

The Role of Internal Communication in the Rolling Forecast Process

International Business Communication
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Objective of the Study

The objective of the study was to examine the role of internal communication in the rolling forecast process. The study analysed the role of internal communication through four research questions: 1) What communication practices are connected with the rolling forecast process? 2) Which organisational attributes influence the internal communication climate in the rolling forecast process? 3) How is management and strategic communication incorporated in the rolling forecast process? and 4) How does the rolling forecast process influence the communication lines in the organisation?

Methodology and Theoretical Framework

The qualitative case study was chosen as the research strategy. The data consisted of eight theme interviews conducted in four companies with business professionals involved in financial forecasting process. The data collection and analysis concentrated on key themes, which emerged from existing literature. The starting point for the theoretical framework was a management steering model created by Hope, Fraser and Åkerberg (1999). The model is based on forecasts, performance reviews and strategy evaluation that are carried out on a rolling basis. The theoretical framework consists of four core elements: internal communication practices, organisational context, strategic planning and management approach.

Findings and Conclusions

The findings of the study show that efficient internal communication is one of the prerequisites of a well-designed rolling forecast process. Internal communication in general has a multifaceted role in the rolling forecast process. The communication practices were case-specific and unstructured among the case organisations. History, organisational structure and organisational culture were considered as the most significant organisational attributes that influence internal communication climate. Interviewees highlighted the importance of management communication especially during the implementation of the rolling forecast process whereas the incorporation of strategic communication in the rolling forecast process was dependent on how the entire business planning process is organized in the company. As a conclusion, the key elements of functional internal communication in the rolling forecast process consists of coordinated communication framework and practices, adaptable communication climate and management endorsement. Moreover, findings indicate that the rolling forecast process calls for open and cooperative communication but the process itself can also spur communication across the organisation.

Keywords

Rolling forecasting, forecasting, international business communication, internal communication, financial communication, organisational culture, strategy, budgeting

Sisäisen viestinnän rooli rullaavassa ennustamisprosessissa

Tutkimuksen tavoitteet

Tutkimuksen tavoitteena oli selvittää sisäisen viestinnän rooli rullaavassa ennustamisprosessissa. Tutkimuksen kohteena oli neljän yrityksen ennustamisprosessi. Tutkimuksessa syvennyttiin tarkastelemaan sisäisen viestinnän roolia neljän tutkimuskysymyksen kautta. Tarkastelun kohteena olivat sisäisen viestinnän käytännöt, sisäiseen viestintäilmapiiriin vaikuttavat organisaation taustatekijät, johdon ja strategisen viestinnän yhteys rullaavaan ennustamisprosessiin sekä rullaavan ennustamisen vaikutus horisontaaliseen ja vertikaaliseen viestintään organisaatiossa.

Tutkimusmenetelmät ja teoreettinen viitekehys

Kvalitatiivisen tapaustutkimuksen tutkimusaineisto kerättiin suorittamalla kahdeksan teemahaastattelua. Aineiston koonti ja analysointi keskittyi avaintemoihin, jotka muodostuivat rullaavan ennustamisen ja sisäisen viestinnän aiemman kirjallisuuden ja tutkimusten pohjalta. Tutkimuksen teoreettisen viitekehyksen lähtökohtana oli Hopen, Fraserin ja Åkerbergin (1999) johtamismalli, jossa yrityksen toimintaa ennustetaan, tarkastellaan ja ohjataan rullaavan periaatteen mukaan. Tutkimuksen teoreettinen viitekehys sisälsi neljä perustekijää: sisäisen viestinnän käytännöt ja viestintäsuunnat, organisaation taustatekijät, strateginen suunnittelu sekä johtamistapa ja -viestintä.

Tutkimuksen tulokset ja johtopäätökset

Tutkimuksen perusteella toimiva sisäinen viestintä on yksi hyvin suunnitellun rullaavan ennustamisprosessin perusedellytyksistä. Yleisesti sisäisellä viestinnällä on monitahoinen rooli rullaavassa ennustamisprosessissa. Case-yritysten kesken yleiset viestintäkäytännöt vaihtelivat. Historia, organisaatorakenne ja -kulttuuri nähtiin tärkeimpinä sisäiseen viestintäilmapiiriin vaikuttavina taustatekijöinä. Haastateltavat korostivat johdon viestinnän tärkeyttä erityisesti rullaavan ennustamisprosessin käynnistysvaiheessa. Sen sijaan strategisen viestinnän yhdistäminen rullaavaan ennustamisprosessiin on tulosten perusteella riippuvainen siitä kuinka liiketoiminnan suunnitteluprosessi kokonaisuudessaan on rakennettu. Tutkimustulosten perusteella rullaava ennustamisprosessi voi edistää sekä vertikaalista että horisontaalista sisäistä viestintää. Tutkimuksen johtopäätöksenä voidaan todeta, että yhtenäiset viestintäkäytännöt, mukautuva viestintäilmapiiri sekä johdon tuki ovat sisäisen viestinnän avainkohtia rullaavassa ennustamisprosessissa. Pohjimmiltaan rullaava ennustamisprosessi edellyttää avointa ja yhteistyöhaluista viestintää, mutta toisaalta prosessi itsessäänkin voi vauhdittaa viestintää organisaation sisällä.

Avainsanat

Rullaava ennustaminen, ennustaminen, kansainvälinen yritysviestintä, sisäinen viestintä, talousviestintä, organisaatiokulttuuri, strategia, budjetointi

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1 INTRODUCTION

“The stock market has forecast nine of the last five recessions”

Paul Anthony Samuelson, Economist, Nobel Prize in Economic Sciences (1970)

Many leading economists and the World Bank (2009) consider the current financial crisis the most devastating since the Great Depression in the 1930's. As Foster and Magdoff (2009) elaborate, a number of causes for the crisis have been proposed but it is somewhat commonly agreed that the immediate trigger for the crisis was the bursting housing and credit bubbles in the United States. The escalation of the crisis was caused by two factors: the contagion has become global and the roots of the crisis were in the fragility of the financial architecture (Foster & Magdoff, 2009). According to the World Bank (2009) elementary economic metrics, such as unemployment and gearing, indicate that the crisis is far from being over. Also, the business life in general is still conservative with future performance forecasts. Some experts predict that the worst downturn has already been bypassed whereas others highlight that if the liquidity crisis continues, recession might be extended or even a turn to worse might occur (Read, 2009). As Read (2009) highlights, predicting the long term consequences of the crisis in full-scale is naturally difficult, but undoubtedly for many companies harder times are still ahead and on the macroeconomic level recovery takes a long time. Although some experts gave indications of a coming financial crisis, it is fair to point out that economists mostly failed to forecast the worst international economic crisis since the 1930's.

Boone and Kurtz (2008) point out that the current financial crisis has highlighted the exigencies of contemporary business: flexibility and readiness for change. As a consequence of globalization and vast development of information technology in particular, the operational business environment has changed for good. But how can an individual company prepare for drastic and fast changes in its operational environment?

It is challenging, if not impossible, to fully predict the future, especially from a financial perspective, but at the very least companies should increase the state of readiness.

Borland, McLeod and O'Conor (2000) and Hope (2006) highlight that financial forecasting is nowadays one of the key future-oriented management processes for managing the business at every level. Hope (2006) further emphasises that the purpose of financial forecasting is to inform decision making and to help shape future outcomes, rather than to predict the future. Budgeting has remained as the flagship of business performance management and forecasting for decades. However, as Aubrey (2007) argues, the external environment is not conducive to the traditional static financial planning framework any longer. According to a survey conducted in 2006 by American Productivity and Quality Centre (APQC), many organisations were dissatisfied with their planning, budgeting and forecasting processes (Aubrey, 2007). The survey respondents considered the budgeting mainly as a number crunching exercise where targets are often weakly linked to external economic data and which becomes quickly outdated. Hence, many companies have recognised the need for financial methods that can provide fast and fresh information for the management. As Hope (2006) points out, ability to help managers to prepare quality forecasts is fast becoming a core competence. Hope (2006) also argues that companies should be proactive rather than reactive towards changes and company management have to bring into play processes that indicate signals of forthcoming transformations in the operational environment. In other words, financial professionals need to look beyond traditional forecasting methods and the fiscal year cycle to move with time.

According to Aubrey (2007), rolling forecasting is a method increasingly adopted as a superior alternative to traditional forecasting methods. Clarke (2007) describes that in the rolling forecast process financial performance is simulated on a rolling basis, prepared each month or quarter, to cover the same period, typically the next 6 to 18 months. Aubrey (2007) enunciates that rolling forecasting forces the organisation to look beyond a calendar year and it enables the identification of alternative strategies and a response to both adverse and favourable impacts. Keogh (2008) points out that rolling

forecasting is not a recently developed method, but only five years ago it was not considered necessary by the majority of the companies. He continues that, since today the majority of Financial Directors and Chief Financial Officers are strategically focused, the rolling forecast process is applied more widely. Advocates of rolling forecasting emphasise that the process facilitates better risk management and a wider scope of opportunity recognition. More sceptic views underline that without external information rolling forecasting as a process is reactive rather than proactive. For example Clarke (2007) emphasises that the integrity of the people involved in the forecasting process, the integration of the strategic plan and suitability of the technical software are prerequisites for a functional rolling forecast process. The rolling forecast process can also serve as a major vehicle for the empowerment of employees at all levels within the company. Moreover, as Åkerberg (2006) concludes, the key element to successful financial planning in general and a smooth forecasting process, in particular, is strong and clear communication.

While forecasting is increasingly becoming an important source for decision making, at the same time the importance of communication in business has been recognized more generally. Today the impact of effective communication, especially internal communication, on business performance is increasingly being acknowledged (Quirke, 2008). Globalisation, advanced technologies and mobility of work have altered the operational environment, and these same trends have driven transformation of internal communication (Communication is critical to business success, 2001). As the nature of internal communication is changing, the definition of internal communication is also evolving. Bovée and Thill (2009) define internal communications simply as “exchange of information and ideas within an organisation”. In a survey conducted by Deloitte and Touche Human Capital, as Quirke (2008) reports, 95% of the chief executives said effective internal communication is very important to the success of an organisation. This view is also supported by Hargie and Tourish (2009), who point out that organisations that treat their people well and that communicate with them fully and forthrightly, do better in the marketplace. They continue by pointing out that some of the leading-edge executives consider communication as a competitive advantage of the

company. However, as Keyton (2005) argues, organisations are nowadays often so diverse and large that organisational members tend to have multiple, overlapping identities and therefore it is difficult to create organisation-wide consensus and personnel should not be considered as a mass of people anymore. Keyton (2005) also point outs that common to all contemporary views on organisational culture is the acknowledgment of the role of communication in its creation. While functional communication enhances corporate-level effectiveness, it appears that its greatest impact can be at the operational level. From the strategic perspective internal communication can serve as a blue print for developing an internal communication strategy that drives an organisation towards its corporate goals (Communications is critical to business success, 2001).

Both subjects, internal communication and rolling forecasting, are diverse, interesting and topical for research but especially the concept of rolling forecasting has been in focus for the past years. The Economist Intelligence Unit [EIU] (2007) survey, commissioned by KPMG, examined how leading organisations enhance the reliability and confidence of forecasts and, as a result, creates measureable business value. Almost 40% of the respondents of the EIU survey used the rolling forecast rather than the traditional budgets in forward planning. Furthermore, two thirds of the 540 senior executives said they use the rolling forecast process to complement traditional budgeting in forward planning (see also Figure 2, p. 25). The number of organisations implementing the rolling forecast process seems to continue to increase but more importantly companies have implemented the rolling forecast process successfully and have that way introduced a more flexible and straightforward way of planning the future. Hope and Fraser (2003) highlight that for some leading-edge organisations' rolling forecasting has even served as a trigger for more proactive and forward-looking way of management.

The popularity of rolling forecasting seems to be increasing and the research around it is advancing, but the literature from internal communication perspective is still relatively scarce. Common to existing literature, however, is that communication is considered as

one of core elements of the process. For example Hope and Fraser (2003) claim that the rolling forecast process should enrich and accelerate the information flow and because forecasts are regularly revised, they support managers' ability to fashion strategies that continuously adapt to market conditions. Respectively Drtina, Hoeger and Schaub (1996) argue that rolling forecasting calls for frequent and efficient internal communication across the organisation. One of the EIU (2007) survey respondents commented that due to the rolling forecast process working together gives a great amount of ownership and it helps internal communication. The advantages of rolling forecasting are considered to be its quickness and flexibility. In order to create an organisation that prepares rolling forecasts fluently and well, the process needs continuous support especially concerning communications. As Juholin (2006, p. 131) underlines, it is essential to support the process by creating communication actions for the whole audience as well as target group-specific.

As a conclusion, the scarcity of practical experiences and effects of internal communication to the rolling forecast process opens a niche for this study. Forecasting clearly is becoming a core management process and more important source for decision making in the international business world. Internal communication clearly is a relevant element of the rolling forecast process. On one hand the degree of success of the rolling forecast process seems to be strongly dependent on (internal) communication. On the other hand the process itself can promote fluent cross-organisational communication. Despite the importance, the existing literature covers only on the face of the role of internal communication in the rolling forecast process.

1.1 Research Problem and Questions

The main objective of this thesis is to create a good general view on the rolling forecast process and the internal communication features related to the process. More specifically, the main research problem of this thesis is: what is the role of internal communication in the rolling forecast process. In order to reach an extensive response to

the research problem and to reach the main objective of the study it is reasonable to divide the research problem into smaller parts. These subproblems are formulated in the form of research questions. This study aims to discover solution to the research problem by finding answers to the following four research questions.

1. What communication practices are connected with the rolling forecast process?
2. Which organisational attributes influence the internal communication climate in the rolling forecast process?
3. How is management and strategic communication incorporated in the rolling forecast process?
4. How does the rolling forecast process influence the communication lines (horizontal and vertical) in the organisation?

The research questions are advisedly organised to approach the research problem from different perspectives. The first question takes a process viewpoint. The second question then approaches the problem from organisational point of view. The third question addresses the management view, and the fourth question is more from individual and departmental angle. This setup enables to cover the whole communication environment and thus reach the main objective of the research. The aim of the first research question is to create a general view of the communicational activities and elements related to the rolling forecast process. This means also clarifying what channels are applied, and with what frequency. The second research question focuses on the organisational characteristics that influence the communication related to the rolling forecast process. Objective is to identify features of the organisational context, such as history, culture and industry, which have an effect on the internal communication climate. The third research question approaches the rolling forecast process from the management perspective. The purpose of the third question is to discover how the organisational strategy and way of management is linked with the process. The fourth research question then is designed to examine the communication flow during the rolling forecast process. The purpose of the fourth question is to examine in what scope rolling forecast facilitates horizontal and vertical communication.

1.2 Definition of Key Terms

In order for the reader to easily follow the text and to better understand the area of the study, the most central terms are identified and defined here. While most of the key terms represent broader concepts, various explications do exist. Therefore the purpose is to provide definitions that befit the approach of this study and are easy to comprehend. Other terms that are less widely used in the study are defined and further discussed later in the relevant chapter.

Budgeting is a process that translates organisational plans and goals into financial estimates of future income and expenses for an accounting period. The two main purposes of budgeting are to provide a forecast of business performance when certain strategies, events and plans are carried out and to enable measurement of actual performance against the forecast. (Borland et al., 2000)

Communication culture is the wholeness of shared values, norms and beliefs related to communication activities enacted through the interaction of the members of the organisation. In other words communication culture means the predominating features that characterize the communication environment in the organisation. (Juholin, 2006)

Financial forecast is a projection of the financial performance of the organisation in short- and medium-term based on expected conditions. The main purpose of financial forecasting process is to support decision making and steer the organisation to drive business value. (O’Conor, 2000)

Internal communication concerns all communication members undertake within the organisation. The blurring boundaries of organisations have altered the concept of internal communicators in a way that nowadays also communication to close stakeholders is recognized part of internal communication. The main purpose of internal communications is to engage and encourage the motivation and commitment of

employees by ensuring an understanding of the company's objectives and goals. (Quirke, 2008)

Rolling forecasting is a process that produces a financial forecast that is always stretched for the same number of periods. The term "roll" refers to regular forecast updates that take place on a rolling basis. The purpose of rolling forecasting is to provide current information of the organisation's future performance and to continuously adduce changes in the operational environment. (Hope & Fraser, 2003) In order to clarify the terms frequently used in this study, the term rolling forecasting refers to a forecasting method that produce a numeric output, which is referred in the text with the term rolling forecast. The rolling forecast process is the entire forecasting procedure, which this study examines.

1.3 Structure of the Study

The thesis is divided into six chapters. This introductory chapter has presented some background and the purpose of the study. Chapter two is the literature review, which presents four topics: financial forecasting, two management steering models, rolling forecasting and internal communication. The literature review serves two main purposes; firstly it gives the reader a general view of the related literature and previous studies and secondly it works as a base for the theoretical framework and the empirical research. The theoretical framework is presented in the third chapter. The purpose of the third chapter is to present and visualize the approach to the research problem by disclosing the core concepts and the relationships among the concepts. Chapter four introduces the methodology of the study. Methodology chapter describes the research methods and activities as well as the data processing methods. Chapter five, findings, analyses the research results and discloses answers to the research problem and questions. The last chapter concludes the report and returns to the objectives of the thesis. It summarises and evaluates the research findings, provides recommendations for managerial implications and suggests ideas for further research.

2 LITERATURE REVIEW

This chapter is an overview of the existing literature and research in the area of financial forecasting and internal communication. The chapter serves as a foundation for the empirical research and introduces the key concepts of the two main subjects. The literature review consists of four subchapters. The first subchapter introduces the main principles of financial forecasting and budgeting. The second subchapter introduces and compares two management steering models from a management and strategic point of view. One of the models strongly links to the traditional forecasting methods, such as budgeting, and the other links to an alternative method of forecasting, rolling forecasting. The third subchapter introduces the rolling forecast process. Rolling forecasting is one of the two main subjects of this research and thus the subchapter describes the key aspects of the process in detail. The fourth subchapter portrays the second main theme of the study: internal communication. Internal communication as a subject is multifaceted and thus the focus of the subchapter is cropped on intra-organisation communication related to financial forecasting. The last section of the fourth subchapter combines the two main subjects of the study and explains the interconnection between internal communication and the rolling forecast process. Especially the last section of the literature review sets up the theoretical framework, which is presented in chapter three.

2.1 Financial Forecasting and Budgeting

“The most reliable way of forecasting the future is to try to understand the present”

John Naisbitt, Author and public speaker in the area of future studies

This subchapter lays background for the other main theme of the study: forecasting. Organisations need to look ahead, think objectively and rationally about the business and co-ordinate and control actions and resources (O’Conor, 2000, p. 17). Business planning is a prerequisite for long-term success for any organisation and financial

planning forms a core part of the business planning. As Shim (2000) highlights, financial planning comprises various methods, but common for all of them is that they are some form of estimates of future outcomes described in financial terms. The study uses the term financial forecasting as an all-around term, which refers to the projection of financial performance in short- and medium-term. Furthermore, this study mostly refers to the income statement when discussing financial forecasting. This subchapter consists of two sections. The first section describes the general principles of financial forecasting. Section summarizes the main purpose, attributes and objectives of financial forecasting. The second section introduces the most commonly applied financial planning tool: budgeting.

2.1.1 General Principles of Financial Forecasting

This section describes the key attributes and underlying conditions of financial forecasting. Furthermore, the focus of the section is to examine the main purpose and objectives of the financial forecasting process. The section is an introduction to the next section as well as the next two subchapters, which all concern the concept of financial forecasting.

As Hope and Fraser (2003) describe, although the output of financial forecasting exercise is either one or several different scenarios of the future financial performance, the purpose of the exercise is not about predicting and controlling the future outcomes. According to Hope (2006), the main purpose of financial forecast is to inform decision making and in reality forecasting is necessary only because organisations cannot react instantly to the changing events. Hope (2006) continues that fast reaction is more important than accurate predictions and the only certainty about a forecast is that it will be wrong. Hope's (2006) view is supported by the EIU (2007) survey results. The EIU survey respondents consisted worldwide over 540 senior executives, of which almost one third were CFO's. According to the EIU survey, only a minority of the companies produced forecasts that were within 5 percent of the actual results. The most accurate forecasters are able to use these estimates to underpin performance management and

strategic decisions. Furthermore, the majority of the EIU survey respondents regard forecasting more as an art than science and the survey shows that those that tackle forecasting as a science are the ones getting it right.

The main purpose of the financial forecasting is to support decision making and steer the organisation to drive business value and change. Forecasting is traditionally considered a financial exercise. However, the leading organisations perceive forecasting as the core of the performance management process and emphasise the potential for being driver of business value. Thus, as Hope (2006) and Shim (2000) emphasise forecasting is the key management tool for managing the business at every level and ability to help managers to prepare quality forecasts is fast becoming a core competence. This view was supported also by the EIU (2007) survey, which found that when conducted rigorously, forecasting can become a critical management capability enabling the business to drive and sustain long-term value. Hope (2006) further emphasizes that forecasts must not be seen by the senior managers as a tool for questioning or reassessing the performance targets nor must they be used to demand changes or improvements. Instead linking incentives to relative performance (e.g. market performance, external and internal peers, or key economic conditions) is a significant enabler to changing behaviour (EIU, 2007).

Financial forecasting can include and refer to several different types of financial calculations such as the capital expenditure, investments, projects, business cases, balance sheet, cash flow or income statement (Borland et al., 2000). The income statement is often the primary focus of forecasting. The reason for this is obvious; the income statement forecast is or at least should be, by nature, a collective exercise for the whole organisation (Shim, 2000). Other types of financial calculations usually demand more of financial expertise or are by nature separate calculations. Nevertheless, other forms of financial forecasts usually are closely interconnected to and draw from the income statement forecasts.

Regardless of the forecast type, as O'Connor (2000) proposes, forecasts should balance the external analysis with a clear understanding of the internal resources and competences. Hope (2006) claims that traditionally forecasts have been using too heavily the historical internal accounting as a basis for the income potential evaluations and expenditure estimates. Borland et al. (2000) point out that important facet of financial forecasting is the analysis of past performance. Nevertheless, the starting point should be the indicators of external markets and forecast should reflect what the customers and markets are telling (Hope, 2006, p. 93). Information about the industry, market and economic develop is critical when financial forecasts are prepared. Also Aubrey (2007) highlights survey results indicating that the financial targets are often weakly linked to the external economic data and thus forecasts and or budgets become quickly outdated. Consequently, as O'Connor (2000) concludes, it makes sense to involve managers at various levels of the organisation in preparing the forecasts, particularly when they are close to the market and suppliers. Furthermore, as Aubrey (2007) highlights, it is imperative to identify the organisation's fundamental business drivers and build them into the financial models. As a result, it can be concluded that people, who are able to collect hard information about potential sales and competitive developments as well as soft information about customer perceptions, should be one way or the other included in the forecast process.

As already mentioned in the introduction, the business environment has changed significantly during the last decades. Continuity of change and volatility in the operational environment have become the norm (Boone & Kurtz, 2008). Adaptive organisations see planning as a continuous, inclusive process driven by events and emerging knowledge. Therefore Hope (2006) argues that planning and forecasting should rely on fast, relevant and actionable information and responsible people who know what is expected of them and what to do in any given situation. The disadvantages of many traditional forecasting models are usually mentioned to be lack of accurate and up-to-date information to support the operative decisions in the fast changing business environment. According to Aubrey (2007), main objective for a company developing its forecasting methods is to increase quality without increasing

time consuming and resources. O'Conor (2000) points out that there are various techniques and methods applied in forecasting, but rather than devoting valuable time to imagining complex environments which may never materialize, it is more pragmatic to take the essence of the techniques and apply only it to very specific concerns, such as business case, mergers and acquisitions and equity calculations. Elements of techniques such as risk assessment, contingency planning, sensitivity analysis, capacity planning or scenario planning, should be applied only to a certain extent when developing the main forecasting methods of an organisation. As a conclusion, for most parts planning and forecasting does not require highly sophisticated tools to reach its main objective of supporting the decision making.

This section has discussed the purpose of financial forecasting, the key attributes of the concept and the underlying conditions organisations need to respond to when preparing their forecasts. It is important to understand and keep in mind the fundamentals of financial forecasting when moving towards the main subjects of the study. The next section discusses the most common method applied in financial forecasting: budgeting. Section views the attributes of this long-standing method and attempts to highlight essential and dispensable features in the search of more contemporary and suitable methods of financial forecasting.

2.1.2 Budgeting as a Forecasting Method

Although budgeting still is the most common financial planning tool applied both in public and private sector, many academics (e.g. Aubrey, 2007; Drtina et al., 2003; Hope & Fraser 2003; Åkerberg 2006) as well as top executives argue that the external environment is not conducive to a static budgeting framework any longer. Criticism towards the budgeting has been increasing but its importance in the development of the financial planning field cannot be underestimated. Furthermore, the majority of companies still have yearly budgets either as the main forecasting method or alongside of some other forecasting method. Almost 80 % of the EIU (2007) survey respondents said forecasting plays an important role in the annual budget process. For these reasons

it is relevant for this study to create an understanding of the key features of budgeting. This section examines the advantages and disadvantages of budgeting in the contemporary business environment. Rather than arguing that the budget process should be fully replaced by other methods, the purpose of this section is to discover circumstances where it is recommendable to use budget in financial planning. Furthermore, the section underlines the elements of budgeting that can be exploited when implementing other financial forecasting methods, especially rolling forecasting.

Budgeting as a management process started in the 1920's (Colman, 2004). It has been the flagship tool of business performance management (BPM) and financial planning for decades (Aubrey, 2007). As Ithantola (1998), Colman (2004) and Walther (2009) describe, the budget is a multifarious instrument that can be applied in planning, resource-allocation, coordination, control, performance evaluation, training, negotiation, maintenance of power, pricing, motivation and perhaps in many other fields. Most commonly a budget is an organisational plan stated in monetary terms and there are two main purposes for budgeting. Firstly, purpose is to provide a forecast of business performance when certain strategies, events and plans are carried out (Borland et al., 2000). Secondly, purpose is to enable measurement of actual performance against the forecast (Åkerberg, 2006). However, according to many academics (e.g. Aubrey, 2007; Hope, 2006; Åkerberg 2006) the days of the traditional budget process is coming to an end in organisations and the most common argument against budgeting is the need for more appropriate and flexible tools to response to the constant change occurring in the operational environment. But before jumping ahead of things it is important to understand both the features of budgeting that have made it so widely applied and the features supporting the arguments that it is an outdated method of forecasting.

Traditionally the budget is an annual process but, according to Hope (2006), a proper budgeting process is decentralised and treated as the four quarterly plans that fall within fiscal year. Managers from various parts and levels of the organisation should be involved to budget the monthly income and expenses of their remit for the following year (Borland et al., 2000; Rasmussen & Eichorn, 2000). During the actual budgeting

process there are often preliminary management reviews and amendment rounds carried out before the finance department consolidates the departmental budgets into financial performance review of the whole organisation for the board approval. According to Walther (2009), the budget construction process usually follows up the organisational chart. **Bottom-up participative** approach is perhaps the most common method of compiling a budget. According to Walther (2009), in bottom-up budgeting, the top management may initiate the budget process with general budget guidelines, but it is the lower-level units who drive the development of budgets for their units. The unit budgets are then consolidated into larger entities and eventually they form the budget of the whole organisation. When the process is carried out properly there can be many benefits for the organisation. Borland et al. (2000) list the following key benefits of budgeting:

- Provides structure and road map for planning the organisational direction.
- Provides framework to fulfil the strategy and the objectives of the organisation.
- Assists to identify and allocate the resources and accountability across the organisational units.
- Allows management to monitor, control and direct the activities within the organisation.
- Forces management to consider the relationships between individual units and the organisation as a whole.
- Enables to set the performance standards.
- Can act as a motivational device and underline incentives to perform more effectively.
- Enables to benchmark performance development between different units.

Functional budgeting can provide a road map and action plans for both the management as well as the organisation. Borland et al. (2000) emphasises that for the management budgeting can prove to be useful tool to spread and communicate the organisational strategy and goals to all levels of the organisation. Åkerberg (2006) supports this view, and argues that the influence of the traditional budgeting to organisational behaviour and to the ways management messages are interpret is significant. According to

Åkerberg (2006), it is hard to ignore the standing of budgeting when management is pursuing for a change in the organisational performance and wants to communicate about the change. Therefore budgeting can be a powerful tool of communication, but only when it is applied properly (Åkerberg, 2006). For the organisation the budget process can be motivational exercise, which enables participation in decision making, empowerment and a base for bonuses and other incentives. Furthermore, as the EIU (2007) survey demonstrates, the budget is especially in the public sector considered as statement of intent to prioritise and distribute accountability.

While there are many benefits budget process can bring to the organisation, the budget process has received a lot of criticism over the last years. Disadvantages can be categorised into two main segments: process-related and model-related (Hansen & Otley & Van der Stede, 2003). The process-related disadvantages refer to the features of how the process is carried out in the organisations. The following paragraph lists four main flaws of the budget process. Firstly, budget process is often time consuming. According to the APQC survey the average time of the annual budget cycle is 78 days, varying from 45 days to 90 days (Aubrey, 2007). Time does not include the preparations the process owners are doing before and after the actual budgeting process. Secondly, as for example Hope (2006) sees it, the extreme amount of detail, which leads to high error rates and a longer completion cycle, is counter-productive. Aubrey (2007) claims this is a legacy of finance professional's love for detail at the expense of organisational effectiveness. According to Aubrey (2007), enhancements in technology will often not eliminate this drawback but rather exacerbates it as the complexities are exponentially increased. Thirdly, budgeting often is a hierarchal process, which lacks internal coordination (Hansen et al., 2003). According to Hope, Fraser and Åkerberg (1999), this might lead the management attention to focus on general financial key ratios on short-term and at worst budgeting goes perfectly together with the culture of marching order and control. Fourthly, the budget process rarely advances trusting organisational climate, which supports development and efficiency, quite on the contrary (Åkerberg, 2006, p. 46). Rather than partaking the operational management in decision making and promoting innovation and development, the budget process often

builds roof to growth and floor to costs (Colman, 2004). Furthermore, departmental conflicts might arise due to disputes over resource allocation, and blame shifting to other departments if targets are not achieved. As a result budget is repeatedly considered as a dreaded process by the organisations (Walther, 2009). According to Hansen et al. (2003) the budget is often seen time and money consuming yearly exercise, where output is predestined by the management. Furthermore, communication during the budget process, time and again, is mentioned to be unclear and occurring only downstream (Hope; 2006; Åkerberg 2006).

The first and foremost object of criticism of the budget model is its annual cycle mindset and the lack of ability to produce up-to-date information to support operative decisions in the fast changing business environment. According to Aubrey (2007), the annual cycle mindset has remained strong on most organisations and it is the root cause of operational and management culture of short-termism, budget padding and year-end-spend syndrome. Drtina et al. (1996) argue that budgets become obsolete as the actual circumstances change from the budget process moment and therefore budgets are usually applicable for forecasting purposes only for a short period of time. Preparing an accurate forecast for a period that occurs in twelve or even fifteen months in time is challenging regardless of the business sector. Essential question related to forecasting is, does forecasting signal forthcoming problems in time. Many experts highlight that forecasting business is a continuum and if key ratio follow-up period is too long, their steering effect disappears. Moreover, if financial control is not dynamic, agile and timely, management can only be reactive rather and not focus on essential factors of the business. As Åkerberg (2006, p. 54-55) highlights traditional budget was built in an environment with limited supply and thus it does not signal forthcoming challenges. Moreover, as O'Conor (2000) argues, from an organisational perspective operational processes develop constantly whereas budget standards are set on a yearly basis, and hence they do not provide adequate performance measures. Thus, as Montgomery (2002) highlights, budgeting works best as a short term strategic goal plans. Colman (2004) points out that in some cases when a business is very stable and the company is at capacity and simply has to maintain itself, budgeting is not a problem. But used in the

traditional sense, budgets can impede a company's adaptability to changes (Colman, 2004). Therefore the budget process can rarely be applied as the sole business performance management tool for steering the organisation as it does not signal the changes in the business environment fast enough.

The second point of budget model criticism is gamesmanship. This refers to the drawback that traditional budgeting does not support creation of right kind of climate but rather it is a play, where players win and marching orders rule (Åkerberg, 2006, p. 54 -55). O'Connor (2000) argues that it is common that some negotiation takes place before budgets are finalized and the nature of these negotiations will be determined to a large extent by the culture and history of the organisation. There are many ways that gamesmanship manifests in budgeting but generally speaking the budget model rarely promotes the mindset of constant development and efficiency improvements. Most common manifestation of gamesmanship is managers' tendency to slide into highballing and lowballing strategy when budgeting. This means that rather than budgeting according to their best ability and knowledge available, costs are inflated and revenue underestimated. This is usually done for three reasons. Firstly, budgeting process often includes at least one amendment round, where budget figures are adjusted, and adjusted so that they will reach the management expectations. Thus managers tend to leave slack so that they can improve their initial budgets, when it is demanded. Secondly, managers tend to attend that the budget for their remit is not cut from the last year. In other words managers might want to ensure that they don't lose acquired ground. This is especially characteristic in the public sector. Thirdly, the budget model may reward managers who set modest goals and penalise those who set ambitious goals that are missed. It might not be reasonable for the manager to set too demanding budget targets. Other common manifestation of the gamesmanship appears as departmentalism. Frequently territory protecting prevails and cooperation between units is not required nor promoted by the budget model (Hansen et al., 2003). As Hope (2006) concludes, the culture of negotiation and gaming is deeply ingrained in the budgeting system.

The third point of budget criticism is that budget as a forecasting model rarely leads into actions. As Åkerberg (2006) emphasises, in many organisations cause and effects are not managed properly and deviations between actuals and budget does not lead into actions. Hope (2006, p. 93) points out that there often exists a gulf between the strategic planning and budgeting. Traditional budget as a forecasting model is reactive and focuses greatly on comparison between the budget forecast and actuals. Actions are often only corrective measures and taken when deviation is large enough. Therefore budget model itself does not promote the organisation to initiate actions or to be reactive.

As a conclusion, although budgeting can serve as a foundation for allocating accountability and provide a roadmap for organisational direction, for the majority of organisations budgeting is no longer sufficient method of financial forecasting. Clarke (2007) argues that despite the attention budgeting gets, the budget is rarely an accurate forecast. Åkerberg (2006, p. 54-55) continues in kind by stating that budgeting is demanding, expensive and often a process that adds value poorly to the owners, customers nor the organisation. It is important for the reader to understand the fundamentals of budgeting for two reasons. Firstly, the alternative forecasting methods encounter many of the same challenges than budgeting. Secondly, the budget is still commonly applied in business world, at least as a complementary method in the business planning process. Before looking into a substitutive forecasting method it is important to understand what should be the prerequisites. The next subchapter introduces a management steering model, which requires a new mindset for the organisation but at the same time model provides basis for more contemporary forecasting methods than budgeting.

2.2 From Traditional to Alternative Management Steering Model

“You should not have a long-term strategy anymore,
because you won’t be able to move fast enough”

Orit Gadiesh, Corporate Strategist, Chairman of Bain & Company

The previous subchapter highlighted some of the disadvantages of budgeting. However, budgeting is perhaps only a process that discloses the symptoms of non-value adding behaviour that exist in organisations. The root causes of conservative mindset are likely to be deeper in the organisational strategy and management way of action. This section compares two management steering models with the purpose to rationalise steps to more contemporary forecasting methods. The traditional management model links rather well to the traditional budgeting framework whereas the alternative management model gets off from the urge of continuous development and proactiveness in the organisation and reflects the framework for implementing the rolling forecast process.

The two management steering models presented in Figure 1 are based on Hope et al. (1999) view on organisational management from a strategic point of view.

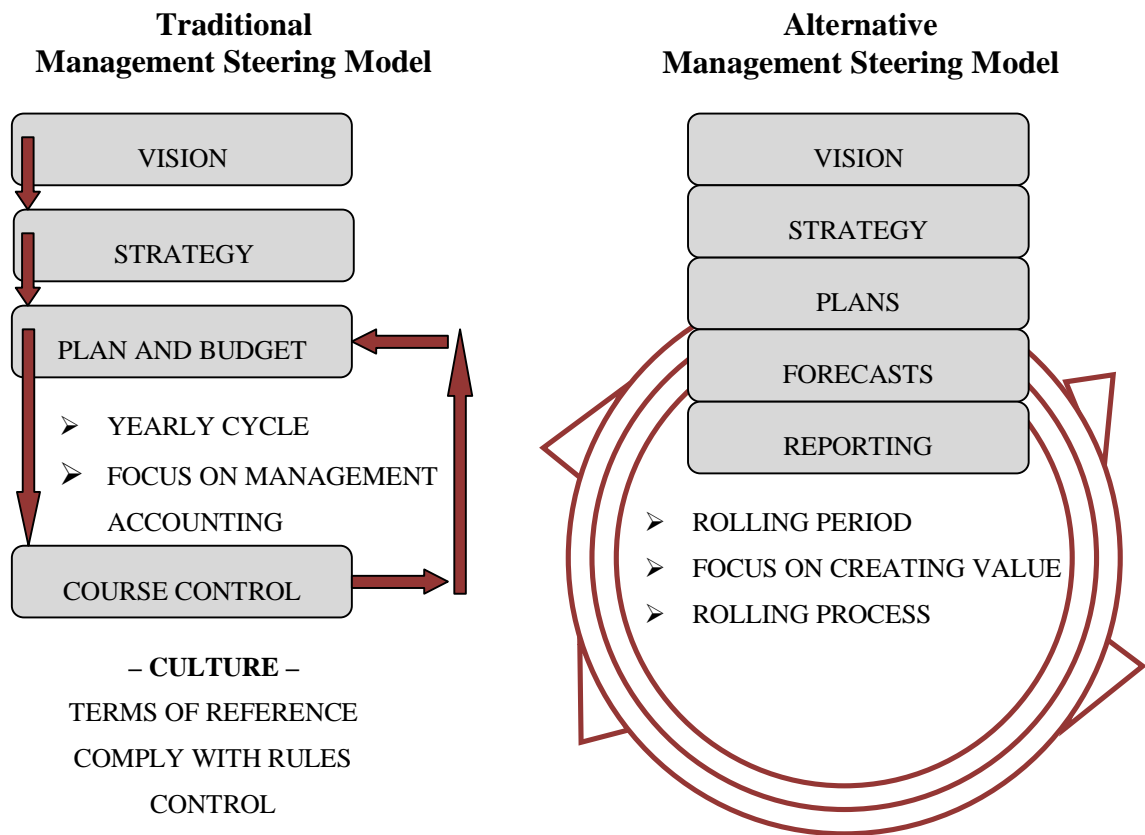


Figure 1. Management Steering Models (Hope et al. 1999)

As Figure 1 shows, the traditional model is characterised by hierarchy, control and authority. The vision is the starting point of the organisational management in the traditional steering model. The vision defines the long term view and the desired future of an organisation. The strategy, the second core element, is a more concrete plan of action designed to lead up to the vision. The vision and the strategy are the determinants of the traditional model and they are long-term and permanent in nature. The vision and the strategy are the foundation for planning and budgeting. Planning and budgeting are carried out annually and the focus is on management accounting. During the fiscal year monthly actuals are measured against the plans and budget in order to control that the course of the organisation is compliant with the defined strategy and vision. The plans and budget are then adjusted in yearly cycles according to the outcome of the course control. The organisational culture in the traditional steering model draws from

intensive control and terms of reference. Members of the organisation are expected to toe the line. Many organisations apply the policy of tight control, especially now during the present financial crisis. However, as already highlighted in the introduction chapter, the operational environment for businesses has changed radically during the last decade. Flexibility and ability to change course is a condition of life in the contemporary business life. Therefore, the traditional model is not perhaps anymore applicable for most organisations. Organisations are intimidated by the current conditions and alternatives may be few, but the requisite to come over the hump might be to change the strategic approach.

As the Figure 1 shows, the objective of the alternative management steering model is to support the principle of continued strategy reviews. The alternative management model is typically interlinked with short-, mid- and long-term management reviews. These reviews reflect the pace of change in the business or market sector (Hope et al, 1999). The focus of the alternative management model is on creating value by making the organisation more responsive and alert for changes occurring in the environment. As Aubrey (2007) highlights, even though management intent is to achieve its original targets, there is the possibility to identify alternative strategies and a wider scope of opportunities to respond to both adverse and favourable impacts occurring in the markets. The alternative model bases on rolling process and rolling periods. Forecasts and performance reports are always carried out for the next rolling period instead of solely looking into fiscal year results. The regular forecasts and performance reports form the basis for continued strategy reviews. Any indicators of change that the forecasts signal will lead into strategy reviews. In other words instead of having a fixed strategy and a yearly plan, issues forecasts highlight lead into alteration of the plans, strategy or even the vision. If forecasts for example indicate that a certain business sector that has been strategically prioritised is likely to decline significantly in the future, strategy and plans will be altered accordingly. Alternative management steering model by definition leads the organisation to constantly re-evaluate the future plans by interpreting changes in the business environment. Hence, the model enables organisation to manage risk and recognise opportunities better.

In conclusion, this subchapter has introduced an alternative to the traditional management steering model. Rolling process and continuous strategy reviews is the core of the alternative model. The model tunes the reader up for a new kind of mindset where plans and forecasts are updated on a rolling basis. The key principles of the alternative model are prerequisites for implementing a functional rolling forecast process, which is introduced in the next subchapter.

2.3 Rolling Forecasting

“If you have to forecast, forecast often”

Edgar Russell Fiedler, Economist, Treasury Aide (U.S. 1971 - 1975)

This subchapter describes the core concept of this study: the rolling forecast. The main principle of the alternative management steering model, presented in the previous subchapter, is that change in the business environment is a continuum and organisations need to be able to foresee and respond to changes swiftly. The first step towards the forward-oriented management steering model is to create a proactive mindset in the organisation. The second step is to implement applicable processes and tools, such as rolling forecasting. This subchapter begins with a more detailed description of the concept. Subchapter continues by discussing the key reasons behind the interest towards rolling forecasting. The main barriers to implement the rolling forecast process conclude the subchapter.

Rolling forecast is a not a new method in the financial planning discipline but it is a process that is increasingly adopted in forward planning (Clarke, 2007). As Keogh (2008) states, five years ago rolling forecast were not considered necessary: today the majority of Financial Directors and CFO's are strategically focused and they are used much more widely. The EIU (2007) survey shows that rolling forecasts are, especially in the Asia-Pacific region, increasingly commonly applied to complement or fully replace the budget process in forward planning. Over two-thirds of respondents, as shown in Figure 2, who represented a cross-section of industries and mostly organisations with over US\$1 billion dollars in annual revenues, use the rolling forecasts in some form and often as a complement to the budget in forward planning (EIU, 2007). The prevalence of the rolling forecast especially as a complement tool seems to have continued to increase from the time of the EIU survey.

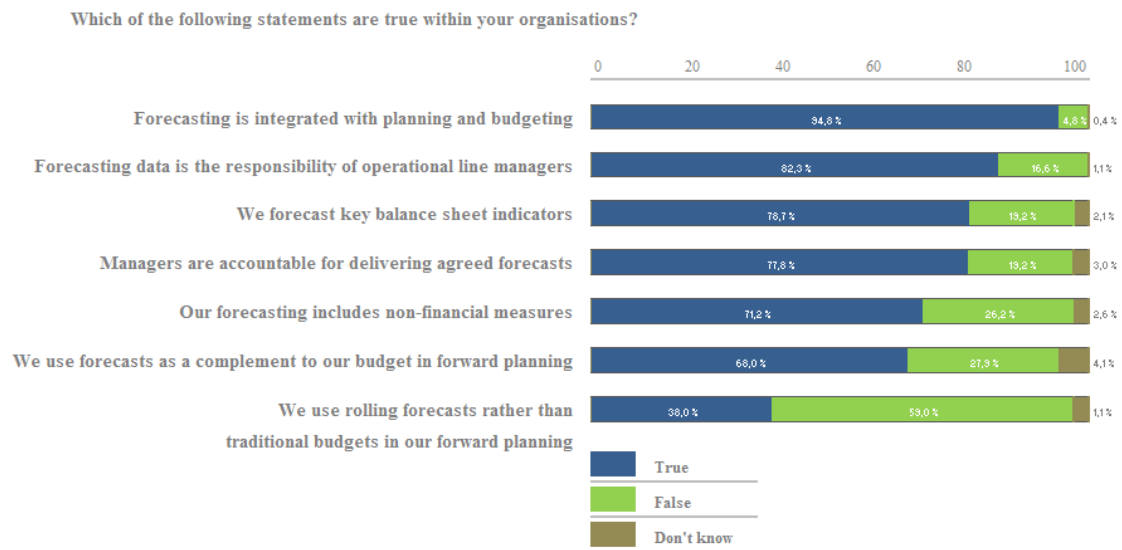


Figure 2. Statements about Forecasting (EIU, 2007)

Organisations have been forward-looking before but the predecessors of rolling forecasting were not only less advanced but more importantly they were usually carried out only by the finance department. According to Hope and Fraser (2003), the leading companies implement rolling forecast process throughout the organisation. Furthermore, organisations worldwide have now at the latest faced the absolute necessity to rethink the way to manage business. Reactive management rarely is viable way of doing business anymore (Hope & Fraser, 2003). Rolling forecasting is foremost a concept of changing way to manage business.

Rolling forecast is a forecast, which presents the projection of the future performance of the organisation. Commonly rolling forecast demonstrates both unit-specific and consolidated income statements of the organisations for the coming periods. In addition to the income statement the rolling forecast process can be applied simultaneously to project for example the cash flows or the capital expenditure (Hope & Fraser, 2003). Rolling forecasts are prepared on a continuous basis with the purpose of giving a lifelike view on where the company is heading. Most advanced applications of rolling forecast include also operational metrics that are considered essential indicators of the

business development. As Aubrey (2007) highlights, it is imperative that the fundamental business drivers are built into the rolling forecast model. Operational metrics can be for example employee related: attrition, customer related: service levels, IT related: downtime or production related: utilization.

Clarke (2007) describes that term “roll” refers to regular forecast updates that take place on a rolling basis. There are various ways rolling forecast can be implemented but a few main principles are common to all applications of rolling forecast. Principles refer to three dimensions of time horizon. Firstly, the rolling forecast looks beyond the fiscal year. Thus the number of periods included in the rolling forecast always remains the same, regardless of the time of the year the forecast is prepared (Clarke, 2007). Secondly, time horizon refers to the length of one forecast period. Month is a common period for financial statements for majority of organisations and thus it is also reasonable period for forecasting. However, some companies do apply rolling forecasts per quarter. Thirdly, time horizon refers to the interval forecasts and reviews are carried out. Hope (2006) says that forecasts are typically prepared monthly or quarterly but there is no precise answer to horizon or revision intervals. If changes occur rapidly it is advisable to revise forecasts each month or even weekly (Hope, 2006). Lean manufacturers tend to use twelve-month rolling forecasts, which are updated every month, to review capacity requirements (Hope, 2006, p. 134). On the other hand, as Parmenter (2007) suggests, only businesses that are in a very dynamic environment would need to forecast monthly. Regardless of the forecasting interval and length of forecasting period, in rolling forecast organisation always has a forecast for the same time horizon (Clarke, 2007). Depending on the application organisation always has a forecast of forthcoming 6 to 18 months or 2 to 6 quarters ahead. Figure 3 is a demonstration of one application of the rolling forecast, the quarterly rolling forecast (QRF). Figure 3 presents rolling forecast circulation where the forecasts are updated quarterly for the following four quarters and revisions of the quarterly actuals are carried out month before the end of each quarter.

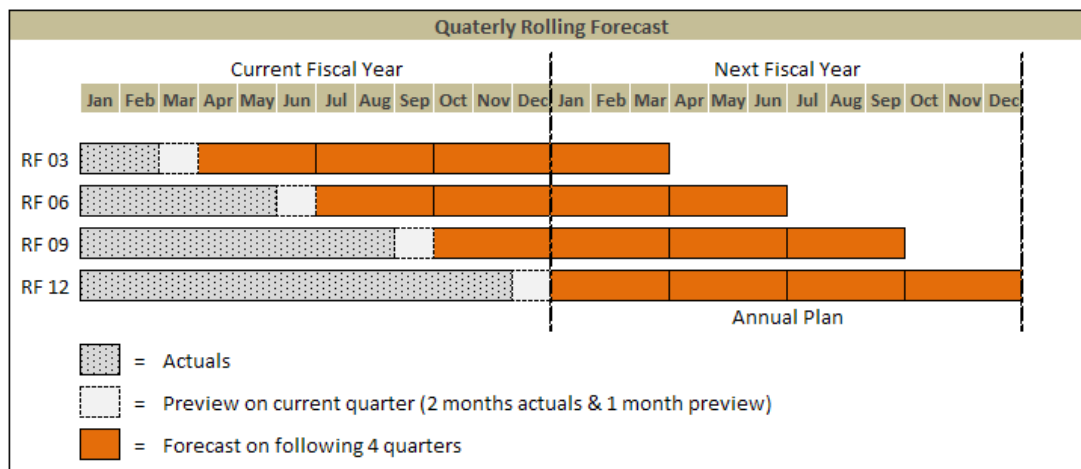


Figure 3. Quarterly Rolling Forecast (QRF)

Although the rolling forecast looks beyond the annual cycle and disregards the year end mindset by reviewing the course of the organisation on a rolling basis, there still might be an annual strategy-formulation process during which the big issues are discussed (Hope, 2006, p. 94). Furthermore, it is important to realise that the main purpose of rolling forecasting is not to replace budgets. In fact, rolling forecasting is not likely to replace budgeting entirely. Especially in the public sector the budget is considered as a statement of intent to prioritise and distribute accountability (EIU, 2007). Many of the leading organisations still have budgets for the fiscal year, but it is integrated in the rolling forecast process so that budget merely is a 12 month rolling forecast that fall within a fiscal year. Other companies apply quarterly or half a year budgets along with the rolling forecasts. Budgeting and other methods of financial planning, resource allocation and target setting can be applied together with rolling forecasting. Hope (2006) emphasises that some leading-edge organisations use a range of feedback controls including fast, financial results, key performance indicators and near-term forecasts. Important is that the analysis and presentation of the financial information needs to be quick and applicable (Hope, 2006).

There are three main reasons for the interest in rolling forecasting. Firstly, organisations have notified the need for more flexible and straightforward way of forecasting

(Rasmussen & Eichorn, 2000; Hope, 2006). In order to move from traditional methods to rolling forecasting organisations need to reduce the level of detail at which it forecasts (Aubrey, 2007). As Heikkinen (2005) highlights, simplicity is important and basic rules apply; slope reveals the current and future performance of the company. Furthermore, as Keogh (2008) emphasises, it is important to have a compact set of measures that includes also non-financial indicators. According to Keogh (2008), many best-practice companies restrict their forecasts to around 40 key items, compared with ordinary businesses which often track over 200 items. Consequently, the rolling forecast process can enable the organisation to prepare quality forecast in short period of time, when carried out efficiently with the help of technological tools to automate the forecast process. Purpose of the method is to constantly focus on essential and be receptive to changes.

Secondly, organisations have discovered that the traditional way of managing business and forecasting is too reactive and flat. Organisations need to be on top of what is happening in the markets, be more forward-thinking and adaptive to changes in the business environment (Hope & Fraser, 2003). Clarke (2007) argues that rolling forecasting should be driven by information from outside the organisation but it should also reflect all the information available inside the organisation. It is misleading to prepare a forecast without exploiting indicators of demand from outside the organisation. By focusing on relevant information, the key business drivers, rolling forecast can help companies to interpret changes in the business environment and thus enable to discover profitability problems earlier. As Heikkinen (2005) states, well functioning rolling forecast works as a gross profit fire alarm for the management. In addition, the rolling forecast process prompts to look at unanticipated risks and opportunities further into the future (Clarke, 2007). On elementary level the rolling forecast can be a quick safety check and at best substantial process at challenging behaviour.

Third key reason for interest in rolling forecast is that organisations have realized that forecasting is a core activity, which should be resourced accordingly (Hope, 2006). In

order to create quality and realistic forecasts organisations need to invest in the process and include key members of the organisation in the process. However, the third point often demands for notable change in strategic thinking. As Keogh (2008) suggests, adopting a focused and strategic approach leads many companies to replace inefficient financial planning processes with more dynamic ones, such as rolling forecasts. Rolling forecast can free up manager's thinking and well-prepared rolling forecasts form the backbone of a new and much more useful information system that connects all the pieces of the organisation together (Clarke, 2007; Hope, 2006). Furthermore, it gives senior management a continuous picture both of the current position and the short-term outlook. The ideal forecast has clean data that enables managers to improve decision making. Hope (2006) concludes that leading companies are placing forecasting at the centre of the management process.

Although there are obvious advantages in rolling forecasting, implementing the process might be challenging. As the EIU (2007) research highlights, the adoption of monthly rolling forecasts requires a long-term educational process so that managers think in terms of rapid responses to risks and opportunities rather than, focusing on protecting budgets by spending everything before year-end. Well functioning rolling forecasting is only possible when the process is created to serve the key purposes of rolling forecasting. Poorly executed rolling forecast process can be time-consuming and without follow-up it does not serve its purpose (Parmenter, 2007). Aubrey (2007) underlines that, in order to make the rolling forecast process work, reduction in detail and greater focus on key business drivers is needed. Furthermore, the success of the rolling forecast depends largely on the discipline applied to supporting processes; the integrity of financial, operational, and external information, and the support of leadership and organisational culture (EIU, 2007). Hope (2006) emphasises that rolling forecast relies on fast, relevant and actionable information as well as responsible people, who know what is expected of them and what to do in any given situation. Hope (2006, p. 91) continues that forecasts must not be seen as commitments, otherwise bias and distortion will be inevitable – that's why implementing forecasts under the umbrella of fixed targets rarely works. Even though management intent is to achieve its original

targets, there is possibility to identify alternative strategies and wider scope of opportunities to respond to both adverse and favourable impacts reflected from the markets (Aubrey, 2007). Therefore, as Clarke (2007) emphasises, the rolling forecast process should be built on integrity and trust. Integrity, in the sense that, it reflects all relevant information that is known and trust, in the sense that, organisation acts according to it, especially when the prospects are poor (Clarke, 2007). In this sense the rolling forecast process can serve its purpose only when the people act according to the main principles of the process.

As a conclusion rolling forecasting requires a new way of viewing the organisational strategy and performance. It might be challenging to change the mindset throughout the organisation. The receptiveness of the organisation and especially the functionality of internal communication are key requirements of well functioning rolling forecast (Hope & Fraser, 2003). The next subchapter discussed more about role of internal communication in the financial forecasting process.

2.4 Internal Communication and Forecasting

“Communication is the real work of leadership”

Nitin Nohria, Professor, Harvard Business School

This subchapter concentrates on communication related to financial information and forecasting. The subchapter includes two sections. The first section condenses the general principles of financial communication focusing on internal communication environment. The section reviews the objectives and components of financial communication in general from the organisational perspective. The second section reviews the relationship between internal communication and the rolling forecast process and thus interlinks the two main topics of the study. Accordingly, the subchapter presents an overview on financial communication from the organisational perspective and its interconnectedness to financial forecasting. Furthermore, the

subchapter encapsulates the main elements of the theoretical framework, which is presented in chapter three.

2.4.1 Internal Financial Communication

Financial communication by definition is what rolling forecast is all about and thus the subchapter introduces fundamental background for the study. Juholin (2006) defines financial communication as communication that is financial by nature or interesting from the financial perspective. This definition seems rather straightforward and easy to comprehend. The first part, financial by nature, undoubtedly refers to the communication of financial figures and performance of the organisation. The second part, interesting from a financial perspective, then presumably refers to any kind of information that can have financial significance. However, it is the second part of the definition that is perhaps more challenging to specify and perceive. Financial communication as a broad term can be defined to cover various types and forms of financial communication that occur in the economic environment and society. To maintain a focus on the study topic and to better comprehend what could be financially interesting and to whom and how it is communicated, in what follows the main elements of financial communication are reviewed from the organisational perspective.

Financial communication has proliferated and developed considerably during the last decades. As Gregory (2004) highlights, during the economic boom in the 1980's and the following recession the importance of financial communication accentuated. Thereafter globalisation and the development of information technology have raised interest toward financials to the next level. Gregory (2004) observes that in the contemporary business world financial information is more available and accessible than ever before but at the same time the amount of data, presumably interesting from a financial perspective, is extensive. Annual reports and press releases of public companies are available on-line and in real time even for general public. Indeed, change from pre-internet times has been remarkable. However, as Juholin (2006) point outs, from a company perspective, the greatest challenge of financial communication is now to

transform formulate large amount of information into such form that would be interesting and rational for various target groups.

Traditionally financial communication has been perceived as an external communication activity of public companies (Glautier & Underdown, 2001). There are two main reasons for this conception. Firstly, external stakeholders, such as investors and clients, have been considered as the most important target groups of financial communication. Secondly, all companies, public and private, are obligated to regularly disclose financial information to authorities. Regulations are much more extensive and precise for public companies, which have an ongoing disclosure obligation to provide all such information that may have material impact on the value of the company's securities (Financial Supervisory Authority, 2009). However, also the internal stakeholders, employees, have added the pressure on companies' financial communication by showing increasing interest toward the financials performance of their employer. According to Glautier and Underdown (2001), nowadays employees ever more often expect company to present financial information in accordance with the substance and financial reality and, on the other hand, communicate all items which are material enough to affect their evaluations or decisions. Both, the regulations and the increasing interest toward financials in general, are likely to rise further due to the current financial crisis. As a result, as Gregory (2004) points out, companies will have to become more active and transparent when it comes to their financial communication. In other words the importance of financial communication is likely to increase in the future. The increasing pressure, external as well as internal, force companies to devote more efforts to upgrade the quality and content of their financial communication.

Financial communication is distinctly influencing, as Fiilin (2009) emphasises. According to Juholin (2006), the objective of financial communication is to strengthen the position of the company, reduce the cost of capital and to enhance the ability to operate. In other words the main objective of financial communication is to support the value production of the company (Fiilin, 2009). Juholin (2006, p. 274) describes that financial communication includes a set of activities, issued by the management or the communication department, disclosing information regarding the financial standing,

performance and financial development of the company. This can be achieved by mediating timely, transparent and relevant financial information to the key stakeholders of the company. Thus the cornerstone of financial communications policy is the signal the managers of a company send to the stakeholders (Gregory, 2004). This calls for aptitude to balance risks and creativity and ability to follow up instructions and regulations. Also, it is important to filter relevant information from the mass of data and to translate it to an understandable form. Fiilin (2009) argues that, at best, when information is produced timely and targeted cost-effectively, financial communication can even be one of the company's competitive advantages. Fiilin (2009) concludes that this is feasible when financial experts are able to dedicate a significant part of their time to information analysis, forecasting and decision-making support and when the financial communication processes and organisational climate is favourable.

As mentioned earlier in this section, employee interest towards financials has grown significantly over the past decades and thus employees as a stakeholder group no longer can be ignored when planning and practicing financial communication. Juholin (2006) argues that employees often have a diverse relationship with the company and they have cogent reasons to have an interest in the financial position of the company. Employees are naturally concerned about the continuity of the employment but they might be interested in return on their investment. Furthermore, employees can take an interest in the paying capacity of the company but also interesting for them is the overall profitability and market situation of the company. Financial matters could also be interesting from the perspective of personal career development. Lastly various incentive and bonus schemes might increase motivation towards the financial performance of the company. Gregory (2004) concludes that when financial communication is carried out properly not only is employee interest responded but more importantly the performance, motivation and commitment of the personnel are enhanced.

The importance of commitment, especially in the modern knowledge economy, is overwhelmingly highlighted. As Quirke (2008) and Hargie and Tourish (2009)

emphasise, the measures required to generate commitment are not necessarily complex, but they do involve a strong emphasis on communication. Quirke (2008) as well as Smith and Mounter (2008) emphasise that evidence shows that commitment and enhanced performance are forthcoming when employees' participation is invited and welcomed, and are facilitated by the building of strong systems to promote effective internal communication. Tourish and Hargie (2004) state that work environment where empowerment, learning and innovation are encouraged often result in high level of commitment and work motivation. They continue that companies that are able to create this type of environment are often characterised as forward-looking and less authoritarian. As a conclusion, employees form a central target group of financial communication, which then can generate better employee motivation and commitment and ultimately more effective performance of the organisation. Thus, as Juholin emphasises (2006), it is worthwhile to invest time and resources to share intelligible financial information with the personnel and to involve them in the financial communication processes.

Smith and Mounter (2008) argue that focus on employees, especially through internal communication, is the best source of performance improvements. According to Tourish and Hargie (2004) research findings have long suggested that the effective management of communication processes brings large-scale organisational benefits. Clampitt (2005) concludes that the benefits obtained from quality communication within the organisation include:

- Improved productivity
- Higher quality (of services and products)
- Increased level of innovation
- Reduced costs

Clampitt's (2005) benefits of quality communication link quite well with what Fiilin (2009) considers as the objective of organisational financial communication: to support performance, continuous improvements and sustainable growth. Financial

communication here refers to financial communication that occurs within a unit, from top-down and bottom up as well as across functions. In other words, it refers to communication that occurs internally. Fiilin (2009) points out that functional internal financial communication generates interaction, which could have a positive impact on the company's financial success. As a conclusion, the importance of effective communication in general and financial communication in particular is nowadays increasingly being acknowledged and its interconnectedness to business performance should not be ignored.

But what are the elements of internal communication that facilitate aspiration towards corporate goals, performance improvements and innovation? According to Keyton (2005) the first and foremost element is organisational culture. Keyton (2005) defines organisational culture as a set artefacts, values and assumptions that emerge from the interactions of organisational members. Although there are many definitions of organisational culture most of them consist of same aspects: collective experience, routine, beliefs, values, goals, and system. As Keyton (2005) and Quirke (2008) point out, strong and unified culture is often the goal of the management and perceived to be the ideal although strong cultures can also negatively impact organisations' capacities for change. However, as Smith and Mounter (2008) state, organisations are nowadays often so diverse and large that organisational members tend to have multiple, overlapping identities. Besides, Juholin (2006) points out that employees who are officially employed by another organisation (consultants, leased labour, contractors) have entered the work community due to changes in organisations and business environment. Thus, as Juholin (2006) argues, in order to ensure arrival and intelligibility of the message to each recipient, a group-specific communication approach, rather than generic approach, is needed. In addition, she highlights that organisations cannot control the communication as strongly as before and information overflow has challenged internal communication to a race of where information can be obtained first. As a conclusion, conception of an organisation has changed and thus also the concept of organisational culture is evolving. Nevertheless, it is important to remember that organisational culture is present in and interconnected to all organisational activities.

Therefore its meaning cannot be understated while examining the core elements of quality internal communication.

As Keyton (2005) highlights common to all contemporary views on organisational culture is acknowledgment of the role of communication in its creation. Accordingly, individuals in an organisation are held together by their communication within and across the organisational structure as they work to satisfy the organisational goals, as well as their personal or professional goals. Keyton (2005) emphasises that just as an organisation is enacted through the interactions of its members, an organisational culture emerges from the complex and continuous web of communication among members of the organisation. Juholin (2006) describes communicational culture as one of the four core features of the organisational culture, as presented in Figure 4. Although the purpose of the model is to portray communication culture in general, the model in Figure 4 is applicable as such to evaluate the internal financial communication culture in an organisation.

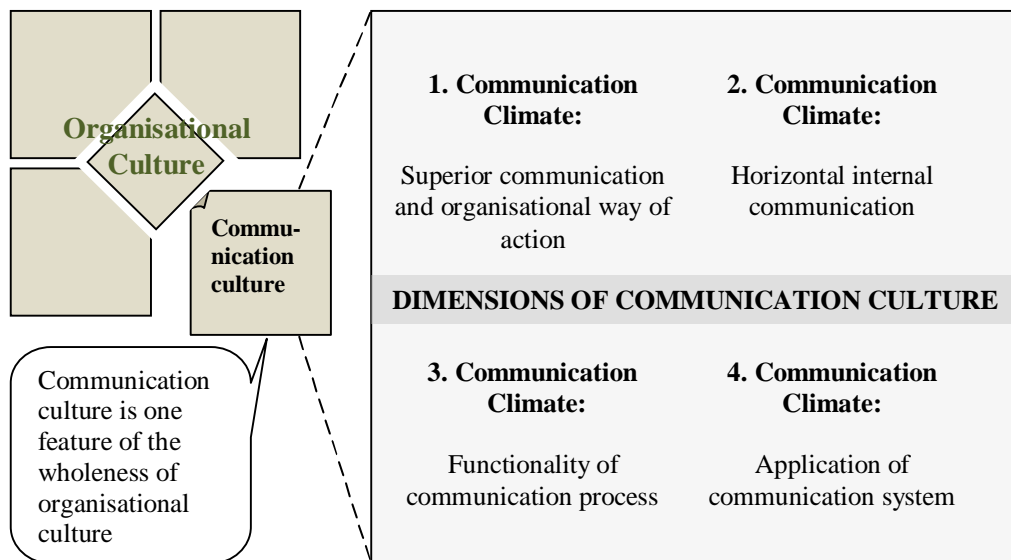


Figure 4. Dimensions of Communication Culture (Juholin, 2006, p. 142)

As Figure 4 shows, Juholin's (2006) model consists of four dimensions of communication culture, each of them contributing to the communication climate of the organisation. According to Keyton (2005) culture can be understood as the set of enduring deep values, beliefs, and assumptions that are produced through the symbolic interactions of organisational members. Alternately, climate is based on individual perception of the work environment and is one surface-level manifestation of an organisation's culture, making it temporary and subjective to direct control. The first dimension top left refers to the management communication practices and the organisational way of action. In order to reach financial communication objectives (see p. 32) the communication climate should be open rather than controlled and communication flow cross-dimensional rather than top-down. Smith and Mounter (2008) propose that communication culture in general originates strongly from the way management operates and the example management sets is likely to spread throughout the organisational structure. If communication climate draws from command and control, communication that would be critical for the organisation's financial success does not prosper; instead it is suffocated in the organisational hierarchy. Thus in order to change the organisational way of action, management needs to adjust their behaviour and way of action. As Ihantola (1998, p. 30) suggests, it may be assumed that the management is in a position to influence the favourable development of its budgeting climate. The budget may constitute a significant source of change and of power within organisation; by the same token, however, the budget can also constitute a powerful obstacle to change.

The second dimension in Figure 4 refers to horizontal internal communication. Creating a climate that promotes cross-functional communication is challenging. Clampitt (2005) argues that even when the organisation has a positive communication climate, employees often view sharing information across divisions as a favour to a colleague. Keyton (2005) further notes that to the extent that different sets of artefacts, values and assumptions develop, an organisation's culture is said to have subcultures. This combined with people's natural tendency to look after the wellbeing of their own unit often results in territory protecting. The wellbeing of the neighbour is often considered

irrelevant and then communication across units is occasional. To a large extent, cross-organisational communication problems are unavoidable. Clampitt (2005) argues that there are strategies to promote boundary spanning. Consequently, collective processes, such as financial forecasting, can act as a natural way of bringing people from different units to work closely together towards a common goal and thus simultaneously promoting a positive internal communication. Furthermore, as Hassel (1998) points out, communication in the budgetary participation process serves a critical information exchange role.

The third dimension of the model in Figure 4 is the functionality of the communication process. The communication framework, including the processes but also other elements such as communication structure, methods and channels is the foundation for the communication culture. Hassel (1998) argues that communication can, in a general sense, provide job instructions, a job rationale, guidelines for procedures and practices, feedback information, and an indoctrination of financial goals. Management creates and maintains this foundation but it is also the responsibility of the organisation to highlight dysfunctional processes and point out ways to develop practices. This concerns communications in general but also the financial communication processes, which are often characterised as unclear and centralised.

The fourth dimension of the model in Figure 4 is the application of the communication system. The communication system in this internal financial communication context refers mostly to the information technology applied in communication. As is well known, the development of the information technology has been vivid during the last decades. Although modern systems are able to facilitate fluent and up-to-date communication among a vast number of participants across geographic borders, they are not always applied correctly or organisations tend to stick with their old routines and systems. For example respondents of a 2006 conducted survey by APQC, emphasised that technology does not accelerate the planning, budgeting and forecasting process, and communication between functions during the process is poor (Aubrey, 2007). However, as Hope (2006) underlines, using driver-based forecasts together with dedicated systems

and web technology enable hundreds of managers to work together on forecasts and aggregate the outcomes to the highest level, thus providing more control than ever. However, the change to strategic thinking must happen first and when it does, the technology is there to support changes in key processes such as forecasting (Keogh, 2008).

As a conclusion, according to Fiilin (2009) the purpose of the internal financial communication should be to support performance, continuous improvements and sustainable growth. This section has presented the key concepts related to internal financial communication. For the purpose of this study, it is important to understand the essential elements of internal financial communication framework. Firstly, internal financial communication should be congruent with the strategic planning of the organisation. Secondly, organisational culture is the underlying condition for the core elements that can facilitate to reach the abovementioned objectives of internal financial communication. Thirdly, employee interest towards financials has been increasing substantially and employees' contribution through good motivation and strong commitment is essential when pursuing for successful communication culture in an organisation. Fourthly, communication culture is one core features of the organisational culture, as Figure 4 demonstrates, and it can be divided into four elements that enable healthy climate also for financial communication in the organisation. First element of the communication culture refers to management practices, which set the norms of organisation's way of action. Second element of the communication culture refers to horizontal internal communication and boundary spanning activities that are integrated into the structure of the organisation should be promoted. Third element of the communication culture is the functionality of communication processes. Fourth element of the communication culture is the communication system, which are highly developed nowadays and in theory they enable smooth communication processes. These above mentioned concepts and elements are strongly interconnected with each other and together they serve as a foundation for the next section, which examines the connection between internal communication and rolling forecasting.

2.4.2 Internal Communication and Rolling Forecasting

Despite the awareness that communication is an issue in various levels of the organisation, communication is often taken for granted and simultaneously lauded as being responsible for achieving organisational goals or blamed as the root of organisational problems (Keyton, 2005, p. 29). This linked with the classical perspective that the only long term strategic goal of a business is to generate returns, provides a foundation for this section that discusses internal communication and rolling forecasting. The section describes the interconnectedness of the two subjects and their importance in reaching the strategic goals of the organisation. The subchapter on the rolling forecast (see subchapter 2.3) concluded that communication plays a key role in the successfulness of the rolling forecast process. This argument needs further examination and reasoning and it is perhaps better to start from the broader concept the rolling forecast represents.

Firstly, management communication is essential for the success of the rolling forecast process. According to Hope and Fraser (2003) starting point for implementing the rolling forecast process should be to unroll an adaptive strategic approach to manage business and open management communication. As Hargie & Tourish (2009) point out, organisations that treat their people well, and that communicate with them fully and forthrightly, do better in the marketplace. Hargie & Tourish (2009, p.8) emphasize that in essence, communication is the most fundamental and pervasive of all management activities. This calls for open communication of strategic plans to support success in achieving organisational goals. Keogh (2008) highlights that people need to understand the plan and have ownership of, and responsibility for, what they enter into their financial plans. According to Tourish and Hargie (2004), studies of leadership in management have reaffirmed that effective leadership in the workplace requires a constant use of the tools of communication to create meaning, share visions and build a common focus on the agenda for change. As the EIU (2007) survey highlights, rolling forecasting should always be linked to the strategy and objectives of the company. As Montgomery (2002) point outs, regular follow up of these objectives helps integrating

goals to the lower levels of the organisation. Clampitt (2005) underlines that in the long run an effective feedback system seeks to improve employee performance to increase organisational performance. Clampitt (2005) continues by saying that skilful management addresses two essential aspects of communicating the performance feedback: the method and the message. The rolling forecast process requires a lot from management communication, which needs to address how (method) and what (message) they communicate. Important is that the management communicates strategic plans and vision clearly and consistently throughout the organisation. In addition, the rolling forecast process calls for constant performance reviews and feedback on performance, which should be communicated in a constructive way. Lastly, management needs to be receptive to messages organisation communicates concerning market development and key business drivers.

Secondly, from a communication perspective cross-functional communication and commitment form an important aspect of the rolling forecast process. Collaboration is one of the basic elements of the rolling forecast process and rolling forecasting as a process can be a natural way of bringing various parts of the organisation together. Drtina et al. (1996, p. 24) argue that the rolling forecast process steers more frequent and efficient communication across the organisation, which might promote better motivation and commitment. One of the EIU survey respondents commented that due to the rolling forecast process working together gives a great amount of ownership and helps internal communication (EIU, 2007). One of the benefits, even objectives, of the rolling forecast process can be to join the hands of different functions in order to get realistic estimate of the future but also to get commitment across the organisation. As Hargie and Tourish (2009, p.18) point out, there is a clear suggestion that effective communication promotes organisational cohesion and effectiveness because it answers to people's basic motivational impulses. Hargie and Tourish (2009) report that literature indicates that increased commitment is positively associated with improved organisational functioning and that even small changes in employee performance often have a significant impact on the bottom line. Aubrey (2007) underlines that the rolling forecast process encourages and challenges the organisation to identify together

alternative strategies and wider scope of opportunities. As a result, communication within the organisation and between sections of the organisations stimulates a higher level of innovation. For this reason, research has shown that team based organisations generally outperform their rivals, and are more effective at unleashing the cooperative energies of employees. According to Hargie and Tourish (2009), contact at as many levels as possible is vital to wholehearted, widespread involvement in the achievement of organisational goals and the creation of a supportive climate for innovation. By engaging various parts of the organisation in the decision making, rolling forecast serves the purpose of paying attention to employee need of involvement. This built-in aspect of communication in the rolling forecast process can have positive effect on the level of satisfaction and commitment in the organisation.

Thirdly, organisational culture and communication climate form a key aspect of communication in the rolling forecast process. The fundamental principle of the rolling forecast process is the continuous change and constant revision of the course of the organisation. Colman (2004) formulates that in order to adapt to such a dynamic strategy an organisational culture that is recipient to change is prerequisite. Furthermore, without open and cooperative communication climate it is hard to prepare realistic and solid rolling forecasts (Clarke, 2007; Colman, 2004). Hargie and Tourish (2009, p. 18) argue that through opening the channels of communication people can articulate their needs, reduce uncertainty by gaining access to information, develop opportunities to influence the decision making process and satisfy the fundamental human need to make a difference. Creating and promoting a communication climate and organisational culture that genuinely facilitate aspiration of constant improvements in the organisation is challenging. In order to achieve such an advanced organisation the process needs continuous support especially concerning communications. Communication and forecasting are challenging activities, but when correctly performed they can generate great value to the organisation. The EIU (2007) survey showed that when conducted rigorously, forecasting can become a critical management capability enabling the business to drive and sustain long-term value. Success depends largely on the discipline applied to supporting processes; the integrity of financial,

operational, and external information; and the support of leadership and organisational culture (EIU, 2007)

As a conclusion, three key areas of internal communication in the rolling forecast process were highlighted in this section. It is important to understand that these key areas are tightly interconnected. Each area facilitates the others and is dependent on each of the other areas. The three key areas of internal communication are:

- Management communication
 - Management sets the example for the whole organisation
 - Strategic communication should be linked to the rolling forecast process
- Cross-functional communication
 - Horizontal communication is a core element of the rolling forecast process
 - Organisation-wide involvement can generate commitment and motivation
- Communication culture
 - Adaptive organisation culture is prerequisite for the success of the process
 - Open communication climate promotes fluency of the process

As already mentioned in subchapter 2.3, at advanced level rolling forecasting is not merely a forecasting tool. Rather, it urges the organisation to continuously challenge the way of doing business. This might require significant changes in the strategy, in the way the organisation is managed as well as in the organisational culture and communication climate. However, there seems to be strong evidence that a well-functioning rolling forecast process can support decision making and steer the organisation to drive business value and change.

This literature review has presented two key subjects of the study, rolling forecasting and internal communication. Chapter has introduced the most relevant concepts in the research area, which form the foundation for the theoretical framework, which is presented in the next chapter.

3 THEORETICAL FRAMEWORK

Earlier studies and related literature provide the foundation for the theoretical framework of the study, which is outlined in this chapter. As Sekaran (2000) defines it, a theoretical framework is a conceptual model of how one theorizes or makes logical sense of the relationships among several factors that have been identified as important to the research problem. Thus, the objective of the following theoretical framework is to present and visualize the most essential concepts of the study and describe the relationships between and among the concepts in operational terms so that the reader can easily comprehend the rationale for conducting the study. Based on the literature review, four key concepts related to internal communication in the rolling forecast process were identified and they constitute the theoretical framework of this study. The four key concepts presented in Figure 5 and described next.

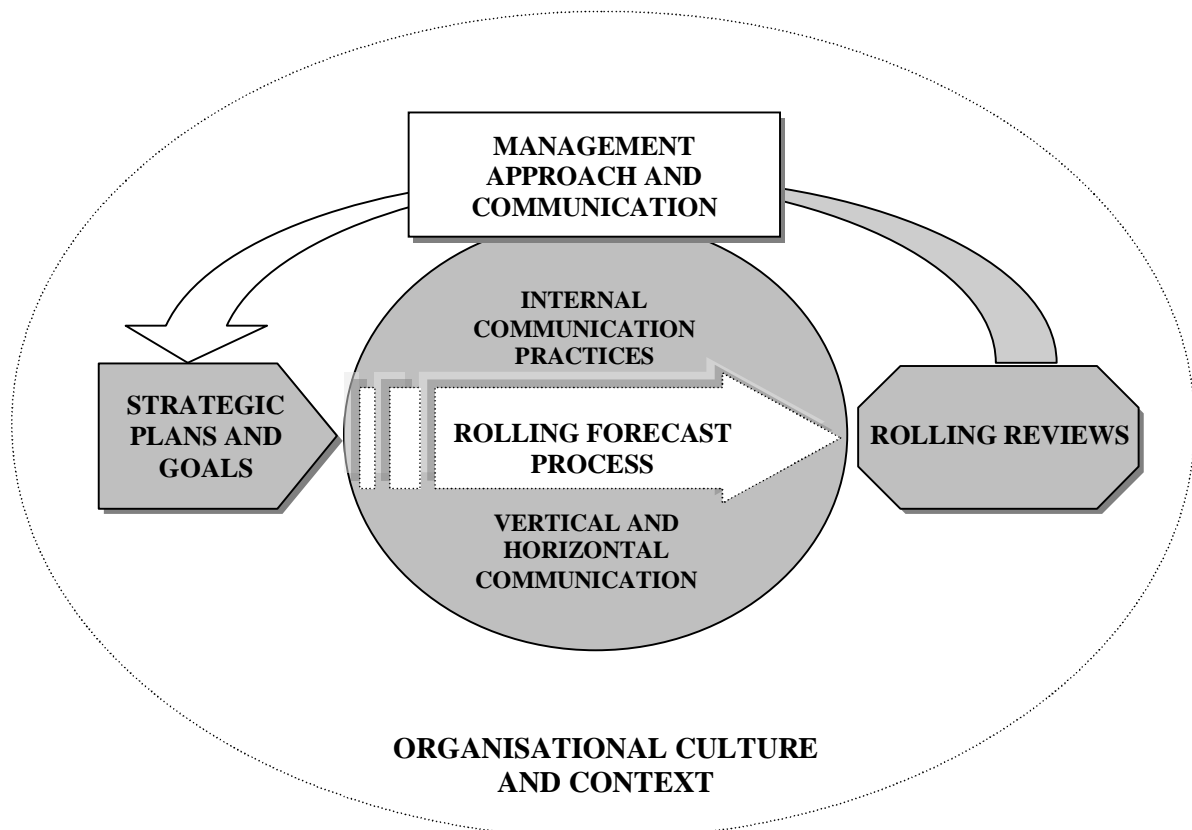


Figure 5. Theoretical Framework

The first key concept in Figure 5 is the management approach to the rolling forecast process. According to Hope and Fraser (2003) starting point for implementing the rolling forecast process should be to unroll an adaptive strategic approach to manage business and open management communication. Ihantola (1998) has proposed that the management is in a position to influence the favourable development of the budgeting climate. Correspondingly, management sets the norms of the organisation's way of action and steers the communication during the rolling forecast process. Moreover, the management can influence the way the rolling forecast process is perceived in the organisation. Whereas the budget process is repeatedly considered as a yearly exercise, where communication flows only downstream and output is predestined by the management (see subchapter 2.1), the rolling forecast process encourages management to free-up communication lines. Hope (2006) further emphasizes that forecasts must not be seen by senior managers as a tool for questioning or reassessing the performance targets nor must they be used to demand changes or improvements. Rather the rolling forecast process should challenge the management to strive change in the strategic thinking in the organisation. Colman (2004) formulates that in order to adapt to such a dynamic strategy prerequisite is an organisational culture that is recipient to change. Management is in the pole position to strive the change. The rolling forecast can be exploited to change the way to manage business; however, the appropriate internal communication climate needs to be encouraged by the management.

The second key concept in Figure 5 is organisational strategy. Clarke (2007) underlines integration of the strategic plan as one of the prerequisites of well-functioning rolling forecast process. The EIU (2007) survey also highlighted the importance of connecting strategic plans and goals in the forecasting process. In addition, Borland et al. (2000) underline that financial forecasting must take account of the organization's strategic objectives. Borland et al. (2000) argue that attempting to develop forecasts and budgets in isolation from the corporate mission and objectives will inevitably lead to incorrect assumptions and misleading financial models. Ensuring strategic communication is interlinked with the rolling forecast process and communicated to all stakeholders is primarily the responsibility of the management. Borland et al. (2000) emphasise that for

the management, budgeting can prove to be a useful tool to spread and communicate organisational strategy and goals to all levels of the organisation. Similarly the rolling forecast can be exploited to perform the same task. As the academics (Borland et al., 2000; Clarke, 2007) suggest, strategy should be incorporated in the rolling forecast process and it should be done on a rolling basis, but how is this done in practice? As highlighted in subchapter 2.3, the rolling forecast process is based on rolling reviews, which are meant to steer the organisation to the desired direction. Thus one of the key assumptions of the rolling forecast process is that the strategy and goals of the organisation are constantly evaluated and linked with the process. The principle of continued strategy reviews was also emphasised in the alternative management steering model (see p. 22). Furthermore, as Montgomery (2002) points out, a regular follow up of objectives helps integrating goals to the lower levels of the organisation. The strategy reviews are the core outcomes of the rolling forecast process, which ultimately aim to help performance management and strategic decision making.

The third key concept in Figure 5 is internal communication practices and communication lines (horizontal and vertical). The rolling reviews are the core practice and forum for communication in the rolling forecast process. In order to conduct a rolling re-evaluation of the future plans continuous feedback is needed from the process. Revision of the strategy is ensued by the outcome of the communication in the rolling forecast process. As Drtina et al. (1996) argue the rolling forecast calls for frequent and efficient internal communication across the organisation. Clarke (2007) and Colman (2004) support the view by emphasising that without open and cooperative communication climate it is hard to prepare realistic and solid rolling forecasts. The alternative management model (see p. 22-23) is typically interlinked with short-, mid- and long-term reviews and therefore forums for vertical as well as horizontal internal communication are often build-in the process. Thus, as for example Hope and Fraser (2003) claim, the rolling forecast process should enrich and accelerate the information flow. However, the internal communication climate needs to be fostered and encouraged throughout the organisation and by the whole organisation. According to Hargie and Tourish (2009), contact at as many levels as possible is vital to

wholehearted, widespread involvement in the achievement of organisational goals and the creation of a supportive climate for innovation. Thus, the rolling forecast process should diverge from the hierarchy that is often prevailing in the budget process. As Åkerberg (2006) believes, communication during the budget process is frequently unclear and occurring only downstream, whereas Hargie and Tourish (2009, p. 18) argue, through opening the channels of communication people can articulate their needs, gain access to information and most importantly develop opportunities to influence the decision making process. Furthermore, the circulation between strategy and outcome of the communication enables management to steer the organisation according to changes in the market.

The fourth key concept in Figure 5 is the organisational culture and context. The organisation is stretched to rise to the challenge of making the rolling forecast process smooth and expedient. This calls for a proactive internal communication climate, which is dependent on organisational context and attributes. The organisational context in this case refers to for example organisational structure, history and industry which ultimately compound to the organisational culture. As the EIU (2007) survey suggested the success of the rolling forecast depends significantly on the organisational culture. Also, as O'Connor (2000) observed, the budget process is strongly influenced by the culture and history of the organisation. On the other hand it is important to realise that common to all contemporary views on organisational culture is the acknowledgment of the role of communication in its creation, as Keyton (2005) highlights. Hence the fourth concept is more general by nature, more of an underlying condition that is present in and interconnected to all organisational activities. Since the rolling forecast is a process that usually calls for a new kind of proactive mind set in the organisation the influence of organisational context in the adoption of the rolling forecast process cannot be ignored. For example, history and organisational culture are organisational attributes that, to some extent, reflect the framework of the rolling forecast process. On the other hand it is important to emphasize that although rolling forecast as a process calls for proactive mindset and open internal communication climate in the organisation, the process itself can at best be the trigger of change. It is important to repeat that the link

between organisational culture and communication becomes salient when employees or managers want to change something about the organisation.

As a conclusion, this theoretical framework, visualizes how rolling forecast process continuously supports the choice of strategy. Furthermore, the functionality of the rolling forecast process is highly dependent on and facilitated by the management approach and communication. The importance of internal communication practices and communication lines throughout the rolling forecast process is emphasized in many ways. The organisational culture and context mediate in the background of the entire process. This theoretical framework reflects the research problem and questions described in the introductory chapter. The theoretical framework is also rationale for the methodology of the research, which is described in the next chapter.

4 METHODOLOGY

This chapter outlines the research design of the empirical research conducted for this study. The chosen methodology rests for the most parts on the literature review and the research problem and questions of the study. This chapter consists of four subchapters: research strategy and methods, interviewee selection and interview design, data collection and analysis and assessment of the trustworthiness of the research. The different parts of the chapter are closely interconnected and thus some overlapping border crossing exists. The chapter begins with a brief examination and justification of the research strategy and method applied in this research. The first subchapter serves as a basis the rest of subchapters. Following subchapter focuses on the research activities. The second subchapter portrays the interviewee selection process and interview design. The third subchapter discusses the data processing and explains the choices made regarding the data collection and analysis. The Evaluation of the trustworthiness of the study concludes the methodology chapter.

4.1 Research Strategy and Method

The first subchapter justifies the chosen research strategy and method. These two terms are sometimes applied in parallel but according to Hirsjärvi, Remes and Sajavaara (2009) research strategy is an aggregate of various methodological solutions whereas the research method on the other hand is a separate smaller concept. Hirsjärvi et al. (2009) further underline that; the strategy and method both depend on the chosen research scheme and research problems. The following two sections justify the selection criteria for the research strategy and method of the study.

4.1.1 Research Strategy

Hirsjärvi et al. (2009) divide research strategies into three main types: quantitative, qualitative and case study. Quantitative (experimental) and qualitative (survey) are more

traditional research strategies. Quantitative research usually examines the influence of one chosen variable to another variable and is often connected to numeric measuring (Hirsjärvi et al., 2009). Characteristic for qualitative research is that numerical or statistical data is not available and thus the data is usually collected from people through questionnaires or interviews (Hirsjärvi et al., 2009). In addition, as for example Collis (2003) argues, the qualitative data in business research provides a more real basis for analysis and interpretation. Case study has over the years solidified its position along with the two conventional ones. Although each strategy has distinctive characteristics it is often hard to divide or define which strategy is in use.

Yin (2008, p. 8) suggests three conditions (questions) which determine the appropriate research strategy. The first condition questions the type of research problem. This condition relates strongly to the purpose of the research. Hirsjärvi et al. (2009, p. 138) categorise four types of research purposes: exploratory, descriptive, explanatory and predictive. It is noticeable that a particular research can include more than one purpose and thus elements from several categories may exist. This applies also to this research. As the main purpose of this research is to examine a less known phenomenon, it associates to the exploratory category. Since the purpose of the study is also to document the most focal and interesting features of the phenomenon, it falls into the descriptive category. The second condition determining the appropriate research strategy is interested in the extent of control over actual behavioural events. This study focuses on observing the events of the phenomenon in the natural environment and thus control is an insignificant condition. The third condition determining the appropriate research strategy refers to the contemporariness of the research. This study focuses on contemporary events by interviewing the persons involved in the events. Thus this study relies on primary sources rather than explores historical data.

The exploratory nature and purpose of this study, the focus on events in the natural environment and the recentness of the topic justifies the case study approach in this research. Typically case studies concentrate on small specific group of interrelated cases and are interested in some process common for the chosen sample members (Hirsjärvi

et al., 2009). Case study is usually in the nature of qualitative research and it allows the researcher to explore the attitudes, interpretations and views of the people. Case study is defined by many academics (Daymon, 2002; Yin 2008) as a research strategy, which investigates a phenomenon in a real-life context, which enables to study the phenomenon in its natural settings. Furthermore, as Daymon (2002, p. 108) argues, a case design is especially applicable for such communication related studies aiming to emphasise the communication processes. There are several methods to conduct a case study strategy. The next subchapter introduces and justifies the selection of the research method applied in this research.

4.1.2 Research Method

The research method is composed of the ways and practices used in collecting the data (Hirsjärvi et al., 2009). According to Hirsjärvi et al. (2009), there are many options for research method but the research scheme will largely determine which options are most functional for the study in question. In this study interviewing is used as the research method and there are several reasons to support the selection. Firstly, interviewing allows flexible data collection and a possibility to explicate and deepen the answers received. Secondly, interviewing is a viable method when the phenomenon of the study is less known (Hirsjärvi et al., 2009). Thirdly, interviews allow exploring the perspectives and perceptions of various stakeholders (Daymon, 2002). Since the domain of this study is specific and less explored, it is sensible to use the interview method, which allows flexible data collection and better understanding of the perspectives of the interviewees. Although interviewing as a method has many advantages, it is at the same time a challenging method. The disadvantages of the interview method are discussed in detail in subchapter 4.4, Trustworthiness of the Research.

Interviews may be conducted using number of techniques and channels. As Collis (2002) describes, the interview situation might be face-to-face or voice-to-voice or even screen-to-screen and furthermore, there are several different techniques to conduct the interview. Hirsjärvi et al. (2009) divide interviews into three main types: structured

semi-structured and unstructured interview. Yin's (2008) division into survey, focused and in-depth interview types is almost identical and characteristics of each type are comparable to Hirsjärvi et al.'s (2009) division. The structured interview is based on questionnaire whereas the semi-structured and unstructured interviews are freer, often lengthy and destined to proceed informally. In the semi-structured interview method one aspect of the interview, the subject matters i.e. the themes, is same for all interviewees (Hirsjärvi & Hurme, 2008). Hirsjärvi and Hurme (2008) describe that the semi-structured interview is organized around fixed themes but it provides flexibility in the sequencing of the questions and there is not a predetermined set of response categories or specific data elements to be obtained. Rather discussion flows around the predetermined themes, which enables freedom to individual answers. Thus, as Yin (2008) argues, characteristic for focused (semi-structured) interview is that it concentrates on the subjective experiences of the interviewees. The semi-structured interview was chosen as the data collection method for this study and it was conducted face-to-face. Theme interview is parallel term for semi-structured interview and since theme interview reflects the research method and nature of this study better it is applied hence.

As Hirsjärvi and Hurme (2008) conclude, the starting point for a theme interview is that it is known that interviewees have experienced certain phenomena. Yin (2008) adds that the researcher should have obtained understanding on the presumably relevant principles and elements of this phenomenon. He continues that based on this knowledge the researcher has concluded hypothesises on correlations and consequences of dominant factors within the phenomenon. Hirsjärvi et al. (2009) portray that research analysis provides the foundation for the interviewer to prepare an interview framework. These steps were followed in this study to prepare the interview framework and the data processing, which are discussed in the following subchapters.

4.2 Interviewee Selection and Interview Design

This subchapter discusses the interviewee selection process and consists of two sections. The first section focuses on discussing the rationale and criteria behind the selection of the interviewees that constitute the sample of the empirical research. The second section then presents the key features related to the interview design.

4.2.1 Interviewee Selection

As many researchers, for example Yin (2008) and Flyvbjerg (2006), underline, sampling in the traditional sense is not applicable in case study research. Cases i.e. samples should be information-oriented and selected for their validity rather than emphasizing their representativeness (Yin, 2008). In addition, as Flyvbjerg (2006) argues, generalizability of case studies can be increased by the strategic selection of cases. When the research objective is to achieve a wide amount of information on a given phenomenon, a representative case or a random sample may not be the most appropriate strategy, because it is often more important to clarify the deeper causes behind the given problem and the consequences than to describe the symptoms of the problem and how frequently they occur (Flyvbjerg, 2006).

Accordingly, the basis for interviewee selection in this study has been the nature, the objective and the method used in the present study. Firstly, the starting point was to find international organisations which apply rolling forecast in some format. When some potential organisations were identified their appropriateness for the study was evaluated and then willingness to participate was ascertained. As a result four companies were selected as the case organisations and total of eight interviews, two in each case organisation, were conducted. In order to ensure that the interviewees have relevant knowledge of the research subject, the CFOs or financial manager of the case organisations was first contacted. They suggested the first and most suitable person to interview in their organisation. Then the second interviewee was chosen according to the suggestion of the first interviewee of each case organisation. The suitability of all

off the potential interviewees was ascertained during the telephone using the following four criteria.

1. Interviewees should be closely involved in the rolling forecast process in the organisation in order to ensure quality.
2. Interviewees should have some experience from alternative methods of forecasting to be able to make comparison and to identify advantages and disadvantages of the method.
3. Interviewees should be able to observe the process from the communication perspective.
4. The two interviewees from each organisation should represent different roles in the rolling forecast process to provide a wider view of the entire process.

The main purpose in the above criteria was to focus on the characteristics of the interviewees and the expectations about their information content. This was done in order to explore the attitudes and interpretations of the people in the natural environment of the phenomena. These individual views constitute general knowledge for the less explored subject and accordingly serve the main purpose of this study. The organisations and interviewees are presented in Table 1.

Company Info	Title of the interviewee	Role in the Rolling Forecast Process
Destia Line of Business: Infrastructure and construction Company Form: Limited Company Revenue (2008): 717 MEUR	Group Controller	Process administration
	Internal Auditor	Implementation of the process
Fingrid Line of Business: Transmission of electricity Company Form: Public Limited Company Revenue (2008): 382 MEUR	Controller	Process administration
	Business Development Manager	Planning and forecasting process development
Kemira Line of Business: Chemical product manufacturing Company Form: Public Limited Company Revenue (2008): 2833 MEUR	Head of Group Business Control	Process administration from financial perspective
	VP SCM Development	Supply chain forecasting process development
Puukeskus Line of Business: Wholesale of construction material Company Form: Limited Company Revenue (2008): 522 MEUR	Business Controller	Process administration
	Sales Director	Forecasting for two business units

Table 1. Case Organisations and Interviewees

The four organisations were selected from different industries, in order to exclude possible industry distinctiveness. All of the organisations had introduced the rolling forecast process in some format in their organisation during the last years or were strongly moving towards more rolling forecast and planning framework. This was essential for the study in order to evaluate the implementation and acceptance of the rolling forecast process in the organisation. Furthermore, common for all four organisations was the use of yearly budget. This was also considered important as it enabled the evaluation of the role of budget in organisations and comparison of the companies with a similar planning framework. As a conclusion, the case organisations formed a heterogeneous and valid sample group that befitted the nature and purpose of this study.

4.2.2 Interview Design

This subchapter describes the steps taken in the interview design to ensure that the interviews run smoothly and the outcomes of the interviews are expedient. Theme interview was selected as the interview method and the interview framework (see Appendix 1) of this study consisted of five themes: the rolling forecast process in general, communication practices, organisational context, management and strategic communication and communication lines. The first theme under discussion was advisedly wider in nature and it concerned the rolling forecast process as a whole. The purpose of the theme was the gather general views about the research area and to scout focus areas and the interview atmosphere. As Hirsjärvi and Hurme (2008) suggest, it is typical that research interview begins with broader questions, which enable the interviewee to gain confidence that the questions can be answered based on his/her experiences, abilities and interests. The four other themes were then more or less parallel with the research questions. This was done in order to ensure that answers to research questions were obtained. The second theme examined the communication practices linked with the rolling forecast process. The third theme focused on the

organisational context. The different features of organisation, for example culture and history, which presumably influence the communication climate around the rolling forecast process, were under investigation. The fourth theme concentrated on management and strategic communication. Purpose of the theme was to disclose management involvement and interconnectedness of strategic communication in the rolling forecast process. The fifth theme then revolved around communication lines and the influence of the rolling forecast process on horizontal and vertical communication in the organisation. It is important to remember that the discussion flow during the interviews was far more unstructured and informal than the interview framework. The interview framework served as a checklist for the interviewer rather than acted as a questionnaire. Minor changes and additions were made to the interview framework after the first interviews to optimise the outcome of the interviews.

This subchapter has introduced the key components of the interview selection and interview design of this study. The next subchapter describe the means of data processing applied in this study by firstly introducing the data collection and documentation methods and then the data analysis methods.

4.3 Data Collection and Analysis

This subchapter summarizes the data collection setting and describes the steps taken during the data analysis. The data collection setting that was based on the research strategy and method is described in the first section of the chapter. The analysis and interpretation of the research data forms a major part of the research project and is often closely related to the selected data collection method (Collis 2003, p. 252). The strategic decisions related to the data analysis are described in the second section.

4.3.1 Data Collection

The empirical data for this research, i.e. the 8 interviews, were conducted in December 2009 and February 2010. The interviews were conducted in the offices of the four case organisations. Since the length and the nature of the interviews were profound and number of interviews was relatively small, a special emphasis was laid on the practical preparations of the interviews. The key issues related to data collection are described in the following paragraphs.

During the case organisation selections the researcher gathered basic information on each case organisation. This worked also in favour for the interviews and enabled to focus on essential during the interviews rather than starting from the background info. Because both timing and the setting of the actual interviews were dependent on the interviewees' work schedule, efforts to facilitate the interview as much as possible were carried out. The interviewees received via email a brief introduction to the research and to the interview format and practicalities. This was done in order to prepare interviewees in advance and to ease a fluent start for the actual interviews. A summary of the research findings was delivered afterwards to the interviewees and they were informed about the possibility to get a copy of the whole study. The preparations facilitated the actual execution of the interviews.

The actual execution of the interviews was done systematically although the discussions during the interviews varied to some degree. The interviews were recorded in order to assure continuity of the discussions and ensure sufficient conditions for transcription, data processing and analysis phase. The interviews started with a short introduction of the participants and with a brief recap of the purpose of the research and the interview. This enabled both participants to orientate to the actual interview themes. The interview scene was set in such a way that there would be as little distraction as possible and that both parties would feel comfortable during the session. The interviews were conducted in Finnish but English terminology was used for some parts in order to ease the translation task and clarify possible connotations of key terms. The interviews lasted

from 45 minutes to one hour and the recordings were translated and transcribed within two days. The transcripts of the recordings were directly translated into English according to the researcher's best ability. The interview transcripts totalled 30 pages of raw data in Word format and from the raw data most relevant observations in relation to the research questions were picked out for data analysis. Data documentation was carried out systematically and exactly so that all important details were included and consistency was achieved. Particular emphasis was laid on the wording and translation of the recordings. In addition, the notes taken during the interview were added to the analysis template to integrate non-verbal indications confirming the conclusions emerging from the recordings.

As a conclusion, this section has narrated the steps taken to ensure the consistency and validity of the collected data. Overall, a carefully drafted interview framework and pertinent preparations facilitated the successful conduction of the interviews and clarified the following steps of the study. The next section describes the basic principles applied in analyzing the data acquired from the interviews.

4.3.2 Data Analysis

Data analysis forms one of the most critical parts of the research process. This subchapter describes the different steps taken and the strategic decisions made to overcome the challenges of data analysis. Shkedi (2005) describes data analysis as a process of gathering, modelling and transforming data with the purpose to bring together order, structure and coherence to the mass of data and thereby arrive at an understanding of its meaning. Hirsjärvi et al. (2009) further point out, that data analysis is dependent of the selections made during the initial stages of the research process. Hence, as Yin (2008) notes, the analysis of case study evidence is one of the least developed and most difficult aspects of doing case studies.

Hirsjärvi and Hurme (2008) explain that the richness and realistic nature of data collected through theme interview makes the analysis part interesting and challenging

but also often problematic and laborious. Furthermore, as mentioned in subchapter 4.1, Research strategy and method, especially for case study research defining the analysis strategy is challenging. Elements from various different strategies were applied but the two most suitable and essential strategy models for this study are presented next.

The starting point for the present study reminds Yin's (2008, p. 130-131) strategy of theoretical propositions. The baseline for the theoretical proposition strategy is that the original objectives and design reflected a set of research questions, reviews of literature, and hypotheses or proposition. The propositions serve to focus on certain data, to organize the entire case study and to define alternative explanations (Yin, 2008, p. 130-131). These characteristics argue its suitability for this research. Since the theory around the research area is scarce and scattered, additional strategic elements are needed. The simplified definition of the grounded theory is a theory that was derived from data (Bryman & Bell, 2007, p.585). Grounded theory is applied especially in qualitative research and characteristic for it is that theory is generated during the research from the interaction of analysis and data collection (Hirsjärvi & Hurme, 2008, p. 164). The main advantages of the grounded theory are that it is particularly suitable for organisational research, it links well with the practice, it is good for capturing the complexity of contexts and it facilitates substantive areas that have not been researched (Bryman & Bell, 2007, p. 592). The main principals of grounded theory are that key areas are marked as codes. The codes are grouped into concepts, which then are formed into categories. Categories are the basis for the creation of theory, or reverse engineered hypothesis (Bryman & Bell, 2007).

The original theory of this study was regenerated during the data collection and analysis through coding and grouping collected data into concepts and forming them into categories that form the base of the theory. Thus, the data analysis strategy used in this study applies elements from both abovementioned strategies: theoretical proposition and grounded theory. Firstly, the original purpose of this study formed the foundation to research questions, literature review and hypotheses. This links to the theoretical proposition strategy. Secondly, the research questions then were the origin for the

interview themes, which enabled the focus on certain data and later on to structure the data collected for analysis. However, as it is regular in qualitative approaches, the analysis of the data occurs simultaneously with, as well as subsequent to, data collection (Daymon 2002, 231). This relates to the principals of the grounded theory.

In order to present a more systematic and thorough picture of the data analysis steps taken, more profound explanation of the preparations and data categorizing and data analysis methods and techniques applied is needed. Before the actual analysis and conclusions can be made, certain preparatory steps must be performed. Hirsjärvi et al. (2009, p.221-222) list three main steps of data analysis preparations. The first step is to verify the data. The second step is to supplement the data. The previous sections have described the actions taken to assure the two first steps were taken. The most essential part, the third step, is to organize the data for recording and analysis. Somewhat similar term for organizing data is coding. According to Bryman and Bell (2007), coding enables the researcher to make sense of the textual data and facilitates to discover findings through the process of categorizing the data and describing the implications. The method for organizing the data relates to the data analysis strategy and the main purpose of the analysis; find answers to research questions (Bryman & Bell, 2007). Thus, the research questions and parallel interview themes formed the framework for organizing and coding the collected data. The observations emerging from the interviews were organized by the theme categories. Those codes and concepts that did not fit any of the categories were either removed or applied as supportive data for the generated theory.

Hirsjärvi et al. (2009) make a rough division of data analysis methods into two categories: interpretative and comprehensive approach. Such an approach should be chosen that best answers the research problem. This study uses mainly the comprehensive approach, which seeks to understand the patterns in the context of the study area. Method can be considered to mainly manifest elements from grounded theory as well as from content analysis (Hirsjärvi et al., 2009). The starting point for the data analysis in this study is theory driven but focus is on pointing out the emerging

themes and categories (content analysis). The main purpose of the analysis is to find consistencies between code elements and to highlight central concepts to focus on (grounded theory). In other words method is to find consistency in the data and at the same time reformulate the categories so that research questions are answered. The comprehensive nature of the data analysis method is also reflected in the way of presenting the analysis and findings. Research and findings are always open to multiple interpretations by the researcher, the interviewees and the readers. In order to have a unified interpretation of the findings and conclusions, the results are organized according to the research questions. Aspiration has been to provide as clear answer to the research questions as possible and in addition present supplementary outcomes to support the research purpose. Furthermore, the purpose has been to present the findings in such a way that they facilitate the conclusions and implications for further research.

This subchapter has described the methods that have been applied in this research to process and organize the data in order to facilitate the analysis and findings in a functional and purposeful way. The following subchapter examines the trustworthiness of the research from the various perspectives of the research process presented in this and the previous subchapters.

4.4 Trustworthiness of the Research

In order to demonstrate trustworthiness of the research it is important to evaluate the quality. This chapter has mainly focused on explaining and justifying the choices of the research method and design. As Yin (2008) emphasises, trustworthiness can be built up by carefully documenting each phase of the research process so that under the same settings another researcher would have arrived to the similar findings. The documentation and justification of methodology, presented throughout this chapter, is the cornerstone in building the trustworthiness for this study. In order to have a thorough evaluation of the quality of the study, this subchapter discusses and assesses the trustworthiness of this study more in-depth.

Traditionally, especially in quantitative research, trustworthiness has been evaluated through reliability and validity. Collis (2003) states that reliability means the repeatability in research findings and validity means that the collected data gives a true picture of what is being studied. However, as Hirsjärvi and Hurme (2008) suggest, reliability and validity criteria in the traditional sense are not perhaps applicable in qualitative type of research. In general, trustworthiness in a case study refers more to the standard of workmanship of the researcher rather than the responses of the research objectives (Hirsjärvi & Hurme, 2008). The main trustworthiness assessment criterion model applied in this study is introduced by, for example, Lincoln and Guba (Shkedi, 2005, p.181; Bryman & Bell, 2007, p. 43). The model consists of four evaluation criteria: credibility, dependability, transferability and confirmability. Furthermore, as Bryman and Bell (2007, p. 411) point out, the terms internal validity, reliability, external validity and objectivity are often used as parallel but criterion applied in this study is more common in quantitative studies. Each of the trustworthiness criteria is explained and evaluated from the view point of this study in the following paragraphs.

Credibility, according to Bryman and Bell (2007), refers to the degree to which the phenomenon is described and the results are credible from the perspective of the participants. Firstly, to ensure that the views of the participants of this study are also reflected in the findings the interviews were transcribed carefully. Secondly, consistency is an important aspect of credibility. Throughout this study consistency between theoretical framework and empirical research has been kept in mind. Thirdly, it is important that the research is carried out according to the canons of good practice (Bryman & Bell, 2007). As Hirsjärvi et al. (2009) suggest, it is imperative to collect and excavate various research materials to ensure cross examination. Although the topic of this study is specific and recent, objective has been to use variety of data sources to support the assumptions made during the research process.

Dependability, according to Bryman and Bell (2007), emphasises the need for the researcher to account for the changing context within the research occurs. Thus from a

dependability perspective the intention on one hand is to minimise the errors and biases of the study and on the other hand to ensure proper records of all phases of the research process. Yin (2008) argues that this is challenging in a qualitative type of research but dependability can be achieved with a thorough documentation of all the phases in the research process in order to gain consistency. Furthermore, research methods, research activities and data collection have been described in the previous chapters densely to demonstrate consistency. At the same time it needs to be stated that some level of inconsistency both in the interview settings and researcher interpretations of each interview do exist.

Transferability, according to Morrow (2005), refers to the degree to which the results of the research can be generalized or transferred to other contexts or settings. As Bryman and Bell (2007) suggest, qualitative research typically entails the intensive study of the small group and thus qualitative findings tend to orient to the contextual uniqueness and significance of the aspect of the social world being studied. Bryman and Bell (2007) continue that the researcher can enhance transferability by thoroughly describing the research context and the key assumptions of the research. This has been one of the main purposes of this chapter and it serves as a primary database to make judgements about the possible transferability of findings to another milieu. However, it is important to remember that since this study is a case study research, it is not as purposeful to find high repeatability in the findings. Nevertheless, in order to improve transferability, careful attention has been paid on accuracy, interviewee selection and interview design. Moreover, since one of the objectives of this study has been to provide fundamental knowledge about a less explored area, too extensive generalizations should not be made. However, the consistency and documentation demonstrated in this study argue fair degree of transferability.

Confirmability, as Morrow (2005) suggests, refers to the objectivity of the research and to the degree to which the results could be confirmed or corroborated by others. In other words, confirmability refers to the researcher's ability to demonstrate the neutrality of the research interpretations. Bryman and Bell (2007) underline that it should be

apparent that the researcher has not overtly allowed personal values or theoretical inclinations to sway the conduct of the research and the findings deriving from it. As already mentioned, the role of the researcher is emphasised in qualitative research and thus the element of subjectivity always exists. In order to control the influence of the researcher as well as one can under these circumstances a continuous confirmability audit has been made by the thesis supervisor as well as peers. Furthermore, awareness of the researcher's contribution to the research has been acknowledged throughout the research process and the influence has been explored and stated when applicable.

As a conclusion, this subchapter has assessed the trustworthiness of this research through four criteria: credibility, dependability, transferability and confirmability. The deficiencies that could influence the quality of the research have been identified and their possible effects striving have been minimised. Additionally, in order to build trustworthiness, emphasis has been throughout the research to be accurate, to document and to explain the research implementation decisions while keeping the objective of the research in view. As already mentioned, an interview is always dependent on the interviewer. Solely the presence of the interviewer has an effect on the interview situation and this vulnerability is always difficult to preclude. The two Bachelors theses the researcher had previously conducted with the interview method have contributed experience and assertively for the interviews conducted for this study.

As a conclusion, this chapter has described and rationalised the methodology applied in this study. The chapter introduced the research method, described the interview setting, presented the basis of the data processing and finally evaluated the trustworthiness of the study. As Hirsjärvi and Hurme (2008) point out, the trustworthiness in a case study strongly relates to the standard of workmanship of the researcher and thus the justification and description of the methodology has been rather detailed. The methodology chapter has grounded the next chapter, which will present the findings and conclusion of the empirical research.

5 FINDINGS

This chapter presents the findings of the study derived from the interviews. The findings show both shared as well as individual views of the interviewees. This makes it possible to create a lifelike view of the research phenomena and provide answers to the research questions. The findings are organised into four subchapters, which each provide answers to one of the four research questions of the study. These four subchapters also link rather well with the four core features of Juholin's (2006) model of communication culture (see Figure 4, p. 36)

1. What kinds of communication practices are interlinked with the rolling forecast process?

The first subchapter describes the communication activities related to the rolling forecast process. The subchapter describes the channels and methods that case organisations apply during the rolling forecast process.

2. Which organisational attributes influence the internal communication climate in the rolling forecast process?

The second subchapter elaborates on the organisational attributes that influence the internal communication climate in the rolling forecast process. The purpose of the subchapter is to discover common influential features but also to point out features that were individual for the case organisations.

3. How is management and strategic communication incorporated in the rolling forecast process?

The third subchapter discusses the communication activities related to the rolling forecast process from the management perspective. The subchapter presents the

interviewees' views of how the organisational strategy and the way of management are linked with the rolling forecast process through communication.

4. How does the rolling forecast influence the communication lines (horizontal and vertical) in the organisation?

The fourth subchapter focuses on the communication flows during the rolling forecast process. The subchapter describes the effects of the rolling forecast process has both on horizontal and vertical communication lines in the case organisations. In sum, the four subchapters of the findings chapter constitute answers to the research questions and consequently enable the researcher to achieve the objective of the study. The research problem and research objectives are discussed in depth in the final chapter.

5.1 Communication Practices

Although the case companies had different kind of applications of rolling forecasting in use and were in different phases in developing the process, certain commonalities related to the communication practices were discovered. In all case organisations unit review meetings are the main forum for talking through the actuals as well as the forecasts, i.e. the realised and projected performance. However, in general characteristic for the communication practices applied in relation to the rolling forecast, including the review meetings, were inconsistency and informality. Although communication around the rolling forecasting was somewhat iterate, for some organisations even vivid, communication practices even within a case organisation were not unified nor communication very actively promoted. As a result, the role of the process administrators in spurring the communication practices was emphasized by the interviewees. The three main findings related to the first research question, the review meetings as the main forum of communication, the informal nature of communication and the role of process administrators, are presented next.

Firstly, the various review meetings were common to all case organisations and they were considered as the main forum of communication, although the communication routines and procedures varied quite a lot even within a case organisation. The review meetings seemed to be held more consistently in the top level than in the lower levels of the organisation or cross-functionally. In practice, the business units of the organisation agreed themselves for the meeting routines, agenda and attendees. Since the main purpose of the review meetings was usually to be a checkpoint for the corresponding unit, the rolling forecasts were only one of the topics covered. However, as many of the interviewees highlighted, deviations to forecasts raise questions and discussions. Hence, if there was something significant or urgent on the horizon, the focus of the review meeting was on the latest forecast, the underlying factors and consequences rather than on the performance of the previous month. The review meetings were usually held monthly but occasionally additional meetings are held. In addition to the monthly review meetings, more profound forecasting and planning meetings are held during the yearly planning and budgeting process. The interviewees pointed out that the unit review meetings are crucial in steering the organisation and making decisions, but they were not systematically confined to the rolling forecast process. Coherently, the interviewees mentioned that the rolling forecast process administrators communicate actively among themselves. These discussions, however, focused more on the technical part of the process and outcomes of the actual forecasts rather than the outcome of the actual process. A somewhat common view was that the main focus of the rolling forecast communication is to provide information for the finance department, business area managers and the top management. This focus steers strongly the communication practices applied during the process.

Secondly, the communication in the case organisations around the rolling forecasting can be described as informal and diverse. In addition to review meetings, free from emails and corridor discussions were a common way to exchange thoughts about the future outlook and events, which might have influence on the business development. These types of unplanned communication practices boost the informal nature of the communication. A few interviewees underlined that differences between units on

communication frequency and practices existed and the frequency and nature of communication was highly dependent on the policies the unit manager fosters. Nonetheless, informal communication was considered essential and natural part of the rolling forecast process. Some of the interviewees hoped to see more consistency in the communication practices applied but at the same time they highlighted that open and informal communication was also an integral forum and natural part of the rolling forecast process.

There were differences between the case organisations on how much attention the rolling forecast process received from the members of the organisation. However, the future outlook in general seemed to be increasingly important for all the case organisations and thus emphasis on developing the forecasting processes has been put, as the following quotation highlights.

“What has been done is a lot of emphasis on tools but more importantly efforts has been put to the communication and the process.”

Thirdly, the role of the process administrators, i.e. controllers, not only as facilitators of the forecast process but also as communicators was emphasized in the interviews. The descriptions of the role of the controllers were wordy. Some interviewees considered controllers mainly as the ones who manage the rolling forecast process and provide financial expertise for the organisation. According to the interviewees, part of the process facilitation is to communicate with the process partakers of the different steps of the process, give instructions, guidelines and supportive material. One interviewee, however, emphasised that controllers should go further, as his quotation illustrates.

“The controller is the motor of the process and creating the culture. They need to go and support the organisation and tell the story: story of why we make forecasts, what is your role, what influences what and if you do your work well, how it influences the whole process.”

Due to, for example, differences in the organisational structures, there was no general job description of the controllers. Even within the case organisations controller's role dependent also on the personality: some of the controllers spar the management and others were in the background crunching numbers. Nevertheless, a common view among the interviewees was that controllers are in the heart of the rolling forecast process and therefore they have potency to influence the communication practices related to the process.

As a conclusion, the communication practices around the rolling forecast process were case-specific and unstructured. The monthly review meetings as well as informal communication were the common forums of discussion in the rolling forecast process. There were various occasional meetings among the process administrators as well as other, more mixed group of people. The controllers seem to be the core of the whole process and the motor of the communication involved in the process. According to the interviewees, controllers did communicate actively with the process partakers but their way of action varied considerably. Also, the interviewees highlighted that communication practices had evolved during the development and plenty of development could be done related to the communication practices of the rolling forecast process.

5.2 Organisational Context

This subchapter presents the findings related to the organisational context that influence the internal communication climate in the rolling forecast process. The influential attributes could rather clearly be divided into three main categories: history (background), organisational structure and culture. These three main findings are described next.

Firstly, the strong influence of the history of the organisation on the internal communication climate emerged from the interviews. Background of the company

clearly influences to the adoption of new processes, such as the rolling forecast process, and to the communication related to the implementation and administration of the process. Basically all of the case organisations had experienced significant changes during the last five years either in ownership, management team or strategy. Despite the significant changes, the majority of the interviewees said that the past is evident in the organisation and changes take a long time. The two quotations below are examples on how the interviewees from different case organisations perceived the influence of history.

“History dictates a lot in the company. This is an old business branch and the state-owned company background was shaken off only five years ago.”

“Long civil service history and nature of the business exist in the organisational culture.”

For all the case organisations’ moving towards rolling forecasting was a somewhat new process and for some the development is strongly ongoing. The company background clearly influenced how the process is received in the organisation and how it influenced the communication climate. One interviewee underlined that mostly due to the history there was a great deal of suspicion in the organisation about the suitability of the rolling forecast process in that particular branch. Over time criticism had attenuated and communication climate related to the process had improved. Other interviewee said that historically communication had not been strength of the company and thus implementing a new process demands quite a lot from communication. As a conclusion, the background of the company contributes to the readiness of the organisation to adopt new processes, such as the rolling forecast. Furthermore, the internal communication climate is clearly influenced by the history.

Secondly, the organisational structure influences greatly the internal communication climate. By definition, internal communication in a large matrix multinational organisation and national functional organisation are different. The organisational

structure and the number of partakers in the forecasting process varied to a large extent among the case organisations. One of the interviewees accentuated that annual changes in the already rather wide and complex organisational structure complicate the rolling forecast process. For a lean functional organisations operating on national level the communicational challenges related to the rolling forecast process are naturally quite different than for a multinational matrix organisation. In multinational matrix organisations, the communication around the process called for a structured approach as well as unit-specific adaptations. For leaner and smaller organisations, communication climate is and can often be more homogenous. On the other hand, when the rolling forecast process is well-functioning in the matrix organisation, reviews are gone through within the unit as well as in the process setup. At best, this increases control and quality of the forecasts and spurs communication throughout the organisation. Also, as one of the interviewee's stated, new processes (such as the rolling forecast) might shake down old structures and expose flaws. As a conclusion, the organisational structure seems to be a key attribute of internal communication climate and thus also influences the communication revolving around the rolling forecast process.

Thirdly, the overall organisational culture determines strongly the internal communication climate in the rolling forecast process. Since the history as well as organisational structure both influence on the culture of the organisation, the interviewees emphasised a number of such points that were described above. One such shared view was that the culture of the company influenced significantly the implementation of the rolling forecast process. For all the case organisations, implementing the rolling forecast process had demanded some degree of cultural change in the organisation. For two case organisations, the change in organisational culture initiated from changes in the ownership and strategy. For one of the case organisations, new strategy united the organisation and its culture and emphasised cooperation. For another case organisation, changes in the ownership enabled to manage and develop the operations more flexibly. For both organisations, implementing the rolling forecast was more suitable only after the changes in the organisation culture had occurred. One of the interviewees underlined that the rolling forecast process has marketed itself rather well,

although the cultural change has taken time. The next quotation illustrates the cultural change that had taken place in one of the case organisations.

“Creating the culture is the core. The first thing is to ensure the quality of data and then you need to spread the financial mindset throughout the organisation. Once the culture is created then communication is easy. In addition, commitment throughout the organisation is needed, not only from the management team. We have done a cultural change.”

A number of the interviewees highlighted that cultural characteristics also originated from the line of business the company operates in. According to one of the interviewees, the business logic in their field of business is quite different from average and that also determines the way communication works. He continued, in relation to how communication worked, that the industry is based on networks and silent agreements. The influential industry factors related to communication culture arose among the case organisations from structure of the industry, monopoly status in the market and overall slow-changing markets. According to the interviews, the industry-specific factors influence not only the outcome of the actual process, the forecasts, but also the process itself and the communication related to the process. As a conclusion, the organisation culture seems to draw from various elements. The influence of culture on all organisational processes, including the rolling forecast, is inevitable.

As a conclusion, three main influential factors on internal communication climate related to the rolling forecast process were identified and described in this subchapter. Firstly, the history of the organisations influenced the way of working in the whole organisation and thus also the internal communication climate. Secondly, the organisational structure is another key factor that contributed to the communication climate. Some of the case organisations had gone through significant changes in their organisational structure and their influence on communication climate was transparent. Both, history and organisational structure, are interlinked with the organisational culture, which is the third main factor influencing the communication climate. The

interviewees felt that often a change in the culture is needed before dynamic processes, such as the rolling forecast, could be implemented successfully. On the other hand, new processes, such as the rolling forecast, can shake down old structures and spur new kind of communication climate and organisational culture.

5.3 Role of Management and Strategic Communication

This subchapter provides answers to the third research question and introduces the findings in reference to the role of the management and strategic communication in the rolling forecast process. The importance of management communication, especially in the implementation phase of the rolling forecast process, was stressed by the interviewees. Communicating the objectives of the rolling forecast process was seen as one of the key duties of the management. Furthermore, the importance of management in steering the process and incorporating strategy in the process was also highlighted. However, the conceptions on the presence of strategy in the rolling forecast process were polarized among the interviewees. These key findings are presented in detail in this subchapter.

The rolling forecast was a relatively new process for all of the case organisations and a novel concept in general. Implementing the process in the case organisations had not taken place overnight. Possibly therefore the reasons for implementing the rolling forecast process and management's objectives for the process in the organisation were somewhat unclear, as the following quotation demonstrates.

“Management did not communicate the purpose of implementing the rolling forecast explicitly and the purpose for them seemed to be also somewhat unclear.”

Furthermore, one of the interviewees evaluated that implementing the rolling forecast was perhaps not planned well enough from the beginning in relation to its users and

purposes. At the same time, it was underlined that the focus still is on improving and developing the process. The quotation below encapsulates rather well the ruminations of the interviewees.

“The original objectives of introducing the rolling forecast should be clear to the management and clearly communicated to those who are responsible for the process.”

The main reasons to introduce the rolling forecast in the organisations were improving the forecasting process in general and providing a better view of the development over the limits of fiscal year. The following quotation summarizes the interviewees’ opinions on the purposes of the rolling forecast in their organisation.

“The main objectives of implementing the rolling forecast were to increase trustworthiness of forecasting, unburden the forecasting process and to get a view of the development [of financial performance] beyond the fiscal year, remove seasonal fluctuations and erase meaningless forecasting in the fourth quarter.”

However, there were also opinions that the objectives of the rolling forecast were, at least originally, set primarily from the management perspective. In other words, through the rolling forecasts owners and board are better able to review the direction of the company and management has better knowledge to set the targets and steer the organisation. Nevertheless, according to many of the interviewees, the reasons for implementation and objectives of the process were not communicated clearly enough throughout the organisations by the management.

Spreading the rolling forecast process successfully throughout the organisation is considered to be challenging, time consuming and dependent on several things. Organisational culture, technical functionality and activeness of the process administrators emerged from the interviews as the key success factors for implementing the process. In addition, a common view was that implementing and managing a process

such as the rolling forecast properly calls for management support, commitment and communication. The next quotation exemplifies the importance of management communication when implementing the rolling forecast.

“The success of the practical implementation is strongly dependent on how the process is sold to the organisation by the management.”

One of the core elements in linking the management and the rolling forecast process is strategy. In the case organisations, there were clearly differences on how strong the linkage between strategy, managerial communication and the rolling forecast process is. For some of the case organisations, strategy development was more loosely linked with the rolling forecast process. For them strategic planning was seen as a separate process done on higher level, which steers the budget and thus is also vaguely connected to the rolling forecast process. Nevertheless, as one of the interviewees stated, the strategy steers the organisation and organisation acts well according to its strategy, although it is not clearly visible in the rolling forecast process. In another case organisation, management has promoted extensive participation throughout the organisation in the strategy development process, as the following quotation point out.

“Strategy, main processes and strategic enterprises flow and show in the [budgeting and forecasting] processes and are visible in the action plans.”

None of the organisation seemed to have a fully integrated business planning process in a way that the long-term planning, strategy development, budgeting and rolling forecasting are interconnected. However, in one of the case organisations, the rolling forecast had altered the strategy development process and strengthened the linkage to management significantly, which is highlighted by the next quotation.

“It is more the other way round, the rolling forecast influences the strategy: is there a need to update strategy, is there need to think that strategic development slows down.”

This subchapter has provided answers to the third research question. The management communication was incorporated moderately in the rolling forecast process in the case organisations. Interviewees urged for clearer and more comprehensive management communication concerning the objectives and purposes of the rolling forecast process. The role of management communication and commitment seems to be emphasized during the implementation of the rolling forecast. Furthermore, the acceptance of the rolling forecast process within the organisation is strongly dependent on how management communicates and promotes it to the employees involved in the process. The role of strategic communication in the rolling forecast process seems to be dependent on how the planning process in general is organized. Strategic communication was diversely incorporated in the rolling forecast process among the case organisations. However, for some case organisations strategic communication is one of the core elements of the process and continuous strategic development one of the main outcomes of the rolling forecast process.

5.4 Communication Lines

This last subchapter of the findings presents answers on how the rolling forecast process influences the communication climate and lines in the organisation. The findings showed that the rolling forecast process can spur the communication length and breadth the organisation. There are, however, prerequisites for that to come about, which are described first. Then the focus is on findings in relation to vertical communication and after that in relation to horizontal communication.

Firstly, interviewees perceived that the rolling forecast process overall spurs communication in the organisation. The organisational structure and culture clearly set the framework for communication lines and flows in the organisation. The rolling forecast process as such does not seem to advance the creation of new communication lines within the organisation substantially. Instead, processes and projects, that are

everyday part of the organisation's operations, facilitate extensive reconciliation of the rolling forecast process in the organisational structure. The interviewees considered that the rolling forecast process can intensify existing communication lines and boost communication in general. The interviewees highlighted the importance of management communication and the role of process administrations in expediting internal communication around the rolling forecast process. Furthermore, since the rolling forecast often calls for lateral thinking throughout the organisation and it often is a challenging and tedious process for the organisation members to adopt. The next quotation presents one of the views on introducing the process in the organisation.

“Changes take time. Friction and resistance of change is inevitable. Change of forecasting and BI [Business Intelligence] reporting has been possible due to the nature of business and adaptability in the organisation, but it always takes time.”

The implementation phase and technical functionality were emphasized as key success factors of the process and especially of the communication involved. Interviewees often referred to various failures experienced during implementation phase and with the technical solutions, as the three quotations below demonstrate.

“Most of the users would highlight that the technical problems with the new system were numerous, which influenced the receptiveness [of the process] in the organisation.”

“At first there were technical problems with the rolling forecasts. This influenced the time table, postponed and complicated the launch of the process. It took about six months to cure the first symptoms.”

“Up front communication about the advance of the [forecasting] process is important and a system that is user-friendly and in which alterations are feasible.”

These failures prolonged the acceptance of the process in the organisation, engendered negative communication or smothered the communication in relation to the rolling forecast process. Nevertheless, the rolling forecast process can spur the communication in the organisation. More importantly, the rolling forecast can heighten the existing communication lines in the organisation, although the process does not seem to substantially contribute to origination of new communication lines. Management and process administrators are the key persons for establishing a functioning and evolving communication climate around the rolling forecast. Furthermore, the felicity of the implementation phase and the functionality and user-friendliness of the technical solution are critical success factors of internal communication around the rolling forecast process. Finally, it is important to realize that catching on the rolling forecast throughout the organisation is tedious.

Secondly, vertical communication in general has often been considered a one-way street flowing downwards from the management. Especially the budget process is often perceived as the model example of a process that fosters management's marching orders. The interviewees identified only to a certain degree similar behaviour in their organisation. Rather many of the interviewees emphasized that vertical dialogical connection between line units and management had evolved substantially during the last years. For most parts this derived from the change in the way of management style but also from overarching processes, such as the rolling forecast. The interviewees suggested that one of the key outcomes of the rolling forecast should be ongoing two-way dialog between the management and the line units. Furthermore, the interviewees highlighted that such a development was clearly ongoing in the organisation, as the following quotation indicates.

“There is a good vertical dialogue between units and management and it is getting better all the time. If deviations [between actuals and forecasts] exist, then reasons are identified and discussed between top management and units.”

For one of the case organisations the strategy development process, which is linked to the forecasting and budgeting processes, enabled cross-sectional surface for communication and extensive participation throughout the organisation. Thereupon the vertical communication flow stretched through the organisational length. The interviewees from another case organisation emphasized that when the planning and forecasting process works, the market signal stream, from the bottom to all the way to the management, is rather frictionless. There were some differences between the case organisations concerning the vertical communication flows, but in general the interviewees agreed that the rolling forecast can advance the vertical communication. However, according to the interviewees, there was still plenty of room for improvements and the rolling forecast process could be exploited much better in promoting vertical two-way communication flow.

Thirdly, horizontal communication in rolling forecasting process it is highly dependent on the organisation structure. The rolling forecasts are usually compiled upstream per business unit. According to the interviews the rolling forecast process could spur horizontal communication in the organisation. However, this is likely when there are other permanent organisation wide processes and projects. In other words, there needs to be natural interfaces and communication lines between units, which the rolling forecast can exploit and intensify. Since the organisation structures among the case organisations varied quite a lot, also the use of existing horizontal communication lines by the rolling forecast process varied. For one of the case organisations, existing processes set the ground for the rolling forecast communication and for another horizontal communication occurred only every now and then, as the two quotations below show.

“Cooperation and thus communication between functions has been increasing due to implementing process thinking a few years ago. Processes flow through various functions and thus they promote communication between different functions.”

“Communication between units varies but there are groups that communicate about the prospects and the process occasionally. Especially when times are tough, communication is more frequent.”

For the daily processes there are usually official forums where forecasts are discussed by people from different units. Moreover, horizontal communication occurred more frequently unofficially than vertical communication. As a summary the rolling forecast would be an excellent process to conceive and evolve horizontal communication lines. However, if there are no frameworks through operational processes for horizontal communication to take place, forums for horizontal communication needs to be developed around the rolling forecast.

As a conclusion, the rolling forecast process can intensify both vertical and horizontal communication lines in the organisation. Especially beneficial the rolling forecast can be in creating more a dense and explicit vertical dialog connection. The influence of the rolling forecast on horizontal communication lines, on the other hand, is more dependent on the organisational structure and other existing processes. In the case organisations the rolling forecast had influenced the communication lines by, for example, reforming the nature of vertical communication. On the other hand, the interviewees underlined that the rolling forecast process is still developing in the organisations and communication is an area that they should put more emphasis.

This chapter has presented the main findings of the empirical research for each research question. The next chapter presents the discussion around the findings and a conclusion for the whole study.

6 CONCLUSION AND DISCUSSION

The final chapter concludes the paper and consists of five subchapters. The two first subchapters summarise the main components of the research. The first subchapter briefly recapitulates the main components of the research. Purpose of the subchapter is to aggregate the different chapters together. The second subchapter presents and discusses the main findings of the research. The subchapter presents conclusions and links the findings of the research with existing literature and research. The third subchapter evaluates the limitations of the research by assessing the generalisability and reliability of the study. The last two subchapters contemplate the outcome of the research. The fourth chapter approaches the research findings from management perspective and provides managerial implications and recommendations. The last subchapter completes the paper by providing suggestions for further research.

6.1 Research Summary

This study was undertaken to examine the role of internal communication in the rolling forecast process. Many organisations around the world have at the latest after the prevailing financial crisis realised the need to be more adaptive to changes in the business environment. Also, during recent years forecasting has truly been acknowledged as a core business activity. As a consequence, as for example Aubrey (2007), Keogh (2008), and Clarke (2007) underline, rolling forecasting is becoming a common forecasting method in business life. At the same time, as Quirke (2008) highlights, the importance of effective communication, especially internal communication, on business performance is been recognized more generally. These development trends formed the starting point to investigate the role of internal communication in the rolling forecast process.

The theoretical background for the research naturally derived from the two main subjects of the study. Before reviewing the core elements of the theoretical framework it is in place to summarise the core principles of the rolling forecast process and internal communication. Especially rolling forecasting as a dynamic process requires for understanding of the prerequisites. Firstly, the main purpose of financial forecast is to inform decision making (Hope, 2006). A functional forecasting process indicates signals of forthcoming transformations in the operational environment and the information, forecasts provides, can be used in decision making and business planning. Secondly, rolling forecasting and budgeting should serve different purposes and complement each other. Budgeting has long served as the most common financial planning tool and still majority of the organisations have yearly budgets. Nevertheless, many top executives and academics (e.g. Aubrey, 2007; Drtina et al., 2003; Hope & Fraser 2003; Åkerberg 2006) argue that budgeting no longer is feasible as a forecasting method in the continuously changing business environment. Budgets can, however, be applicable for example in setting performance standards, distributing accountability and allocating resources. Thirdly, the management model should be compatible with the nature of the rolling forecast process. For many organisations, the annual rhythm and yearly budget is deep-set in the organisation. In order to fully exploit the rolling forecast process, strategy reviews, which then lead to updated plans and forecasts, should be carried out on a rolling basis. The rolling forecast process can create significant value by making the organisation more responsive and alert for changes occurring in the environment, but the process itself often calls for a change in the way management steers the organisation. When implemented successfully, rolling forecasting is a flexible, straightforward and proactive forecasting method that fits the requirements of contemporary business life.

According to for instance Åkerberg (2006), communication is a key element to any successful financial planning and a smooth forecasting process. The main purpose of communication is, as Fiilin (2009) argues, to support the value production. Three interconnected key areas of internal communication in relation to the rolling forecast process were identified in the literature review. Firstly, management is in a key position

in the process. Management sets the example for the whole organisation and one of their key responsibilities is to link strategic communication to the rolling forecast process. Secondly, cross-functional communication is a core element of the rolling forecast process. Organisation-wide involvement in the process can generate commitment and motivation. Thirdly, the organisational adaptability is prerequisite for the success of the process. The process is greatly influenced by the organisational context it takes place in. The connecting factor between the three key areas is that open communication climate promotes fluency of the entire rolling forecast process.

The core elements of the main themes in mind the theoretical framework of the research is based on the assumption that the rolling forecast process continuously supports the choice of strategy and decision making. Furthermore, the different methods and parts of the entire financial planning process should complement each others. The functionality of the rolling forecast process is highly dependent on and facilitated by the management approach and communication. The importance of different features of the internal communication are emphasised throughout the rolling forecast process. The organisational context mediates in the background of the entire rolling forecast process and the internal communication involved in the process. This theoretical framework reflects the research problem and four research questions that were formulated for this study. Furthermore, the theoretical framework acted as a rationale for the empirical research that was conducted by conducting eight interviews in four case organisations. The main findings of the interviews are presented and discussed in the next subchapter.

6.2 Main Findings

This subchapter summarises and discusses the main findings of the empirical research of this study. The main objective of the study was to investigate the role of internal communication in the rolling forecast process. As a conclusion, internal communication seem to have a multifaceted role in the rolling forecast process and internal communication is one of the prerequisites of a well-designed rolling forecast process. Based on the interviews coordinated communication framework, adaptable

communication climate and management endorsement form the core elements of internal communication in functional rolling forecasting. The rolling forecast process calls for open and cooperative communication in the organisation but on the other hand the process itself can spur communication across the organisation. Overall, as Drtina et al. (1996) highlighted, rolling forecasting calls for frequent and efficient internal communication cross the organisation. The findings of the study support their argument but moreover the findings provide more specific exposition of what are the key elements of internal communication in the rolling forecast process. These key elements are presented and discussed through the main findings, which are organised in compliance with the research questions, next.

The first research question was concerned with the communication practices in the rolling forecast process. The findings demonstrated that communication practices are case-specific and unstructured. The findings show that the performance review meetings are the main forums of communication and communication in general is informal by nature. Implementing the rolling forecast process comprehensively as a process takes time and the case organisations were in different phases of the development. According to the interviews, the focus of the implementation in the case organisations has been in the technical solution and output (the numeric forecast). The next development steps should be to create, harmonise and maintain the internal communication framework and routines around rolling forecasting. This is an area that has been more in the background in the case organisations. Correspondingly, Procter and Doukakis (2003) have highlighted the importance of coordinated and organization-wide internal communication framework. In addition, Hargie and Tourish (2009) suggest that sufficient attention to positive communication policies enables the organization to be better positioned and to reap significant competitive benefits. Organized communication framework and practices is one of the core principles of functional rolling forecasting and also the alternative management model (see p. 22). The findings interestingly highlighted the importance of the process administrators (i.e. controllers) in facilitating the communication practices involved in the rolling forecast process and the abovementioned development steps fall directly into their sphere of responsibilities.

The second research question was concerned with the organisational attributes that influence the internal communication climate in the rolling forecast process. History, organisational structure and organisational culture emerged from the interviews as the most influential attributes. The findings showed that organisational attributes clearly influence the communication climate around the process and the reception of rolling forecasting in the organisation. The findings support what for example O'Conor (2000) has observed in relation to budgeting and the EIU (2007) survey demonstrated in relation to rolling forecasting, the process is strongly influenced by the culture and history of the organisation. Rolling forecasting is a dynamic method, which can arouse resistance in the organisation, as a few interviewees also described. The interviewees pointed out that the organisational structure is one of the most significant attributes of the communication climate. This was not highlighted in the existing literature. The organisational structure influences the communication climate in rolling forecasting in two ways. Firstly, organisational structure contributes greatly to the existing communication lines in the organisation. Secondly, the organisational structure reflects the remits in the organisation. However, in the rolling forecast process the organisational structure might be different and thus remits can be overlapped. Therefore, new communication lines and new points of communication might emerge and this influences the communication climate around the process. As Clarke (2007) and Colman (2004) highlighted, without open and cooperative communication climate it is hard to prepare realistic and solid rolling forecasts. On the other hand, a few interviewees indicated that also the rolling forecasting is driving the organisation towards more open communication climate. When rolling forecasting is relatively new process for the organisation and fundamentals of the process are not in place, it might be challenging and time-consuming to keep the process rolling when significant changes in the organisational structure occur. Then again, rolling forecasting by nature urges the organisation for continuous development and proactive re-evaluation of the future plans by interpreting changes in the business environment. When the organisational culture and communication climate are favourable, organisation adapts to

the internal as well as external changes flexibly. In addition, new processes, such as rolling forecasting, can shake down the old structures in the organisation.

The third research question was concerned with the role of the management and strategic communication in the rolling forecast process. The findings highlighted the importance of management's communication, especially during the implementation of the rolling forecast process. The role of strategic communication in the case organisations was diverse and dependent on how business planning process in general was organized. Hope and Fraser (2003) argued that one of the starting points for implementing the rolling forecast process should be open management communication. Respectively, the interviewees demanded for clearer and more comprehensive management communication concerning the objectives and purposes of the rolling forecast process. It is apparent that open management communication and process endorsement spurs the acceptance of rolling forecasting as a process in the organisation. Similarly, it is management's responsibility to incorporate strategy and corporate objectives in rolling forecasting by communicating and steering the process. As Borland et al. (2000) suggested, financial forecasting must take account of the organisation's strategic objectives and communicating them to all stakeholders is fundamental. They further argued that attempting to develop forecasts and budgets in isolation from the corporate mission and objectives will inevitably lead to incorrect assumptions and misleading financial models. For some case organisations strategic communication is not only a core element of the rolling forecast process but in addition the continuous strategic development is one of the main outcomes of the process. These organisations are moving towards the alternative management steering model where strategy is continuously re-evaluated.

The fourth research question was concerned with the influence of rolling forecast process to the communication lines in the organisation. The findings emphasised that the rolling forecast process can spur both vertical and horizontal communication in the organisation. Interviewees highlighted that rolling forecasting can assist the creation of more dense and explicit vertical dialog. Budgeting has traditionally been a process that

fosters hierarchical downstream communication whereas well-functioning rolling forecasting, by nature, is based on two-way information flow concerning the changes occurring in the business environment. According to the interviews, the fundamental purpose of budgeting and rolling forecasting seemed somewhat unclear for the organisations who apply both methods. This causes friction especially to the vertical communication flows related to rolling forecasting. The findings show that horizontal communication lines on the other hand are more dependent on the organisational structure and other existing processes. Overall rolling forecasting is a process that can boost communication across the organisation. Hargie and Tourish (2009) argued that communication within and between organizations and sections of organizations stimulate higher level of innovation and thus contact at as many levels as possible is vital to wholehearted, widespread involvement in the achievement of organizational goals and the creation of a supportive climate for innovation. Therefore it would be essential that rolling forecasting process is facilitated so that open communication, continuous development and innovation are encouraged throughout the organization and across functions.

6.3 Limitations of the Study

There are four limitations identified that influence the generalisability and reliability of the study. Subchapter 4.4 evaluated the trustworthiness of the study through four evaluation criteria and highlighted some of the limitations this study encounters. The four limitations are described in the following paragraphs.

Firstly, the topicality of the research subject set challenges to the study. Although previous research on rolling forecasting and internal communication exist, respectively, concurrently they form an area where existing research and literature is comparatively scarce. Therefore the focus of the study has been to form a general view of a less researched area by combining core principles from existing literature of both subjects. Consequently, it is noticeable that generalizations cannot be drawn from the findings.

Nevertheless the findings provide good suggestions for main principles of the internal communication in the rolling forecast process.

Secondly, the present research design of the study set limitations to the generalisability of the study. The scope and topic of the study strongly influenced the fundamentals behind the methodology. Furthermore, the exploratory nature and purpose of this study justified the case study approach in this research. However, since the case study is in the nature of qualitative research, the findings tend to be confined to the unique context of the study. The findings of this study comprise the perceptions of eight interviewees from four different organisational contexts. Although certain indications of generalisation can be drawn, the case study approach restricts the degree to which the results of the research can be generalized or transferred to other contexts or settings. This should be kept in mind when interpreting the results of the study

Thirdly, the chosen research method sets limitations to the study. Theme interview was considered as the most appropriate method due to the nature and purpose of this study. Although the theme interview is a viable method when the phenomenon is less known and it allows collecting the data flexibly, there are two main disadvantages of the method. Firstly, the data analysis is often challenging. Modelling and transforming the data in a structured and coherent way that enables to arrive at an understanding of its meaning is demanding. This disadvantage is acknowledged and the steps taken in the study to verify, supplement and organise the data for analysis are discussed comprehensively in section 4.3.2. Secondly, the role of the researcher is emphasised in qualitative research and thus the element of subjectivity always exists. The interviews were carried out in a way that the interviewees were allowed to speak rather freely. The interviewer's role was to steer the discussion flow around the predetermined themes. Questions were general in nature and the interviewer interfered only when discussion diverged from the main themes. Under the circumstances the theme interview method allowed the researcher to explore the subjective perspectives of the interviewees but simultaneously it was prone to be too broadminded. Furthermore, the findings presented

in chapter 5 were reported in such a way that subjective individual perceptions and generalisations made by the researcher are clearly distinctive for the reader.

Fourthly, the case organisation and interviewee selection set limitations to the research. The selection process and criteria are described in section 4.2.2. The case organisations and interviewees were chosen so that the entity would be heterogeneous and valid. Furthermore, to include organisations that befit the nature and the purpose of the study was in special focus. However, identifying suitable organisations and narrowing down the potential case organisations has also been dependent on the readiness to participate. Instead focus has been on the interview offering. The objective was to identify the most knowledgeable and suitable interviewees in the case organisations and to invest in the quality of the interview content. At the same time, it is noticeable that the selection process was subjective.

6.4 Managerial Implications

The findings of the study confirmed several prerequisites of a successful rolling forecast process from the managerial perspective. For a majority of organisations that have introduced the rolling forecast, it has proved to be an excellent tool to improve forecasting reliability and organisations' preparedness for the future. The rolling forecast process as such does not automatically improve performance. Instead, organisations and especially management need to invest in the process for it to be beneficial for the organisation. The key prerequisites are categorised here chronologically in three sectors: preliminary preparations, process roll out and process support.

Firstly, successful introduction of the rolling forecast process calls for thorough preliminary preparations. It is recommendable that that the entire business planning process forms an integrated aggregate. Different parts (for example forecasting, budgeting, long-term strategic planning, short-term action plans) serve different

purposes but at the same time the parts should constitute an interconnected business planning process. Thus, the starting point for the management should be to crystallise the raison d'être of the rolling forecast. Once the purpose and objective of the rolling forecast process are clear to the management they should be clearly communicated to the process administrators. Only then can the requirement specification of the process and the system from the practical point of view begin. It is important that the rolling forecast process accommodates the organisational context and is tailored according to the requirements of the organisation in question. On the one hand, the link to the business planning process and on the other hand, the aspect of the performing party should be kept in mind. It is essential to the success of the rolling forecast process that the management invests to the preliminary preparations and is able to communicate the purpose of the process to everyone concerned.

Secondly, the findings of the study suggest that the successfulness of the process roll out is especially dependent on the functionality of the system and the promotional activities involved. Consequently, the roll out of the process throughout the organisation is perhaps the most critical individual phase on the way to a functional process. Any backward steps during the actual implementation are likely to significantly prolong the acceptance and functional roll of the process within the organisation. System functionality falls more in process administrators' sphere of responsibilities. The system simply needs to be, right from the start, user-oriented and functional; otherwise the focus of the performing party is misdirected. Overall the process administrators facilitate the roll out of the rolling forecast process and communication is an essential part of the administrators' mission. However, above all the promotional activities call for management endorsement. Findings showed that the organisation accepts the process better if the management is able to justify and communicate the importance of the rolling forecast process organisation-wide. Above all rolling forecast can be a concept of changing the way to manage business. Implementing the rolling forecast process takes time but it is mostly management's responsibility to foster the change throughout the organisation.

Thirdly, the support of the rolling forecast process should be characterised by the same principles as the process itself: continuous assessment and readiness to change. The importance of continuity of the process support was interlineally concluded from the interviews. The findings highlighted the role of the process administrators (i.e. controllers) in facilitating the process and its development. Controllers should be the motor of the process and especially the communication attached to it. In addition, the findings clearly indicated that the rolling forecast process set-up should not be static. Hence the planning process in general needs continuous attention and development. The process and the tool should adopt the changes occurring in the market or in the organisational strategy. Managerial attention is needed to ensure the development is in line with the organisation's strategy.

As a conclusion, the core of the matter is communication and it is prerequisite for making the most of the process. Management is in a position to smooth the progress of open vertical communication lines and support the creation of horizontal communication forums that enhance the development of the process. Management role in steering the entire internal communication climate to right direction is essential for keeping the rolling forecast process in good form.

6.5 Suggestions for Further Research

The interviews and the findings of the study pointed out five interesting areas for further research. The suggestions for further research are approached from two directions: from the rolling forecast process and from internal communicational point of view. Two suggestions for further rolling forecast research and three suggestions for further internal communication research are presented below.

Rolling forecasting as a concept is increasingly becoming common in business life and thus possibilities for further research are obvious. Two especially interesting suggestions for further rolling forecast research stem from the interviews of the study.

Firstly, researching the drivers for an organisation to implement the rolling forecast process is tempting. Theory and practice suggest that organisations are driven by the fast-changing business environment to adjust with a more flexible forecasting methods and way of managing business. However, the reality is not perhaps as straightforward and reasons for implementing the rolling forecast may not be as legitimate. For example, the findings implied that the key reasons for introducing the process were somewhat unclear for the case organisations. Secondly, an interesting research topic would be the role of the rolling forecast process as part of the entire business planning process. Existing literature argues that the entire business planning process should be integrated and the rolling forecast process should be a core part of the higher level process. In the case organisations the entire business planning process was not fully integrated to the higher level planning process, which seemed to reflect the functionality of the rolling forecast process. Moreover, the organisational context seems to influence significantly how the entire planning process is built. Consequently, the main purpose and role of the rolling forecast process seems to depend on the organisational context. However, the underlying attributes that determine the role of the rolling forecast in the business planning process remain to be discovered by the coming research.

The findings pointed out three core communicational areas that crave for further research. From purely communication point of view, the literature and especially research around the rolling forecast is still relatively scarce. In addition, only some researchers emphasised the importance of internal communication to the success of the rolling forecast process. Although, the purpose of the study was to investigate the role of internal communication in the rolling forecast process, a few smaller sections that could be studied in depth emerged from the interviews. Firstly, management communication as one of the core element of the internal communication involved in the rolling forecast process forms a clear topic for further research. The scope of the study did not enable to examine further role of management communication, but according to the findings of the study it is one of key areas of internal communication in the rolling forecast process. Secondly, the development of communication climate before, during and after the implementation of the rolling forecast definitely forms an

interesting research topic. A few interviewees pointed out that a change towards more open and adjustable communication climate clearly had taken place. The change took time and was a sum of several different factors, but the rolling forecast process was clearly one of the triggers. The potential the rolling forecast process has in changing the communication climate is evident but at the same time there is scarcely knowledge about the practical implications. Thirdly, the content of the communication forums that are related to the rolling forecast process seems interesting area of research. The decisions and discussions that occur especially in the review meetings should mediate directly to the management of the organisation. Examining the direct influence of the rolling forecast process has to decision making and strategy formulation would be appealing area for further research. It is in the very core of the alternative management steering model presented in subchapter 2.2 and in the heart of the mission of the rolling forecast process.

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APPENDICES

Appendix 1. Interview Framework

Theme Interview Framework

Interviewee details

Company name:

Line of business:

Interviewee name:

Title and role:

Date:

1. Background information

- Interviewee information
 - Role in the organisation
 - Background in the organisation
 - Responsibilities/involvement in the process
 - Description of the rolling forecast process
 - Time horizon and revision interval
 - Practical and technical solutions
 - Linkage to budget and business planning processes
 - Process administration
-

2. Communication practices

- Communication processes related to the rolling forecast process
 - Roles and responsibilities
 - Channels
 - Forums
 - Nature of communication
 - Communication climate
 - Predominant factors
 - Communication norms
-

3. Organisational context

- Description of the organisational structure
 - Functions and levels
 - Processes, projects and other relevant features
 - Organisational culture and the rolling forecast process
 - Work environment
 - Values
 - Branch peculiarities
 - Business drivers
 - Markets and competition
-

4. Managerial and strategic communication

- Objectives of the rolling forecast process
 - Why was the process introduced?
 - Main benefits and disadvantages
 - Linkage between the strategy and rolling forecast
 - Role of rolling forecast in financial and operational planning
 - Approach to communicate strategy
 - Management communication customs
 - Superior communication practices
 - Organisational way of action
 - Decision making and rolling forecast
-

5. Communication lines

- Communication environment in general
 - Vertical communication
 - Role of management
 - Nature of bottom-up communication
 - Horizontal communication
 - Negotiation culture
 - Scope and nature of team-work culture
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