interpret the data (Eisenhardt & Graebner, 2007). We believe that we are able to minimize such biases by treating the data with cautiousness and constantly be aware of the potential drawbacks of our chosen method. We are aware that our qualitative study, although important due to the lack of precedents in this area, can be limiting to provide precise indications of the actual causal relationships between the factors in the model and better internal communication during the budgeting process. Yet we believe that it is essential to establish the model with our qualitative study to pave path for future studies. More detailed limitations can be found in section 7.
4. Empirical Findings
In this section of the paper, the empirical findings of our qualitative study are presented. The FM and LM relationships are shown in Table 1 in the Method section, so the empirical findings are between the corresponding relationships.

We first present an overall finding in regards to GEHC BP and the budgeting process that occurs there. This includes findings that concur with past research. Then we present results based on four areas in which we identify that deviates from our model and are significant to our study. The four areas are identified in accordance to the three criteria mentioned in 3.3.2. The same four areas are also in the analysis, and therefore it is necessary for us to present only the necessary data to exclude the excessive data from our sixteen interviews.

The rest of the empirical findings from the interviews are summarized and presented in Appendix II. Another reason for us to only present the following five points are that the semi-structured interviews provide large amount of data that are obsolete. So instead we consolidate the findings that concur with past research and provide more in-depth details on the four areas of interest.

Furthermore, a total of sixteen interviews on eight communication relationships between a FM and a LM are conducted. The repeated nature meant for data triangulation verifies the validity of the data. It is shown in Appendix II that both FM and LM in every relationship have the same perception of their communication during the budgeting process.

The interviews are conducted in accordance with the structure in Appendix I and the main focus is to have themes that include and test all factors from the literature review. Due to the nature of the qualitative interview and that the answers from the respondents with regard to the factors tend to be intertwined, respondents are often providing answers that can be related to more than one factor. To adapt to this we convey the empirical section in a thematic structure, in which each and every factor is tested and presented as aimed in various themes instead of per factor. Therefore some factors are reoccurring in different themes as they are intertwined with different factors, while other factors may appear once in the thematic presentation only.

4.1 General findings
The general findings are presented here to explain the empirical phenomenon at GEHC BP. Not all data are necessary per se, but they can provide basis for readers to understand the rest of the empirical findings and analysis better.

The budget is a fundamental tool at GEHC BP to plan and execute expenditures, and therefore the budgeting process has an important place amongst finance and line managers at GEHC BP. All the interviewees consider the budgeting process at GEHC BP to be consisting of two main stages – the Blueprint Review (previous known as “SII phase” to some interviewees) in which the budgets are set for the upcoming one-year period, and the monthly and quarterly follow-up during the one-year period. These two stages reflect the formulation and implementation stages.
The role of finance managers according to all the interviewed FM is to support various line managers in decision-making and finance overview. They help the line managers in both setting up the budget in accordance to the goals of the headquarters, and to understand the spending each month to be able to meet the budget target. The role of the line managers on the other hand is to provide the budget through combining their thorough business knowledge with the goals and supports of the FMs.

Most interviewees say that good personal relationships have positive effects on their communication. Interviewees have consensus that it is both easier to communicate and the communicated messages are more in-depth when they have good relationship.

A few communication technology names used below need to be further explained. WebEx is the internet-based internal GE chat program. Telepresence is an advanced communication system with combined telephone and video functions that can support meetings between multiple participants based in multiple locations.

4.2 Direct and indirect communication during the budgeting process

The three finance managers are all located in Uppsala, Sweden, while four of the interviewed line managers (LM Anna, Albert, Alexia and Ben) are located in Uppsala, and the rest four (LM Angie, Arnold, Betty and Chris) are located elsewhere. The finance managers support the line managers’ team in the budgeting process through two-way communications.

The line managers located in Uppsala meet the finance managers face-to-face during the budgeting process to discuss budgetary issues. Both LM Anna and LM Albert who work with FM A express preference to meet closely. Informal meetings occur frequently, as LM Anna puts it: “I can just walk a few meters to [FM A]’s office and drop by to ask [FM A] something.” LM Ben who works with FM B also expresses similar feelings: “If either I or [FM B] need anything, we just walk to each other’s office”. LM Ben also expresses that “I normally ignores e-mails, so [FM B] always have to catch me in person if [FM B] needs immediate response”, and that “[FM B]sometimes waits for me at my office or leave a large note at the door to catch my immediate attention”.

LM Albert who recently moves to a difference office express the following: “before I can walk to [FM A]’s office if I need anything, but now it feels much harder”. The office is located 100 meters away in comparison to 20 meters away previously from FM A. Both LM Anna and LM Albert mention their occasional run-in with FM A at the coffee machine, and that has led to informal meetings to discuss the budgets.

Even though LM Anna is located very closely to FM A, and drops by FM A’s office occasionally, LM Anna still sends many e-mails and text messages on the phone to FM A on budgetary issues. LM Anna says that it is because of the large amount
of data involved in the budgeting process that it is easier to send the files over for FM A to look at, and that then they can “arrange meetings to discuss”.

On the other hand, line managers located outside of Uppsala do not meet finance managers often. Instead they meet a few times per year on large meetings in the headquarters, Uppsala. FM A reflects the following on the communication during the budgeting process with LM Angie: “due to the time zone differences I use very much e-mails and occasional phone calls. But the time zone difference is small”. FM A also mentions that “I only talked business with [LM Angie] before, but after having met [LM Angie] face-to-face during a few meetings here in Uppsala, we got improved working relationship together”. Besides FM A, other interviewees also express that face-to-face meetings improve relationships between them. In one case, FM B has worked with LM Betty in Uppsala for a year before LM Betty moved to another location. Both FM B and LM Betty mentions that they have established good relationship when working together before, and that “[if it was different it would be more difficult to communicate”.

LM Chris who works with FM C travels to Uppsala every six weeks, and have face-to-face meetings with FM C during the visits to solve complex issues. When interviewers ask what happens if complex issues arise in between the visits, LM Chris conveys: “if the issue is complex and takes more than forty-five minutes to solve, then I try to book a flight to Uppsala to meet [FM C] face-to-face along with other involved team members”. LM Chris and FM C both agree that they have great relationships with each other because they work very closely and see each other very often. LM Arnold depicts that it is difficult to establish closer relationships with FM A because of the distance. Casual communication and water-cooler conversations do not exist.

However, all LMs and FMs that are far located, e.g. FM A and LM Angie, say that the none-personal communication does not influence the end results. This is because, according to FM A:

“I will eventually get my numbers from [LM Angie]. [LM Angie] knows about the process, and that I can call [LM Angie] when deadlines are closing in. Things just get more complex and take longer time. But the end results are the same.”

4.3 Characteristics of the participant influence communication

LM Ben is the head of a large department. LM Ben mentions that she has “thousands of unread e-mails” and that “it is sender’s responsibility to get answers”. Therefore LM Ben and LM Ben’s support FM B both take active roles to call or drop by each other’s office if they need answers. Some interviewees also take on a direct approach, such as FM A, who according to LM Albert is “very proactive and always asking about the details. I am very careful and elaborate on the details for my budget so [FM A] understands everything”.

Most interviewees, both finance managers and line managers, prefer personal communication over none-personal communication. When interviewers inquire, LM Chris says “I like to communicate in person because I like the personal touch to it. I like to see the person to make sure I have their attention and [that] they are with me the whole time”. LM Albert mentions that:
“I like to meet face-to-face because it is faster for me to understand things. I do not have a finance background, so [FM A] must teach me. [FM A] is very cautious and structured, so I learn to communicate better by preparing more for each meeting.”

FM B enjoys working “genuinely interested people, because it is crucial for making good business”. LM Ben is relatively new to the role and only knows the basic finance concepts, but FM B says that “I like working with [LM Ben] because [LM Ben] is eager to learn and likes to talk about finance”. The same feeling is depicted by LM Chris:

“The personal chemistry is great between me and [FM C]. [FM C] attends my business meetings and shows a great deal of interest. [FM C] is very opened and easy to work with”.

However, LM Angie does not have any preferences on personal or none-personal communication. LM Angie who is located in India is, according to FM A: “very technical and straight forward”. LM Angie’s view on the communication during the budgeting process as “very good”, yet both LM Angie and FM A agrees they do not have close relationships. LM Angie has a very concise communication method during the interview, with short and straight-to-the-point answers.

All LMs communicate with their correspondent FMs during the budgeting process. LM Alexia however, feels opposite from other interviewees. LM Alexia does not work directly with FM A; rather, it is LM Alexia’s manager who does so. In fact, LM Alexia does not interact directly with FM A on budgets at all. LM Alexia reports to LM Alexia’s manager on both budgeting preparation and implementation stages, who in turn communicates to FM A. The same issue is experience by LM Arnold, although LM Arnold still communicates occasionally during the budgeting process with FM A. As LM Arnold puts it:

“My manager is located in Sweden. I am located in the US. So sometimes if I have finance-related questions for the budget I call [FM A]…it is not easy to always get hold of FM [A] and my manager because they are both far away”.

For LMs who are not located in Uppsala, both the LMs and their respective FMs mention that they put more effort into the communication during the budgeting process. FM C, who supports the US-based LM Chris during the budgeting process, mentions that “I put extra effort into the work because it is hard to get hold of [LM Chris]. So when I do get hold of [LM Chris], we can discuss the issues as efficient as possible”. This view is also in line with that of LM Arnold, who says that:

“I try not to bother with [FM A] with small issues because it takes a lot of time to get hold of [FM A]. Instead I wait for bigger issues, and then I e-mail and then call [FM A] to have direct two-way communication with discussion materials present.”

All LMs are from a natural science background, so they LMs have either acquired budgetary knowledge through finance courses offered at GE, or learnt by doing. Some senior LMs, such as LM Anna and LM Betty, have MBA degrees. All LMs mention that the finance educations have helped them to understand budgetary issues better and therefore make them better at communication through asking
the right questions. FMs also show appreciations for LMs having had finance educations during the interviews. FM A for example, appreciates that: “[LM Anna] is much easier to make myself clear to than [LM Arnold]. Because [LM Anna] has a finance background and knows about the budgeting process, but [LM Arnold] does not because [LM Arnold] has neither experience nor background”. LM Chris also mentions appraisal for GE finance courses, and wishes for more courses to tackle a reoccurring issue amongst the interviewed LMs, namely financial terms and abbreviations.

LM Arnold, who is located in the US, expresses that the culture plays an important role in communication: “Swedes are generally more disciplined and follow processes better than Americans. This applies to communication as well. Swedes are more straight-to-the-point in their communication, and are more conservative when it comes to estimating (budgets). So Swedes communicate less and are more straight-to-the-point”.

4.4 Communication methods gapping the bridge under time constraint

A variety of communication methods are used by various FMs and LMs in GE during the budgeting process. These include face-to-face meeting, text message, phone call, telepresence, WebEx, and e-mail. However, regular face-to-face communication is limited to employees at Uppsala office. Non-Sweden based LMs occasionally travel to Uppsala for these meetings. LMs outside of Uppsala use other methods of communication more often.

Face-to-face meeting is viewed by almost all interviewees to be the best way to communicate due to the method enabling the exchange of large amount of information and easiness to facilitate and maintain the communication. Nevertheless, no LM regardless of where they are based that face-to-face would ultimately provide better budgeting result than the other methods of communication. As LM Chris puts “it makes the communication easier”. Interviewees all mention that face-to-face make communication faster and easier, with better result, especially working with more complex issues. LM Ben located in Uppsala says “I meet [FM B] face-to-face to discuss budgets because it is the best way to solve issue...particularly good way when deadline is coming up”, while LM Chris located in US travels to Sweden to have meetings when issues get complex.

Text message is not a common communication method at GEHC BP. LM Anna is the only person who uses text message on the phone as a communication channel. FM A mentions that she is comfortable with using text messages as one way to communication with LM Anna because they work closely and have great personal relationships too: “I have a very good relationship with [FM A] because we have worked the two of us together on many issues. So I can send texts to [FM A], even on weekends, and [FM A] would reply right away. It has happened that sometimes [FM A] was even out shopping in supermarkets and she can reply right away”.

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Phone is used by all interviewees as a method of communication, as it is conveyed it is very easy to pick up the phone and call within the GE network; although some interviewees mention face-to-face is better than phone at solving complex issues, while a few located outside of Uppsala have no choice but to use phone calls as the next-best alternative to face-to-face interaction. LM Betty located in Sweden uses phone calls to “talk to [FM B] to align budgets and costs...but the personal touch is lost and there is no exchange of jokes or other personal topics.” Phone call is also used to quickly reach a person; this view is shared both within and without of Uppsala.

Telepresence is a method known to all interviewees, but only a few uses it regularly. FM C who occasionally uses telepresence says the following: “During telepresence I can both see the person as if I am there with them, and have all the communication necessary to discuss budgets while sitting in Uppsala...it feels more personal because I can pick up the subtle things. But telepresence is not always accessible. There are only a few rooms here in Uppsala so it is hard to book an available time. It also takes time to plan and to set up, and it even takes quite a few minutes for me to walk there”.

Cisco WebEx is an instant messaging software client. Ten out of eleven interviewees use the software to communicate during the budgeting process. Although it is viewed as very convenient to use WebEx as interviewees can instantly send a short message to one another; some depict it as “difficult to have depth” when regarding the sharing of budgeting information. FM A says the following: “It is very easy to use, and I can talk to several people at once. But some days I forget to log on and I don’t even notice it! E-mails are better if a lot of data needs to be sent over... [and] phone is better when I need to have an extended conversation or make sure the receiver participates fully.”

All interviewees mention they use e-mail as a way to communicate during the budgeting process. It is viewed as the fundamental way of exchanging information. FM A views e-mail as “a good way to send messages with data attachments that are often necessary in the budgeting process...It is also good for sending to people in another time zone so they can reply when they are working.” However, LM Ben mentions that “I receive hundreds of e-mails per day. I do not have time to answer all...it is sender’s responsibility to get answers”, and therefore LM Ben does not utilize e-mail “as I should”.

Some interviewees rank the various methods of communication. The consensus amongst the rankings to be, quoting LM Chris: “if I need to solve complex issues, I arrange meetings. Otherwise I use telepresence, or phone, or e-mails; in that order”. While FM B mentions “face-to-face is the best way to get their immediate attention. Phone call is also fine but not as good. Otherwise e-mails if the problem is not an emergency.”
4.5 Characteristics of the budgeting process affect internal communication
The budgeting process at GEHC has two stages – the Blueprint Review and the rest of the budgeted year. All the interviewees participate in the budgeting process.

The Blueprint Review (previously known as “SII phase”) takes place during the 2013 budgeting process between June 2012 and February 2013. FMs get budget targets from top management, and communicate it to LMs. LMs combine the budgets from their responsible divisions to meet the budget target. LM Albert puts it: “FMs work from top-down, and LMs work from bottom-up. FMs and LMs then try to meet in the middle.” Some interviewees outline that it is the FMs who are proactive during the Blueprint Review. FMs are under pressure from the top management to meet the deadlines, and therefore take initiatives to communicate with LMs with budget target and to receive data from them.

During the Blueprint Review, communicates are kept on a continuous basis. FMs need to communicate the budgeting goals to LMs, and LMs gather data from departments. This is done through the frequent exchange of documents through e-mail. LM Albert says: “there have been countless number of e-mail exchanges and phone calls associated with them...there are seventeen versions, from one to seventeen, of the budgeting planning excel file”.

The Blueprint Review is sectioned into several smaller parts each with its own deadlines. The communication is kept between FMs and LMs during the whole process, but intensifies when approaching deadlines. LM Ben’s view on the actions during the period before deadlines for the Blueprint Review echoes with other FMs and LMs: “When deadlines are closing in, I try to meet [FM B] face-to-face or call [FM B] to get [FM B]'s help...I do this because there are deadlines coming up and I need to talk to [FM B] right away.”

The rest of the budgeted year 2013 is between March 2013 and December 2013. During this period the FMs and LMs both examine actuals spending against the budget set in Blueprint Review on monthly and quarterly basis. FMs gather reports of actual spending every month and send it out to each department. Then FMs and LMs each examine their responsible areas to see the possible deviations from the budget. FMs take initiative by contacting the LMs whose departments have deviations, to find out the reasons and agree on possible solutions. LMs responsibility is to provide the reasons for deviations to FMs and propose possible changes in the next month or quarter to offset the deviations. LM Ben mentions: “I am reactive in this stage. It is [FM B] responsibility to initiate a conversation on budgets...there are no real deadlines, except after each month when FMs possibly want to find out the reasons behind the deviations.”

FM A receives a stretch target from the top management during the period, which is a budget target lower than the set amount. The stretch target aims to
push FMs and LMs into cutting more costs, and therefore become the new budget. FM A’s reaction is “I set up a meeting with LM Anna and LM Albert because it is their departments that have the stretch target.” LM Albert mentions: “During the meeting I presented my list of projects and we decided where to cut costs”.

Personal traits also play a big role according to some interviewees. FM A is seen by five out of six LMs he or she is connected as “very easy to work with”, as well as “puts a lot of effort into the work”, and “very demanding in the good way...it gives me the drive too”. The interviewees also show appreciations for FM A’s dedication and interest in their business. Similar views are shared for other LMs on their FMs.

LM Arnold and LM Alexia, whose managers are senior LMs that also work with their respective FMs during the budgeting process, have different experiences than the other interviewees. LM Arnold works mostly during the non-Blueprint Review stage, and therefore communicates with FM A only when there are budget deviations. LM Arnold’s manager works more closely with FM A otherwise because the manager is located in Uppsala. LM Alexia, who is located in Uppsala, says: “I do not work with [FM A] at all during the budgeting process. I provide numbers and explanations to my manager, who [in turn] works with [FM A].”
5. Discussion
In this section of the paper we analyze our empirical findings at GEHC BP with both the help of our literature review and possible other rational explanations when the prior does not suffice. With the analysis we then revisit our preliminary model for factors affecting internal communication during the budgeting process.

5.1 Direct and indirect communication during the budgeting process
Face-to-face communication occurs during the budgeting process at GEHC. Both FMs and LMs take initiatives to find their counterparts to communicate. Most interviewees view this method of communication as positive because (1) frequent exchange of information during the face-to-face communication, and (2) more subtle and details are shared, and (3) the ability to solve complex issues more quickly, and (4) the immediate attention from the counterparty. Yet contrary to Baiman & Evan (1983)’s research, which outlines that geographical proximity grants more extensive information sharing and consequently better budget outcome, the empirical findings show that geographical proximity has no effect on the budgeting outcome – the end results are the same according to all the interviewees. Since our study does not focus on the results of the budgeting process, but rather on the internal communication, we do not go deeper in this area. More explanation can be found in 6. Limitations.

Instead, the empirical findings show that face-to-face communication positively affects the perception of the communication process for interviewees located in Uppsala. These interviewees have both formal and informal face-to-face communication frequently. They interact more personally and perceive a more comfortable communication process. Our findings confirm to those of Hoegl & Proserpio (2004), in which the closely located managers have many informal occasions by going to one another’s office unplanned or by combining lunch or coffee run-ins with budgeting discussions. The managers, through the high number of spontaneous and informal communication instances, provide many non-verbal cues as Daft & Lengel (1986) suggests, and lead to less efforts required to reach an agreement for budgets. The increased non-verbal cues increase the richness of communication, which makes to make the communication participants understand each other better and have effective long-term information sharing.

For the employees located elsewhere, the empirical findings show varied results. LM Betty and LM Chris prefer face-to-face communication on complex issues. For example, LM Chris travels to Uppsala to discuss complex issues with FM C face-to-face. However, LM Angie and LM Arnold do not feel face-to-face communication would improve the communication process. The findings deviate from our literature review, which outline that face-to-face communication lead to more comfortable communication process (Hoegl & Proserpio, 2004). One possible explanation for this deviation is that both LM Angie and LM Arnold do not have close relationship with their FMs, while LM Betty and LM Chris have, as shown in the empirical findings. Consequently, the lack of personal relationships that benefit from the interaction and make participants bound more effectively (Salis & Williams, 2010), leads to LM Angie and LM Arnold eliminates the non-
verbal cues and deeper information sharing from their communication with FMs. Without the need to share more information than necessary to complete the budgetary work, LM Angie and LM Arnold do not feel the benefits of face-to-face communication on communication.

This brings up the effect of geographical distance on interpersonal relationship. Close interpersonal relationship lead to individuals interacting more comfortably and engaging in deeper interactions (White et al., 2010). Close interpersonal relationship, just like the above discussion on geographical proximity, makes the communication process more optimal. Hoegl & Proserpio (2004) mentions that proximity strengthens personal ties, which echoes the empirical findings of this study. Most interviewees located in Uppsala have good interpersonal relationship, as they can maintain both informal and more personal interactions. LM Betty, who is located in the US, has good relationship with FM B because they previously worked together in Uppsala. The three LMs that do not have close interpersonal relationship with their FMs are either located elsewhere (LM Angie and LM Arnold), or they do not work with FMs directly (LM Alexia). Overall, the strong personal ties between the interviewees create better communication just as Welch & Jackson's (2007) study suggests.

To conclude this section, our findings show that the communication process, rather than the outcome, is affected by geographical distance and interpersonal relationships amongst the interviewees. Close interpersonal relationship is in turn an outcome of geographical proximity. Our findings also show that small changes in distance between the offices make some interviewees feel more negatively on the internal communication. For example, LM Albert who moves from 20 meters away from FM A's office to 100 meters away feel the communication is “much harder”. This finding is not shared amongst other interviewees. Therefore we attribute this to the individual’s (in this case, LM Albert’s) personal traits or preferences, which we discuss in the next section.

5.2 Characteristics of the participant influence communication

Our preliminary model (Figure 2) shows the factor of “Background/Experiences”, the factor that covers the characteristics of the communication participant. Yet our findings indicate the factor to be more than just two subcategory of cultural and work-related. We therefore extend this factor to all other types of characteristics of the participant. An individual’s characteristics affect the way he or she communicates. Although not thoroughly explored by previous literatures, Keller (2001) outlined several aspects that are evident in our empirical findings.

Education and experience an individual has both affects how he or she communicates and how others communicate with him or her. For example, all LMs mention that finance educations help them to understand the budgeting issues and to communicate better, while the FMs appreciate such educations as making LMs on par with the budgetary knowledge to work efficiently. Keller (2001) finds group diversity causes low group cohesiveness, while the similarities would increase the group cohesiveness and internal communication.
Another aspect of the personal characteristics is the commitment. The empirical findings show that many interviewees appreciate commitment from the corresponding side. The commitment affects, e.g. FM C’s approach to communication. FM C puts more effort into the budgeting work as a lot of effort is needed to get in touch with the different time-zone located LM Chris. Even though commitment has not been an explicit factor in previous literatures, we believe it is relevant to bring up and add to our model for possible future research.

The characteristics of an individual can influence the interpersonal relationship he or she has with others. Education and experiences can reduce the difficulty in communication during the budgeting process, causing the group (of communication participants) to have great cohesiveness. In turn, the cohesiveness can lead to great interpersonal relationship as group members forge relationships with each other (Keller, 2001). Our empirical findings also show that interviewees perceive high personal commitment by their corresponding party as a positive characteristic. Consequently the interviewees appreciate the efforts from the high personal commitment, which leads to better interpersonal relationship.

Culture is briefly brought up as a possible factor affecting the internal communication between individuals during the budgeting process. LM Arnold believes the national culture to shape an individual’s method of communication. Culture is a part of an individual’s background, which affects how the individual communicates. We include this sub-category as a possible factor that affects internal communication during the budgeting process to our model, and add it to the list of possible areas for future research.

Organizational distance between individuals affects their communication because the individuals do not understand each other’s goals and functions (Goggins & Mascaro, 2013). The empirical findings show that most interviewees hold the relevant organizational position to participate during the budgeting process. LM Alexia is the exception that does not communicate with the finance manager during the budgeting process. Instead LM Alexia communicates to his or her manager who in turn communicates to FM A. This shows that organizational position LM Alexia is in, despite also a part of the budgeting process, affects the communication in terms of organizational barrier. This finding is connects to Searfoss & Monczka’s (1973) study that highlights organizational hierarchy having impacts on participation and perceived communication. Despite having just one example of organizational hierarchy affecting communication during the budgeting process in our empirical findings, we argue that indeed it affects communication as previous research have outlined. Other participants (both FMs and LMs) are in the direct position to be participating in the budgeting process, which therefore further supports this finding.

To conclude this section, we find educational background and experiences characteristics of an individual that would affect internal communication during the budgeting process. Furthermore, personal commitment and culture are two
more characteristics to this category. The findings both extend our model in building the “educational background and experiences” into “characteristics of the participants”, as well as in adding personal commitment and culture into the category. These characteristics affect group cohesiveness and interpersonal relationship, in which the latter subsequently affects internal communication during the budgeting process. Lastly, we find one relevant support for the organizational distance affecting internal communication during the budgeting process.

5.3 Communication methods gapping the bridge under time constraint
Our empirical findings show many communication methods and technological solutions are used. Some interviewees rank the methods according to the time constraint and complexity of the situation; the ranking for the choice of communication method from high time constraint and complexity to low is face-to-face, telepresence, phone, and e-mail. Goodman & Truss (2004) explains the complexity of the information to be communicated dictates the method to similar structure. Past papers from Cameron, (1993); Chong et al., (2012); Ekholm & Wallin, (2010); Hoegl & Proserpio, (2004); and Hollingshead et al., (1993) all show that face-to-face is the most preferred method which is explained in 5.2. Telepresence is unsurprisingly ranked second and it is the only other method that involves face-to-face meeting, with the downside of more planning needed. Phone, just like face-to-face and telepresence, involves real-time interaction and is a two-way communication method. E-mail becomes one-way communication that is less preferred than other methods (Goodman & Truss, 2004). Kruglanski & Webster (1996)’s depiction of time pressure validates the findings for this ranking of methods. Time constraint present in each stage of the budgeting process calls for various methods too, as evident in the empirical findings.

The characteristics of the participant also play an important role in determining the method of communication. LM Ben’s preference of all other communication methods than e-mail affects the communication between him or her and FM B. The preference for talk over text initiates and amplifies the recontextualization processes. Spee & Jarzabkowski (2006) views recontextualization, which connects to the talk-related methods, enables interaction and more fruitful communication. Recontextualization process that emphasises on the two-way interaction is positively viewed as seen in the empirical findings.

The empirical findings also show one relevant case of interpersonal relationship affecting the method of communication. FM A and LM Anna who work close and have very good interpersonal relationship uses one communication method that other interviewees do not – text messages. This method does not dominate over others, but it is interesting per se in the sense that the text messages are more prevalent as a non-professional communication method. White et al. (2010) conveys the breaking of social norms, which applies in this case, as a result of the high level of personal chemistry between FM A and LM Anna. The blur of personal and professional life boundary not only shows commitment as
mentioned in section 5.2, but also means interpersonal relationship affects the method of communication.

To conclude this section, our empirical findings show that many communication methods and technological solutions are used. The factor “Technology” in our model would be more suitable to be “Communication Method” instead. The various technological solutions to communication are then parts of the methods of communication. This change is necessary to include face-to-face method, which is not a technological solution but still a necessary method to include. Furthermore, we found that time constraint present in each stage of the budgeting process affecting the methods used. The preference of the participant, which is a part of the characteristics of the participant, also affects the communication method. And finally, interpersonal relationship leads to different communication methods used as well.

5.4 Characteristics of the budgeting process affect internal communication

Our empirical findings show that the budgeting process consists of two stages that mirror the formulation and implementation stages of Giroux et al.’s study (1986) at GEHC BP. Our study found no deviations in the steps in our study from the past research. The characteristics of the budgeting process are therefore equal to the characteristics of the two stages. The findings from the two stages are analyzed below.

Blueprint Review at GEHC can be seen as the formulation stage of the budgeting process. It mirrors the first four steps depicted by Drury (2000) as seen in Figure 1. The objectives and strategies at GEHC is identified and evaluated; the course of action in the form of budgets is formulated. The budget at GEHC is formulated by the combined effort of the FMs (with goals from the top management) and the LMs (with detailed baseline information) during the Blueprint Review. During this stage, both FMs and LMs are involved. FMs are proactive in initiating communication with LMs. The communication process can be seen here as a recontextualization process even though both talk and text are used. Text here is not seen as a part of the decontextualization process as the purpose it serves is to increase the richness of the communicate message, not for power assertion as Spee & Jarzabkowski (2006) suggests. It is also evident that GEHC is operating with a bottom-up budgeting approach. Division managers such as LMs and FMs get to participate and work fairly autonomously with budgeting, which characterizes bottom-up budgeting according to Bruggman & Van der Stede (1993). This infers that the applied budgeting approach itself at GEHC implies plenty of interaction between participants, thus plenty of internal communication.

During the rest of the year, the budget is implemented and regularly monitored. It mirrors the remaining three steps depicted by Drury (2000) as seen in Figure 1. The budget is implemented and monitored, and where necessary, actions are derived for divergences from plan. Top management also has high demands on managers to meet budget targets and deadlines, which indicates a tight exercise of budget control at GEHC as Bruggman & Van der Stede (1993) state. Tight
budgetary control implies more interaction between managers and between managers and top management, which itself is suggested by Van der Stede (2001) to imply more internal communication. The bottom-up budgeting approach, coupled with a tight budgetary control, reveals that the characteristics of GEHCs chosen budgeting approaches affect internal communication during the budgeting process by forcing participants to communicate more. The budget at GEHC is implemented by both the FMs and LMs, and the monitoring of results (step 6) is done entirely by finance managers. And finally the response is agreed upon together between FM and LM involved and acted. The communication process is similar to that of the formulation stage, in which it can be seen as a recontextualization process with both talk and text.

Time constraint is different on the stages and they affect how communication is done. Besides the obvious nature of the work involved in each stage, time pressure also plays an important role on communication during the budgeting process. Our findings show that under time pressure, the interviewees do feel the threat for effective communication as the stress rises as Kruglanski & Webster (1996) suggested. Following this train of thought that time constraint decreases in-depth communication and makes participants disregard complex and peripheral information, and ultimately causes psychological distance between the participants as Kelly & Loving (2004) suggests. However, our findings show that the interviewees embrace the time constraint as an intricate part of the budgeting process. Therefore instead of experiencing the negative aspects conveyed in previous research, they adapt to the situation by e.g. putting more effort into preparation or adjusting communication methods to tackle time constraint. Therefore our findings show that time constraint affects the method of communication.

To conclude this section, our empirical findings show that the budgeting process consist of two distinctive stages. The budget is formulated in the formulation stage, where both FMs and LMs are active. The budget is monitored in the implementation stage, where FMs is more active in monitoring while both FMs and LMs are active in implementing the decided budget. Our study also shows that the budgeting process is a recontextualization process through both talk and text interactions used.

5.5 Revision of our preliminary model
After analysis of our empirical findings with the help of our literature review, we have revised our preliminary model to be a more accurate description of factors affecting internal communication during the budgeting process. The new model is presented below. The factors affecting internal communication during the budgeting process has changed from six (characteristics of the budgeting process, geographical distance, interpersonal relationship, background/experiences, technology and organizational distance) to five (characteristics of the budgeting process, geographical distance, interpersonal relationship, communication method and organizational distance). Furthermore, two indirect factors are shown being time constraint and characteristics of the participant. The factors are either developed more in our revised model in
comparison to the preliminary one, or are more analyzed to find possible relationships between them.

The arrows in the model indicate causal relationships which we find in our empirical case study, e.g. geographical distance affects interpersonal relationship, communication method, as well as the internal communication during the budgeting process.

**Figure 3: Revised model of factors affecting internal communication during the budgeting process.**

Comparing the revised model in **Figure 3** to the preliminary model in **Figure 2**, one can see quite a number of changes in both the factors themselves and the interconnections between them.

First of all, the formulation and implementation stages are removed as factors affecting characteristics of the budgeting process. We find in our study that the two stages are the characteristics of the budgeting process rather than affecting it, and therefore in **Figure 3** it is a part of the characteristics of the budgeting process. Time constraint affects the characteristics of the budgeting process as both the preliminary and revised models show, but yet it also affects the communication method. Under high tie constraint the communication method shifts towards more personal based e.g. face-to-face or phone calls. The characteristics of the budgeting process consist of the characteristics of both the formulation and implementation stages, which have various time constraints depending on the process. The characteristics of the budgeting process affect the communication during the budgeting process.
Geographical distance does affect the internal communication during the budgeting process as shown in the preliminary model, but it also affects interpersonal relationship as closer distance increases the likelihood of forming good relationships. Geographical distance also affects the communication method as the closer it is the more likely the communication participant uses two-way communication method, while the further the more likely to use one-way communication method.

Interpersonal relationship also affects the internal communication during the budgeting process as shown in the preliminary model, but it also affects the communication method, while at the same time is affected by geographical distance and characteristics of the communication participant. Good interpersonal relationship leads to more personalized communication as well as other communication channels, e.g. through text messages.

Background/experiences factor in the preliminary model is renamed to characteristics of the participant in the revised model. We find more factors than cultural and work related factors in our study, and we incorporate them in the new model. However we are aware of the fact that there may be more factors within this category. Also we find that this factor does not directly affect internal communication during the budgeting process, but rather affects interpersonal relationship and communication methods, two factors that then directly affect internal communication during the budgeting process.

Technology factor in the preliminary model is renamed to communication method because not all communication is facilitated by technology, such as face-to-face communication. The methods we find in our study, which are included in the revised model, are face-to-face, telepresence, telephone, e-mail and text messages. We also find that choice of the communication method is affected by the geographical distance, interpersonal relationship, characteristics of the participant and time constraint.

Finally, the only factor from our preliminary model that does not change in our revised model is organizational distance that affects internal communication during the budgeting process. This factor’s effect is polarized – it either has full effect or none. When employees are at the right organizational levels that are exposed to the budgeting process, then it has no effect. Otherwise it has full effect as employees must follow chain-of-command and report to their line managers (instead of the finance managers).
6. Conclusion

In our study we focus on creating a model for factors of internal communication during the budgeting process. We create a preliminary model (Figure 2) with six factors through examining past research, in which we test in our empirical case study of eleven combined finance and line managers at GE Healthcare BioProcess. Our results show that our preliminary model has limitations in both the factors themselves and the interconnections between them. Our revised model (Figure 3) shows five factors affecting internal communication during the budgeting process. These five factors are geographical distance, interpersonal relationship, communication method, organizational distance and characteristics of the budgeting process. Besides time constraint and characteristics of the participant, two factors that indirectly affect internal communication during the budgeting process, a series of interconnected relationships exist between the five direct and two indirect factors.

We believe that our model of factors affecting internal communication during the budgeting process would be of use to both academia and practitioners. For academia, it provides the model to examine internal communication during the budgeting process and an array of interconnected factors within the model. It contributes to both budgeting and internal communication areas of research. For practitioners, our model can be used to compare to how internal communication during the budgeting process is used at their companies. It can act as a standardized model to investigate and improve the communication between involved parties in the budgeting process. Understandings of the factors affecting internal communication during the budgeting process can lead to finding solutions to improve internal communication, and eventually to improve the internal communication experience and results in the budgeting process.
7. Limitations and future studies

The model for factors affecting internal communication during the budgeting process in this study has evolved to a more detailed and complex model from a relatively simple model. Many factors extracted from previous studies on the budgeting process and internal communication show the causal relationships in our empirical findings. However, this study is a precedent in this area by combining both the factors affecting internal communication and those affecting the budgeting process. Our qualitative study serves the purpose to develop the model, which we also achieve, to pave ways for future studies.

Our model suffers the limitation in that we have identified but not tested the causal relationships for their validity. Although the causal relationships are clear in our case study, they need to be quantitatively studied. Therefore we propose a possible area is to quantitatively study the relationships between the factors to further develop our model with statistical supports.

Another interesting aspect is the subcategories within the factors of communication method and characteristics of the participant. We identify the ones shown in Figure 3 from our empirical study, yet the possibility for other subcategories exists. It could therefore be of interest to study these two factors more in detail in future research to develop these factors as well as to find possible linkage of individual subcategory with other factors, e.g. outline how and to what extent education can lead to greater interpersonal relationship.

One additional limitation of our paper is that we do not look at the budget accuracy for the investigated period. Rather, we depend on our interviewees’ opinions for the budgeting results. The reason for this is that our study mainly focuses on the internal communication during the budgeting process rather than the results. Future studies may find it interesting to study our model in relation to the budgeting results, including how each and every faction and interconnected relationships affect the final spending in comparison to the budget. In this way, researchers may deduce the importance of each factor in our model on the budgeting results.

We also do not find any negative interpersonal relationships; interviewees either find it positive or neutral. This may be limited because interviewees are unwilling to discuss this issue, or that non-negative interpersonal relationship is prerequisite to work together in the budgeting process. We believe that negative interpersonal relationship would have a negative impact on the internal communication, and therefore call for further research in this area.
8. Managerial Implications
In our case study of factors affecting internal communication during the budgeting process at GE Healthcare BioProcess, we find many interesting aspects to consider for managers at GE. We believe that our case study can also be applied to a wider audience than just GE due to the similar natures of internal communication during the budgeting process, and therefore this paper can be of interest to other practitioners as well.

Face-to-face is the most preferred method of communication as shown in our study. During face-to-face communication for budgeting purposes, communication participants have two-way interactions that provide possibilities for instantaneous information exchange. However, the results from our interviews show that managers perceive the final budgeting results to be the same, as the information would be exchanged eventually regardless of the method. Yet face-to-face is still preferred as it simplifies communication, especially for complex issues that requires constant exchange of information.

The characteristics of the managers involved in the budgeting process play vital roles for the communication. This is because that various characteristics enhance or diminish the interpersonal relationship with other participants. For example, similar personal backgrounds can increase the likelihood for bonding between people. This is especially true for the finance managers in our study, as they are dependent on the information for line managers, and therefore good interpersonal relationships are necessary information exchange. The enhanced interpersonal relationship helps to both facilitate and increase the efficiency of communication according to our findings. But the interpersonal relationship is also dependent on the geographical distance between the managers, perhaps to a more extent than the characteristics of the managers. Closer geographical distance increases the likelihood for spontaneous and informal meetings e.g. beside the coffee machine. It also increases the likelihood for face-to-face meeting, which is one of the best ways to facilitate relationship building.

A suggestion is for managers to practice more two-way communication during the budgeting process. The best possible solution is face-to-face, as it causes a natural flow of information as well as relationship building. However, face-to-face meetings are common only for managers located closely. Due to the implication of large geographical distance between managers in multinational corporations, it is not always possible for managers to have face-to-face meetings. Therefore we propose more frequent use of telepresence. Telepresence is similar to face-to-face meetings in the manner that managers can see each other as in face-to-face meeting while located geographically afar. This is an agile solution where the participants have the opportunity to recognize non-verbal cues of their counterpart without having to meet face-to-face. We believe telepresence will be an economic viable solution to increase the efficiency of communication, with all the benefits of face-to-face communication while lowering the cost of travelling and time required.

Another managerial implication of our model is that it can be used during the onboarding process of new managers involved in the budgeting process. Since
the new managers need to adapt to communicate effectively, they can consider the factors affecting internal communication. E.g. a new manager may want to engage in many face-to-face meetings with the reciprocal managers in the budgeting process to quickly develop an interpersonal relationship with one another. If geographically dispersed, the managers can engage in telepresence video meetings, or other two-way communication methods. Once these relationships are developed it would break down the possible communication barriers and encourage the managers to communicate more freely in the communication-dependent budgeting process.
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Books


Interview

Website
Appendix I: Examples of Interview Questions

General Questions

- What are your role and responsibilities? (organizational distance; background and experiences)
- How is your role related to the budgeting process in 2013? (budgeting process)

Main questions and their related areas in brackets

The questions are approximate guide for our interviews. The exact order of questions as well as the length into each question we go in is flexible and receptive to the flow of the interviews.

- Where are you located? (geographical proximity)
  - Where is X (the reciprocal FM or LM) located? (geographical proximity)
  - What do you think are the effects of the distance between your and X’s office on your communication during the budgeting process? (geographical proximity)
  - Have you ever worked with X in person? (geographical proximity; interpersonal relationship)
  - Do you think changes of the distance between you two would affect your communication? If so, how? If not, why? (geographical proximity)
  - How have your adapted your communication with X due to the time zone differences? Why? (geographical proximity)

- How is your interpersonal relationship with X? (interpersonal relationship)
  - Do you think the relationship affects the communication? If so, how? If not, why? (interpersonal relationship)
  - Do you discuss your personal lives? Why and why not? (interpersonal relationship)
  - Do you have lunches or coffee breaks together? Do you discuss business or personal issues during these? (interpersonal relationship; geographical proximity)
  - Do you think you can understand X better if you have a better interpersonal connection? (interpersonal relationship)
  - What do you think helps develop the relationship? (interpersonal relationship)
  - Would it be possible for you to develop a closer relationship with X who is located elsewhere than you are? Would you work better with X then in the budgeting process? (interpersonal relationship; geographical proximity)

- What educations do you have? (background)
  - Have you ever had MBAs? If yes, has it helped your understanding of budgets? If yes, has it helped your communication during the budgeting process as you understand better? (education)
  - Have you ever had finance or budget related education? If yes, has it helped your understanding of budgets? If yes, has it helped your communication during the budgeting process as you understand better? (education)
What are your previous work experiences? (experiences)
  o Where have you worked before? (experiences)
  o Have your previous experiences exposed you to budgeting? (experiences; background)

How do you communicate with X? Why? (technology; interpersonal relationship; geographical proximity)
  o How often do you communicate with X during the budgeting process? (budgeting process)
  o Which period do you communicate more regarding budgets and why? (budgeting process)
  o Which period do you communicate less regarding budgets and why? (budgeting process)
  o What is your preferred channel of communication and why? (technology)
  o Please list the top three preferred channels of communication, and why is the list this way? (technology)
  o How do you communicate to X when the issue needs immediate attention? (technology; interpersonal relationship; budgeting process)

Do you communicate directly to X or through your respective managers during the budgeting process? If yes, why? (organizational distance)
  o Do you experience organizational barriers when you communicate to X during the budgeting process? If yes, why and what do you do to communicate? (organizational distance)

What are your responsibilities during both stages of the budgeting process? (budgeting process)
  o Are you active in both stages of the budgeting process? If no, why? (budgeting process)
  o If yes, do you experience difference in communication needs between the two? (budgeting process)
    ▪ If yes, why?
    ▪ If no, why?
  o Do you feel time constrain in any of the stages? (budgeting process)
  o Do you feel more time constraint in one stage than the other? If yes, why? If no, why? (budgeting process)
  o Do you communicate differently during the stages due to time constraints are different for the two stages? Why? (budgeting process; technology)

(One interviewee mentioned national culture, so we adapted and asked follow-up questions) How do you perceive are the effects of the Swedish and American culture on the communication during the budgeting process? (background)
  o Which culture is easier to communicate with and why? (background)
  o Which culture’s way of working leads to better results and why? (background)

Ending Questions
  ▪ Do you have anything you would like to add that you think would be relevant to our study?
Appendix II – Interview summaries

Finance Manager A (FM A) – Summary
FM A is an R&D finance manager for BioProcess in GE Healthcare. FM A is responsible for 65 million USD downstream and upstream, which basically implies that FM A bridges the gap between finance and R&D operations. FM A is therefore highly involved with budgeting and cost-follow ups where communication with R&D is carried out continuously, to see if new and existing projects are feasible, need to get delayed or profitable. It is described by FM A to be a very cost focused work task, with a lot of forecasting involved.

FM A works closely with LM Anna, who is located at the same site in Uppsala, Sweden. The formulation stage is described to be a work process with many formal meetings face-to-face. FM A bounded quickly with LM Anna when they first got introduced, which enhanced their relationship and makes it easier for them to work with each other. FM A is still convinced that same results would be reached but the collaboration would be less efficient without a good relationship. One can clear up a lot of things when having a good relationship. FM A would on the other hand still communicate as much and try to get sufficient information from the counterpart if the relationship would have been worse. FM A still perceives a good relationship with all people that FM A currently works with and almost all of them are located in Uppsala.

FM A also believes that the time perspective is linked to how well two participants can communicate. FM A has been working with LM Anna for three years and the relationship has been enhanced the longer they have been working with each other. Line managers usually have a lot of prejudices about finance managers, which has been overcome over the course of time.

FM A adds that communication is linked to who FM A is as a person and who the counterpart is. The communication is mostly about whether the managers (corresponding LM and FM A) can revise estimations and it is the same discussion throughout both stages of a budgeting process.

FM A has a lot more common with LM Anna than LM Angie, who is located in India, and perceive a better connection with LM Anna because of that. There is simply less small talks and more direct business talk with LM Angie than with LM Anna. The physical proximity to line managers makes FM A have more informal meetings with them than with line managers located elsewhere.

One can essentially build up a good relationship and share more information comfortably when the relationship is good and LM Anna is more willing than other line managers because of that.

Education also has an impact on communication according to FM A. It makes people understand key concepts and it is FM A’s role to make the line managers understand the key concepts. This is also why FM A thinks that it is easier to communicate with line managers that are experiences with finance. It takes much more time to reach an understanding with line managers who are
inexperienced and lacks knowledge when it comes to finance. This is also the case with budgeting.

Deadlines bring out more concise communication between participants and it is FM A has the responsibility to ensure that information is given to FM A during time constraints to avoid stress.

FM A prefers a combination of communication channels regardless of the situation. E-mails, phone calls and face-to-face meeting should be used. The physical proximity to LM Albert has been good for FM A’s relationship with LM Albert. They used to sit in the same corridor and met more frequently face-to-face than than now, even though they still are located at the same site. Even the smallest difference in proximity can be crucial for establishing a good relationship and enhance communication.

LM Albert does not always understand financial key concepts and questions many things when they are working with budgeting. LM Albert’s pure R&D background probably has a big part in LM Albert’s struggle to get a grasp of the financial concepts that budgeting imply. FM A still believes that it is good to not only have financial people involved in the budgeting process to get other opinions and thoughts. FM A also feels that LM Chris questions the financials more than any other line manager, which requires more communication. They usually organize face-to-face lunch or afternoon meetings for big things in the budgeting process but are comfortable with communicating through phone calls or e-mails for smaller check-ups. FM A thinks that both LM Albert and LM Anna are structured line managers whom appreciate FM A’s need for structure when working with budgeting.

LM Alexia is another line manager who is located at the same site as FM A, but LM Alexia is also in the same building. FM A usually communicates with LM Alexia’s manager and does not approach LM Alexia unless there are ad-hoc questions that need to be asked. The communication is mainly with LM Alexia’s manager. The relationship with LM Alexia is okay when they meet, but it is more convenient and efficient to meet LM Alexia’s manager. FM A tries to communicate as much as possible with line managers like LM Alexia but feels that it is hard due to that R&D people further away from management positions lack sufficient finance knowledge.

FM A and LM Alexia meet face-to-face usually when they meet to discuss the budget, but they also call each other sometimes so FM A can explain how certain numbers are derived in the budgeting process. LM Alexia’s manager has more finance training and knowledge, which makes the communication easier and more efficient than with LM Alexia.

LM Arnold is a line manager located in the US and FM A communicates with LM Arnold through phone calls mainly. They occasionally talk over the phone, but that is very seldom and never when it comes to budgeting. FM A thinks the reason for that is the lack of personal relationship and the minor role LM Arnold has in budgeting. FM A thinks e-mails are easier to manage when communicating
with LM Arnold. The explanation from FM A is that some people have a natural tendency to be better in communicating over the phone and some are better with e-mails. The communication with LM Arnold is usually about basic finance matter since LM Arnold has problems with understanding financial concepts.

LM Angie is located in India and the distance requires communication through e-mails, but they also communicate through phone calls occasionally. FM A thinks that the relationship to LM Angie gets better every time the meet face-to-face, which is seldom but fruitful for personal relationships. It is good for their communication to know each other personally and the budgeting process will be easier to go through. LM Angie is very technically oriented and straight forward in communication. LM Angie has a much bigger budget than LM Arnold and needs more support from FM A, which naturally requires more frequent communication and interaction. FM A perceives better communication with LM Angie for this reason. Other reasons is that LM Angie has more financial knowledge, which implies that FM A has to deal with less issues in the budgeting process than when FM A is working with LM Arnold.

FM A concludes the interview with emphasizing that building up a personal relationship is key when it comes to establishing good communication. The distance is not that important since meeting face-to-face can inhibit efficiency, which can be bad when one is working with tight deadlines in the budgeting process.

**Line Manager Anna (LM Anna) – Summary**

LM Anna is a portfolio director in BioProcess R&D, and head of project office. LM Anna is thereby responsible for budget from an R&D perspective for project portfolio, but also for the budget and the execution of it. The communication for budgeting is done with FM A, who is the corresponding finance manager.

It is probably an advantage to be physically close to FM A since they have to work together a lot and since they can have informal meetings. Despite this advantage of being close, they usually e-mail each other due to meetings. Sometimes they meet by the coffee machine for short breaks to discuss business and private matters.

LM Anna thinks the organizational position one holds matters since the budgeting process is done from bottom-up, but also feels that it is easy to approach FM A directly when needed.

LM Anna holds a pharmaceutical degree and has an executive MBA that was finance by GE. LM Anna still asks FM A in order to learn and has learned a lot by doing. LM Anna adds that the education in finance (the MBA) helped a lot.

LM Anna feels that the close distance to FM A has helped them build a good relationship over the year they have worked with each other, and that it helps them relax and disclose things without thinking twice.

LM Anna feels that time constraints exist during the budget process, but that it helps motivate the budget participants to work better, thus also communicate
better. The communication is normally through e-mails and face-to-face meetings, but sometimes also text messages (SMS) when it is really urgent. That happens more often in the execution stage. LM Anna has established such a good relationship with FM A that they can contact each other during evenings and weekends, which also helps them to help each other times of time constraints. E-mails are used more with people that LM Anna does not know. LM Anna feels that even the tiniest distance could make difference in establishing a good foundation for communication with someone, since one then could establish a better relationship with the counterpart.

LM Anna can sometimes feel distant to FM A since FM A attends R&D management meetings and knows more about the things going on. The personal relation helps LM Anna understand and respect FM A and vice versa. It is not the distance per se but rather the view on things that affect the communication, which refers to embracing a relationship. Background is also important for understanding how things work, for instance previous positions within portfolio management that could make differences in understanding budget related things.

The formulation stage has more meetings with many participants, which often require formal face-to-face meetings. The execution stage does not have a lot of meetings, but FM A usually takes initiatives to meet face-to-face anyway on a monthly basis. Only FM A and LM Anna are involved with LM Anna’s budget in the execution stage as oppose to the formulation stage.

**Line Manager Albert (LM Albert) – Summary**

LM Albert is a portfolio manager within downstream systems and located in Uppsala, Sweden at the same site as FM A. LM Albert is the link between product management and R&D and manages several projects each year that require budgeting. The budgeting starts with a communication about which projects to run the year after and LM Albert drafts up everything and has intense discussions with segment leads in project management.

The results are summarized in tables where estimations of the costs are made and they usually lack funds to go through with all their projects. LM Albert’s team make estimations based on their bottom-up knowledge and FM A will then provide targets and number from a top-down approach. FM A also determines the end targets for the portfolio and communication is therefore carried out with FM A mainly. It is an excel file that goes back and forth between FM A and LM Albert approximately 17 times before a common understanding is reached. They meet up face-to-face frequently to discuss the matter but sometimes they just clarify or add information through phone calls or e-mails. There is very seldom a match between FM A’s targets and LM Albert’s presented targets, which requires a lot of communication back and forth.

The physical proximity is good for communication. The two managers often run to each other and discuss things. They can discuss more frequently, which enhances the estimation needed for budgeting. It would be harder if they had physical distance. Physical proximity is very essential for communication,
According to LM Albert. The physical location of employees could even be more important than the organizational location.

LM Albert states that almost any organization located in Sweden is flat, which implies that employees can approach each other directly without any barriers. This is also the case at GE in Uppsala where the line managers and finance approach each other directly.

LM Albert is an engineer by education and has not been experiencing any further training in finance, but has learned by the current position. One understands more and more as one gets thrown into finance. LM Albert feel comfortable running to FM A with finance matters that are too hard to understand, which happened a lot when LM Albert was new with the current position held.

The personal chemistry is at its best according to LM Albert, and they have a great relationship and communicate well with each other. A great personal chemistry is, could and affects communication in a positive way. LM Albert thinks that FM A understands LM Albert’s personality and another personality would probably have worsened communication.

LM Albert makes sure to prepare and work with the budgeting in advance together with FM A to avoid time pressure and states that time constrained periods imply less face-to-face interactions, which is less good for communication. They also used to have more face-to-face meetings when they were sitting in the same building before. Other communication channels used with FM A are telephone and e-mails.

LM Albert does not normally communicate with FM A in the execution stage if somethings deviates. The forecast for a certain portfolio could differ, but LM Albert can usually solve it alone. FM A will also see the changes that LM Albert makes in the document automatically as the updated version synchronizes. LM Albert admires everything that FM A brings to the budgeting process in terms of knowledge, but would have to stop a lot of projects if the budget was followed strictly. They probably need to discuss slow projects more than they do though.

LM Albert manages the budgets alone sometimes by taking money from overfunded projects and put it into underfunded projects. This is not communicated to FM A. There are still things LM Albert does not understand about the targets that come from above. LM Albert moves against the target and does not know how much money the R&D department has overall, which could be better communicated from FM A.

LM Albert has a similar background to FM A as they both are Swedish academics. But LM Albert is an engineer and would benefit from more finance training. The two managers do not communicate at all in the execution phase since LM Albert takes care of deviations alone, but a lot in the formulation stage. LM Albert does not feel uncomfortable at all to talk with FM A about the budget. FM A always asks a lot of questions to clarify everything, which enhances communication and forces LM Albert to be clearer when communicating. There are also more time
constraints in the execution stage with the monthly follow-up where two to three days are intense. Time constraint does not affect LM Albert's ability to communicate with FM A but rather the analysis of the figures. The analysis of the figures gets weak and vague with time constraints due to lack of time to discuss it through or having deeper conversations with FM A.

LM Albert adds that a good personal connection is the best thing for better communication. FM A is extremely easy to work with and the communication works excellent, as they have not experienced any major disagreements too far. They have some small talks occasionally also, which makes it more comfortable to communicate about business-related matters. LM Albert thinks that FM A has a great personality that helps LM Albert perform better and better. FM A spent a lot of time as young in a village where LM Albert grew up and they have similar backgrounds in terms of family and upbringing, according to LM Albert.

**Line Manager Alexia (LM Alexia) – Summary**

LM Alexia is a section manager for surface design within BioProcess media at GE. LM Alexia has the responsibility to make sure that certain products have the right surface designs. LM Alexia is located in the same building as corresponding finance manager A.

LM Alexia does not have much influence in the budgeting process for LM Alexia’s line section. All managers are provided a budget where they get to know how much funds they can spend within their section. They cannot exert any power to influence the set amount of money that they are given.

It is important that the budget is reasonable for LM Alexia so projects can be run. LM Alexia has a quarter follow-up on the budget in the execution stage with LM Alexia’s manager, who is in direct contact with FM A.

LM Alexia’s section had some overspending year 2013 and they had grave problems with tracking down the reason behind the deviations. They needed to establish communication with the finance department to receive help with tracking the deviations. LM Alexia does not communicate with FM A at all concerning the budget but has some contact when financial questions arise.

LM Alexia had no experience in finance before working with budgeting in LM Alexia’s current position and LM Alexia really feels that more training in finance and budgeting would be helpful. LM Alexia is a research engineer by background.

LM Alexia communicates with LM Alexia’s manager regarding the budget, who in turn has more frequent contact with FM A. LM Alexia has because of lack of involvement no relationship with FM A and does not feel that communication is necessary. The receptionist of LM Alexia’s section has the excel sheets and LM Alexia just walks down to have a look at them when needed, which usually is in the execution stage every quarter.

LM Alexia gets feedback on the quarter and discusses the matters with LM Alexia’s manager who then approaches FM A, normally face-to-face. LM Alexia
needs to communicate how much every employee in LM Alexia’s section has spent, but such numbers are e-mailed to LM Alexia’s manager and FM A directly. LM Alexia would feel more comfortable to communicate directly with FM A if LM Alexia would possess the financial knowledge for budgeting.

**Line Manager Angie (LM Angie) – Summary**
LM Angie is director for GE Life Science’s R&D in Bangalore and work with supporting business, introducing new products etc. LM Angie has been highly involved in the last couple of years budgeting processes, also in both stages of the budgeting process where both formulation and monthly follow-up tracking are carried out. LM Angie is located in India and has extensive contact with FM A regarding the budget, who is located in Sweden.

LM Angie thinks that the physical distance to FM A is irrelevant since no time zone effects are perceived. They never have to plan to communicate and they can easily use modern technology as channels. LM Angie can also approach FM A directly when it comes to finance in general and budgeting in particular. LM Angie is an engineer by degree and has learned finance extensively after a few decades of budgeting work. That has been the best training for understanding finance according to LM Angie.

The personal relationship with FM A is not very developed and they have only met a couple of times in person. LM Angie thinks the relationship is enforced every time after meeting physically and they communicate more comfortably after they actually meet. They have never talked about casual things though and keep the relationship purely professional, even after meeting face-to-face. However, LM Angie has the opinion that personal relationship does not matter for establishing good communication.

The budgeting process does not involve a lot of stress according to LM Angie as more experience over the years has given LM Angie the knowledge to handle the budget routinized and without any unpleasant minor errors. LM Angie states that it usually is the line managers who make the budgeting process stressful due to their lack of finance knowledge. Finance managers have sufficient skills and LM Angie has gained sufficient skills over a long period of time, which makes LM Angie perceive a non-stressful environment when budgeting.

Technology has given LM Angie the means to communicate with perfect transparency, according to LM Angie. Phone calls, WebEx and tele-presence are used to communicate.

**Finance Manager B (FM B) – Summary**
FM B is a finance manager for BioProcess downstream in GE. All downstreams down from center is within FM B’s responsibilities and FM B works close to sales. FM B is also responsible for product supports, regulatory complaints and manages the financials of marketing.

FM B's relation to LM Ben and LM Betty is that FM B manages their products. LM Ben is located in Sweden, Uppsala at the same site as FM B whereas LM Betty is
located in the US. FM B does not think that the distance matter at all, because LM Betty was previously working at the same site as FM B for over a year. They established a good personal relationship during this time and it is according to FM B not a problem to be distant form each other now. The time zone difference is not a problem since nothing usually is too urgent due to FM B’s ability to work pro-actively when it comes to budgeting. LM Betty also has two team members working at the same site as FM B, which gives FM B the possibility to work with them face-to-face if needed.

FM B is involved in various budgeting processes and feels that working structured and start planning early before May is crucial to avoid stress. FM B also needs to keep a monthly track on the numbers and monitor the budgets within FM B’s responsibility in the execution stage of budgeting, which FM B thinks is a lot of work. Usually no deviations are critical unless the managers (FM B and corresponding LM) find something the very last day before the quarter close.

FM B has a great personal relationship with LM Betty where they talk about travels and personal matters beyond professional business talk. FM B thinks the personality is decisive for establishing such a good relationship and think LM Betty has an easy personality when it comes to establishing a personal relationship. FM B mentions that personal relationships beyond merely professional is something that business life today lacks. A good relationship will make it easier to discuss business matters.

FM B meets up with LM Ben for coffee and lunch on a frequent basis to discuss business. Furthermore, FM B states that it is very nice to be able to meet face-to-face that often even though it is not a deal breaker for the outcome of the budget. That possibility to meet up face-to-face does not exist with LM Betty but they still have a great relationship and do sometimes call each other to talk about private matters. FM B thinks that it would be extremely hard and complicated to create and establish a good business relationship with someone who is physically distant.

FM B holds a telecommunication engineering degree as well as a business degree, both completed in Barcelona, Spain. FM B also has a solid background in finance due to previous work within financial auditing at a major auditing firm. FM B joined GE Capital in Spain after this and continued to work with IT, but felt that finance was more satisfying and started a career within finance within GE instead.

LM Betty has a solid background in finance according to FM B since LM Betty understands financial concepts and issues that FM B bring up in the budgeting process. FM B think that LM Ben still has a lot to learn about finance since LM Ben only has been working with finance for approximately one year. LM Ben still needs to get familiar with the processes and concepts within finance in general and within budgeting in particular. FM B thinks it is great that LM Ben is eager to learn and develop financial skills and describes LM Ben as a person who gets into
detailed discussions. FM B continues to state that genuinely interested people are desired in any business for better overall performance.

FM B describes that MNC’s like GE have 10-15% top talent people, which are key and considered as business drivers. Roughly 65% are average performing people and 20-25% are people that need to get replaced or laid off depending on the situation. These 20-25% are people who lack the genuine business interest and who are hard to motivate.

FM B describes GE as an employer that promotes an “open-door policy” where everybody can approach each other directly without any hindrance. All employees are encouraged to communicate with each other as much as possible, and both employer and employees therefore prefer straight communication rather than passive e-mail sending. FM B feels that meeting face-to-face enhances the pro-active work that is required for the formulation stage of budgeting. LM Ben and FM B almost always meet face-to-face to communicate whereas LM Betty and FM B talk through WebEx, e-mails and phone calls. FM B continues to mention that phone calls are more likely the more intense the situation is since e-mails can take a long time to get replies from.

FM B has been involved with communicating through telepresence, which is a telephone conference tool. It was however nothing those employees at GE embraced and it is currently not used extensively.

Communication is in general not a complex process according to FM B, unless there are many people involved. The communication in the budgeting process is about closing gaps between the information that comes top-down and bottom-up. This is why the communication between finance managers and line managers is important in the budgeting process.

**Line Manager Ben (LM Ben) – Summary**

LM Ben has been working at the site in Uppsala, Sweden since 1999 with various positions. Production environment, audit and now P&L. LM Ben is a chemical engineer by degree and leads a team of managers for the budget process of which FM B supports. LM Ben is working with the life cycle of existing products, but also with filling the pipeline with new products and to supply customers with new better developed products.

LM Ben used to work with commercial organization before, but that is not a part of P&L. LM Ben’s current customers are the sales force, which constantly need better products to introduce to the market. LM Ben supports the sales force with products whereas FM B supports LM Ben with finance knowledge.

LM Ben is very content with having the finance support team and FM B at the same site since they talk several times a day. LM Ben does however not think that physical location is an issue. It just requires some more efforts from the participants to sustain a good communication and they have to work a little bit harder to get the same quality of communication.
LM Ben likes to go up and talk to people face-to-face and thinks it is pointless to not go up to FM B when they sit in the same office. Only lazy people do not walk around and interact according to LM Ben.

FM B and LM Ben can in other words approach each other directly anytime they want. LM Ben describes the relationship between finance and line management as a marriage where each side’s inputs are essential.

The drivers behind the numbers require communication from LM Ben to FM B. LM Ben has no business education and has only been briefly introduced to finance in manager courses. Questions often arise for LM Ben regarding controllership and advanced financial concepts. LM Ben thinks that it is crucial to understand how cash statements affect LM Ben’s business and every manager should be familiar with budgeting in a finance-oriented company like GE for more efficient work processes.

LM Ben thinks that the personal chemistry to FM B is high due to FM B’s attentiveness and will to always support. FM B makes sure to take time and go through financial terms and underlying meanings of them thoroughly and pedagogically over lunch or formal face-to-face meetings. They connect on a more private level when they meet face-to-face than when they talk over the phone or e-mail each other.

LM Ben feels pressure to come back with information during inventory reviews (follow-up in the execution budgeting stage). LM Ben is usually late with information for these reviews. One has to manage task and prioritize tasks to meet deadlines. For example, FM B once worked twenty hours extra before a budgeting deadline.

The average amount of received e-mails per day is 200 for LM Ben, where many of them are marked with “high importance”. These e-mails are ignored because LM Ben believes that one would come down to LM Ben’s office or call if something was urgent. It is the sender’s responsibility to make sure that communication is carried out with LM Ben. They can always call.

The first stage of budgeting consists of putting a lot of work into putting together the budget and FM B needs to supply copiously of support in this stage. FM B is pro-active and LM Ben is reactive in the formulation stage whereas the roles are reversed in the execution stage. LM Ben will then instead be pro-active and FM B will be reactive.

**Line Manager Betty (LM Betty) – Summary**
LM Betty is a business leader for process solutions and is describes current work tasks as “running a mini piano”. Responsible for numbers, running the department, maximizing profits through inventory management. LM Betty is also responsible for marketing of products, value added features, to initiate new product development, which all could be in line with existing products or completely new products. It is described to be a very wide sort of job, with a lot of responsibilities. Ultimately it’s all about profitability.
When setting the budget there are two types of budgets to work with. The R&D product budget and the department budget, which both are having the same process.

The discussions for the department budget with other managers and employees are normally consisting of the steering of the Travel & Living budget, which is about adding headcounts and minimizing headcounts. It is usually about determining these and the rest of the budgeting will go on quite easily.

The R&D budget is a little bit trickier as a wish list is made together with finance managers to estimate costs and determine feasibility. R&D budgeting is all about deeper and bigger discussions with other participants due a more complex nature. LM Betty needs to discuss with the corresponding finance manager (FM B) how LM Betty wants to allocate the funds that has been approved and given by FM B. They then keep contact to ensure a good steering and decision making in the execution stage of the budget. LM Betty repeats that they work closely, and that they crosscheck things with each other throughout the way.

LM Betty moved to the US after working in Sweden at the same site as FM B and explains that it obviously is hard to drop by and ask smaller less urgent questions nowadays, but FM B is responsive and LM Betty has no complaints. LM Betty continues to describe that a very good personal relationship was established before the relocation to the US. It is considered to be a great advantage, as LM Betty feels more comfortable to talk extensively to FM B and ask follow-up questions if needed. It is however bad to not have the possibility to have day-to-day interactions.

It used to be easier for LM Betty to run by FM B’s office than just picking up the phone and call. There is a lot of finance related things that LM Betty does not understand and that could be more properly explained with a meeting. LM Betty thinks it would have been difficult to communicate if they had not met each other before, but there is now nothing that prevents them from doing the same job as before.

LM Betty thinks of the relationship to FM B as a strict professional relationship, but they admire each other’s personalities and do not have any problems to throw in jokes and talk about private matters such as travels, family etc. However, they did not and do not spend any private time together. LM Betty thinks that it is important to have respect for a co-worker rather than liking him or her and LM Betty has a lot of respect for FM B, which makes it easier to work together.

LM Betty is a chemical engineer by education and was born as well as raised in Denmark where the studies where completed. Furthermore, LM Betty has had numerous technically oriented job positions, but also one sales position in the food industry. Started 2003 as a product manager in GE and got to become a business leader after a couple of years. Currently holds the third leadership position within GE. LM Betty also has an MBA and has attended finance-training
courses with GE. LM Betty thinks it would be extremely difficult to not understand finance and one needs to be eager to ask a lot of stupid questions to learn, especially in GE due to their finance orientation.

The level of finance knowledge is sufficient for LM Betty, but there is confusion when it comes to certain detailed things. Finance has never been an issue when it comes to communication, as LM Betty perceives that the finance managers have been helpful. LM Betty can always talk directly to FM B without any barriers affecting their interaction. Even some sub-ordinates have direct contact with FM B, but the US located sub-ordinates are more reluctant to have direct contact with FM B than the Swedish ones.

No stress is perceived in the budget process, but rather frustration. Good preparation and planning activities to work structured and organized prevents the time stress. The formulation stage is however more stressful whereas the execution stage is less deadline based.

Communication channels are phone, e-mail and WebEx. It works fine to use these channels with FM B since FM B is good at reaching out and set meetings, it is efficient basically. E-mails are usually sufficient but sometimes then need to follow-up with phone calls. E-mails are good since the two managers need to communicate with others as well sometimes.

**Finance Manager C (FM C) – Summary**

FM C is more specifically a commercial finance manager who supports growth by supporting contract deals and budgeting processes.

FM C is involved with estimating the figures for the quarter to see if they end up below or above budget, but also in working with the enterprise team to see if they need to hire new people and create new teams.

LM Chris is located in the US and there is therefore a physical distance to LM Chris. FM C thinks it would have been better to be able to meet face-to-face frequently, but the distance does not affect the outcome due to FM C’s gained ability to estimate the numbers. Last year consisted of great estimated according to FM C.

FM C is available 20 hours a day during the budgeting process to ensure that the amount of mistakes is reduced as much as possible. There is however some language barriers and cultural barriers perceived by FM C when talking to line managers that are located abroad.

The planning of the budget is much more accurate and detailed compared to the execution stage. The execution stage is for more strange things and deviations that sometimes occur.

FM C states an example of when the communication was poor. The situation was that one of the line divisions that FM C supports hired someone without FM C’s knowledge. E-mails are normally used due to different time zones. LM Chris and
FM C met face-to-face in the formulation stage to plan and organize the budget work in a pro-active way. Phone calls and e-mails are otherwise used for communication, but also WebEx in order to share screens and show numbers to each other.

Face-to-face is according to FM C the best way to communicate due to the fact that all questions and follow-up questions can be asked to avoid misunderstandings that are common when communicating via phone calls. One can be fully focused and speak until a common understanding is reached. Video calls should be used in the future according to FM C.

FM C has an excellent relationship with LM Chris and FM C even thinks of their relationship as friendship. They spend time with each other in private and have dinners when meeting. They also call each other for private purposes sometimes. FM C does not think that relationships can be built by exchanging phone calls. When you meet a person you get to know them and establish a better personal relationship, which also is good for further communication.

FM C holds a Master’s degree in Finance with an international profile. FM C has lived in Paris, London, Brussels and all over Germany. FM C admires international environments and has no preference when it comes to nationalities.

FM C has worked a lot with budgeting before and has an extensive set of experience when it comes to finance. FM C thinks that LM Chris is good in finance and that LM Chris has a lot of experience as well when it comes to numbers. LM Chris can give inputs and finance analyses of the budget. FM C can talk directly with LM Chris about everything without any barriers and states that organizational distance is something felt if one does not know the other person. Direct contact and the absence of organizational barriers is a pre-condition for business to work efficiently, according to FM C.

Time constraints are almost always present when working with budgeting, according to FM C. It involves tough deadline and one needs to be prepared and start early to avoid the stress that tough deadlines can imply. LM Ben mostly confirms what FM C already has done and gives inputs to the things FM C present in the budgeting work. FM C feels more alone in the execution stage, which also could be stressful just like the formulation stage. Both stages are stressful and require a large amount of work, but follow-ups are done quarterly and require slightly less attention. FM C states that FM C and LM Chris are in meetings all day when working with the budgeting.

**Line Manager Chris (LM Chris) – Summary**

LM Chris used to be a big part of the group for budgeting. LM Chris’s involvements are basically more resource based there days than before. The last budget was LM Chris’s last budget involvement and it was for 2014, which was formulated and completed 2013.
LM Chris is a project manager and leads a group that is spread out all over the world. It is described as a holistic business approach and similar to running a smaller business. The group currently has three finance managers, where one of them is FM C who is located in Sweden.

LM Chris definitely thinks the budgeting work is crucial and the communication with FM C could definitely have an impact on the enterprise performance. LM Chris is involved with project budgeting and line budgeting, where FM C is involved to some extent in both.

LM Chris is at the GE site in Uppsala every six-week minimum and has the possibility to meet up with FM C frequently. They also talk frequently on the phone and e-mail each other every day. Certain more complex finance issues require face-to-face meetings and both managers try to steer it towards such meetings. Next budgeting process starts in May 2014 and the managers will organize to meet in Switzerland or Sweden.

Telecom, e-mail and WebEx are used otherwise. Every communication channel is good enough as long as it helps LM Chris get the job done. LM Chris thinks that well organized meetings over telephone conferences could be sufficient but that it requires more preparation than meeting face-to-face. The communication channel depends on the severity of the situation. Usually more stress in the formulations stage of budgeting.

LM Chris is a chemical engineer by education and started a career at Pfizer in New York to later become a project manager. Pharmacia was the second company where LM Chris worked until GE acquired the company. LM Chris describes her job tasks as technical leadership roles, manufacturing management and capital projecting. Some minor courses in finance through GE Healthcare have been completed but LM Chris has no other finance training. LM Chris feels that everybody close to LM Chris would appreciate to receive more finance education. It could help to get a bigger understanding of the business and get more in-depth communications with the finance staff, since less time would be spent on educating each other.

FM C is deemed to be very easy to talk to according to LM Chris because of FM C’s genuine interest in the business and desire to be involved in everything. LM Chris explains that all managers working together as relationships beyond merely professional as they spend time with each other privately to have a coffee or dinner etc. It is a close team relationship wise that works in synergy.

Urgent matters call for more than just a financial review and it often calls for face-to-face meetings between LM Chris and FM C. Their good interpersonal relationship is important since it helps them become prepared for the budgeting process, according to LM Chris. It also helps them understanding situations and move forward from them quickly.

LM Chris thinks the sharing system for documents needs to improve. The way they share documents amongst each other is very controlled and inefficient. It is
a weird system in terms of file structure and they need more transfer systems, according to LM Chris.

LM Chris explains that the best way to go about when budgeting is to have continuity and always have a story in place to explain for the counterpart how the numbers were derived. This makes it easier to work with in the execution stage later on as the managers can look back at things more easily.