



## **Interface Of Budget Utility With Organizational Ambidexterity, Organizational Learning And Market Orientation Capabilities**

**Thiago Bruno de Jesus Silva**

*Universidade Federal da Grande Dourados – UFGD*

**Carlos Eduardo Facin Lavarda**

*Universidade Federal de Santa Catarina – UFSC*

### **Abstract**

This study aims to understand how the interface between budget utilities with organizational ambidexterity, organizational learning and market orientation capabilities occurs. The research methodology used combined methods, operationalized by the case study procedure. The analysis was performed using coded categories based on the literature and selected excerpts from the interviews, observation and documents, through qualitative analysis in a single firm of Brazilian agribusiness sector. As a result, we observed that the technological system provides support for sales consultants, which optimizes time and resources, the program called CIT allows monitoring budget execution and variation and Sales Consultants have a non-financial goal. Thus, it is inferred that the interface between dynamic capabilities with organizational ambidexterity (exploitation) allows discussions aimed at the budget utility of planning. The budget is essential for managers to strive to achieve the proposed goal and make their unit efficient in resources. Simultaneously, it was observed that the budget helps to promote discussions between hierarchical levels, which is said to be essential to motivate the team, sharing knowledge and learning and allowing to create new knowledge, experimenting with alternatives, such as technology to monitor farms via satellite. Thus, it is inferred that the interface between organizational learning and market orientation capabilities with organizational ambidexterity (exploration) allow discussions aimed at the budget utility of dialogue. As a theoretical implication, it was demonstrated that the budget favors not only exploitation, but also exploration. In the practical field, this evidence can contribute to spread the idea that the budget can promote different priorities.

**Keywords:** Corporate Budget, Organizational Ambidexterity, Dynamic Capabilities, Agribusiness.



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## 1 INTRODUCTION

The budget is the most used management control in management and decision making in organizations of different sizes, sectors and regions in the world (Arnold & Artz, 2019). This has a series of utilities that are heterogeneous and non-standardized, so that they can be presented in various ways (Abernethy & Brownell, 1999). It is characterized with a focus on controls, for signaling goals to be achieved. It analyzes deviations and makes corrections, in terms of diagnostic use, as well as related to influencing behaviors, how to motivate, organizational debate, dissemination of knowledge, in a more interactive aspect (Muller-Stewens, Widener, Moller & Steinmann, 2020).

In this sense, the utilities of the budget support the implementation of the strategy and sending signals to the organization regarding the stimulus of dialogue (Radke & Widener, 2016). Thus, they can improve the efficiency of existing resources (exploitation) and seek new opportunities (exploration), just as it presents organizational ambidexterity. For Birkinshaw, Zimmermann and Raisch (2016), ambidexterity is a useful addition to the perspective of dynamic capabilities because it clarifies the opportunities and weaknesses of the various modalities chosen by managers to perceive and seize opportunities and reconfigure their internal resources.

In this context, dynamic capabilities are the skills of organizations to develop ways that give them competitive advantage in a dynamic environment (Teece, 2007). For the Resource-based Theory (RBT), organizations need to improve the efficiency of their resources (exploitation) to generate revenue and profits, while simultaneously seeking new opportunities, creating innovations and adapting to emerging change (exploration), as in Gschwantner and Hiebl (2016).

Glavas and Mish (2015) explain that capabilities emerge because resources alone are not sufficient to sustain a long-term competitive advantage. In this regard, organizational learning and market orientation are recognized as capabilities to achieve competitive advantage (Henri, 2006). Organizational learning is characterized by the continuous process of appropriation and generation of new knowledge (Antonello, 2005). Market orientation understands customers as a source of information (Sundbo, 2001).

When considering agribusiness, it is highlighted that it needs to be more competitive to face the challenges, which include technological innovation, change in the economy and climate events (Sachitra & Chong, 2018), and to respond to changes in the structure and competitive landscape to maintain market position (Boehlje, Roucan-Kane & Broring, 2011). These challenges are mainly manifested in the form of inadequate technical and technological equipment, a high degree of risk in agricultural subsidies, changes in legal regulations, low purchase price, buyer monopoly, etc (Savic, Vasiljevic & Popovic, 2016).

Thus, organizations must develop knowledge that facilitates changes to meet the growing world demand (Ismail, 2013). These organizations believe that technological developments are fast and political changes are difficult to predict (Grant, 2016). Thus, they deal with a high level of risk, adapting to new developments while carefully using their resources (Guttel & Konlechner, 2009). To develop and maintain an appropriate balance, management control can be essential because it recognizes that management control influences the behavior of managers and employees (Heinicke, Guenther & Widener, 2016).

In this way, management control can promote exploitation and exploration of the organization (Bedford, 2015). For organizational ambidexterity and dynamic capabilities, management control is important, as it provides useful information and favors decision making (Schon & Argyris, 1996). Such decisions can be represented by correcting small deviations, improving the way the organization works, need for changes / introduction of new products/service (Schon & Argyris, 1996), comparison of budgeted and realized results that



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generates motivation, dialogue and sharing of customer information, as discussed by Oyadomari, Frezatti, Mendonça Neto, Cardoso and Bido (2011).

However, in previous investigations, management control was understood only as an exclusive tool for exploitation (Gschwantner & Hiebl, 2016; Bedford, 2015). Bedford (2015) argues that the use of the aforementioned information from management control for different uses facilitates exploitation and exploration, which increases employee commitment and focuses on actions in which results are desired. Therefore, the utilities of the budget and ambidexterity interface with the dynamic capabilities of organizational learning and market orientation because they provide insights into how organizations explore new opportunities while continuing to “exploit” existing markets and resources (Birkinshaw et al., 2016).

In this circumstance, we outline the following research problem: **How does the interface between budget utilities with organizational ambidexterity, organizational learning and market orientation capabilities occur?** The study aims to understand how this interface occurs, since this phenomenon is little studied in the management control literature and offers an opportunity for research.

The results can contribute to discussions about the role of the budget and the organizational learning capabilities in organizations, since the existing discussions only used the utility of performance assessment (Mucci, Frezatti & Dieng, 2016). Second, previous studies were limited only to exploitation, which has basically focused on the efficient and effective implementation of organizational resources (Gschwantner & Hiebl, 2016).

In the practical field, this study can contribute by demonstrating that the budget, as a formal control, can be used for several uses (Merchant & Van der Stede, 2003). Consequently, such utilities can promote different priorities, such as inducing goals, instigating creativity, entrepreneurship and organizational learning, which are a source of competitive advantage (Chenhall & Moers, 2015).

## 2 THEORETICAL FRAMEWORK

RBT provides a framework for understanding how resources and capabilities improve a company's competencies and allow it to serve its target market more efficiently (Desa & Basu, 2013). These resources and capabilities belonging to each organization provide a competitive advantage (Barney, 1991). Theory provides theoretical understanding of how resources can be used in different fields (Zhao & Fan, 2018), which recognizes each resource as an asset that allows to conceive and execute the strategy (Wernefelt, 1984). Thus, this perspective adopts an internally oriented approach as opposed to the externally oriented perspective, in which the competitive advantage comes from the forces of the external market and its positioning of the organization in the market (Porter, 1985).

In view of this, RBT is based on two key assumptions. The first is to understand the heterogeneity of an industry in relation to the resources it has (Conner, 1991). This means that each organization has a unique portfolio of resources (Zhao & Fan, 2018). The second assumption is that of imperfect resource mobility (Barney, 1991). As such, firm resources are difficult to obtain in the market, which is due to the high transaction costs, since they are used in combination with other resources or because they are simply more valuable to the organization that currently controls them than they would otherwise be (Peteraf, 1993).

Resources include several elements that can be used to implement the strategy that creates value: specific physical assets (e.g. specialized production facilities, geographical location), human resources (e.g. engineering skills, chemistry knowledge), organizational assets (for example, management skills, superior sales force) and skills (e.g. miniaturization, image generation) (Teece, 2007). Therefore, dynamic capabilities link resources and allow their implementation (Day, 1994). These represent the organizational processes by which



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organizations synthesize and acquire knowledge resources and generate new applications from such resources (Kogut & Zander, 1992). Dynamic capabilities are the organizational and strategic routines by which firms achieve new resource configurations as the market emerges, collides, divides, evolves and dies (Eisenhardt & Martin, 2000).

In this scenario, they refer to the organization's ability to integrate, build and reconfigure external and internal competencies to deal with rapidly changing environments (Teece, 2007). The concept of dynamic capabilities emerged because firm resources were considered, alone, they are not enough to sustain a long-term competitive advantage (Glavas & Mish, 2015). As for these capabilities, organizational learning and market orientation are recognized as primary capabilities to achieve competitive advantage to match and create changes in the market (Henri, 2006). Hitt et al. (2001) explain that these capabilities are adequate to offer strengths, but it is not enough to develop sustainable advantages. Thus, this investigation is focused on the interface of budget utilities and organizational ambidexterity in each of these capabilities.

For Grant (1991), competitive advantage derives from the organization's resources and capabilities to organize and apply them. Under these circumstances, Barney (2011) recognizes that the corporate budget is used as a complementary resource that organizes the organization's resources in order to influence the employee to implement strategic objectives. Traditionally, the purpose of the budget was to assess performance and allocate responsibility for results to specific organizational areas or people. However, it must also be associated with forecasting, efficiency, guiding short-term goals. It also contributes to creativity, transparency, learning, innovation and adaptability (Yanishevskaya, 2017; Abernethy & Brownell, 1999). Simons (2013) called this role interactive when there is a continuous exchange of information and ideas between top management and lower levels of management.

Ekhholm and Wallin (2011) presented two main budget utilities: (a) the budget for planning utility (planning, coordination, resource allocation and determination of operating volumes) and (b) the budget for the utility of dialogue (communication, awareness raising, motivation). It is worth mentioning that there are several references in the literature that discuss and propose a list of utilities for the corporate budget. In this investigation, the aforementioned utilities are considered to cover a large part of the utilities from previous investigations (Hansen & Van der Stede, 2004; Sivabalan, Booth, Malmi, & Brown, 2009).

Thus, it is understood that the information inherent in the budget serves different uses, which makes it possible to improve the efficiency of existing resources (exploitation) and search for new opportunities (exploration), as presented by the organizational ambidexterity. Organizational ambidexterity was defined by Duncan (1976) as the capacity that organizations have to meet simultaneously conflicting demands, according to the managerial skills developed. Such simultaneous demands are found in the form of dualities that are faced by the various business models (March, 1991).

Ambidexterity is based on these simultaneous demands (Duncan, 1976), called exploitation and exploration (March, 1991). Exploration is related to the managerial capacity of creation, innovation, experimentation, research and discovery and learning, while exploitation is associated with the refinement, adaptability and efficiency of products or services (March, 1991), which demands different organizational structures, strategies and contexts (Raisch & Birkinshaw, 2008). The link between the precepts of organizational ambidexterity in the sphere of management control is marked in the investigation by Simons (2010), that argues that management control is traditionally seen as an exclusive tool for exploitation.

For Simons (2010), the unilateral perspective is a major omission in management control investigations, which have basically resorted to the efficient and effective



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implementation of resources, without considering the capacity that these controls can provide for the development of creation, experimentation, learning, identifying opportunities through exploitation orientation. Thus, by expanding the unilateral perspective to a bidirectional, the budget can provide the development of organizational ambidexterity (Gschwantner & Hiebl, 2016; Bedford, 2015).

## 2.1 Development of Propositions

The utility of the planning budget aims to focus on planning, coordination and allocation of resources (planning utilities) in line with the organization's strategies (Ekholm & Wallin, 2011), as mentioned in exploitation literature. In this case, action plans derived from strategies, detailed financial targets are included, comparison of real results with goals and explanation of variations, offering organizational learning (Henri, 2006). Formal use provides a mechanistic approach that helps determine whether managers act according to pre-established plans (Simons, 2013). This type of control is important to ensure that employees' behavior is in line with their agribusiness organization objectives (Hendri, 2019).

Perin (2001) explains that organizational learning and market orientation capabilities must be studied together. Slaver and Narver (1995) explain that market orientation has strong fundamentals, which seek to learn about customers and competitors, and in isolation it is not enough to create a learning organization. For Lidia (2015), management control can be useful with information that identifies economic results. The budget, for the author, favors to compare realized results of sales and profits, to identify products and regions that do not obtain sufficient or above expected performance.

In this regard, the information generated by the budget has an inducing role in the decision-making process (Silva & Lavarda, 2020). In planning utility, learning represents the single cycle, but not higher-level learning (double-loop), which is necessary for innovative behaviors (Haas & Kleingeld, 1999). Simple circuit decisions can be represented by correcting small deviations, such as budgeted versus actual expenses, changes in the composition of the inputs used in a product, as well as changes or improvements in the form of organizational performance (Argyris & Chon, 1978).

In the context, the budget meets the needs of agribusiness organizations, as they are concerned with their competitiveness, reducing costs and improving the quality of products and services for customers (Binotto, Hamer, Nakayama & Silveira, 2004). These agricultural production organizations require, above all, the efficient use of consumed energy, which contributes to their productivity and profitability (Đokić, Jurjević, Popović & Savić, 2019). That said, it is understood that management control assists in the analysis process and the activities developed, which allows agribusiness managers to monitor and compare results over time (Vian, Gollo & Kruger, 2019).

In view of this scenario, we establish the following theoretical proposition elaborated for this investigation:

*P1 – The interface between organizational learning and market orientation with organizational ambidexterity (exploitation) allows discussions aimed at valuing the budget utility of planning*

The usefulness of the dialogue budget seeks communication, awareness raising and motivation (Ekholm & Wallin, 2011), according to what is presented by the exploration. Such circumstances provide motivation for managers to learn, become prosperous in a long-term perspective and achieve the goals set (Yanischevska, 2017). The focus on dialogue and communication between organizational actors from different or identical hierarchical levels acts as an integrative link device that breaks down the functional and hierarchical barriers that restrict the flow of information (Abernethy & Brownell, 1999).



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The budget promotes dialogue, organizational debate and encourages the exchange of information, which can disseminate knowledge and allow the emergence of strategic actions (Simons, 1995). These factors are important for the context of agribusiness, especially in line with professional training, such as courses and participation in events (Hendri, 2019). Knowledge is related to the search for technical efficiency, best agricultural production practices and technological development (Haryanto, Talib & Salleh, 2015).

In this way, management control can lead to major changes in the way of acting, as a change in product / service mix according to changes in the way results are measured, profound change in operational processes caused by a change in the way of measuring the costs of these processes, it can also change the way of competitive performance, of new products/services (Schon & Argyris, 1996). In addition, the budget can provide motivation when considering that managers can identify products and/or regions that need to outperform (Oyadomari et al., 2011).

In this sense, we outline the following theoretical proposition elaborated for this investigation:

*P2 – The interface between organizational learning and market orientation with organizational ambidexterity (exploration) allows discussions aimed at valuing the budgetary utility of dialogue.*

There is an interface between the utilities of the budget with the organizational ambidexterity and the dynamic capabilities of market orientation and organizational learning. Based on this, the evidence from the study will make it possible to assess whether the planning and dialogue utilities of the budget favor discussions involving organizational ambidexterity, market orientation and organizational learning.

### 3 METHODOLOGY

The investigation was characterized as a case study. As an objective, the case study is to know an organization and understand in-depth the how and why of the occurrence of certain phenomena, their identity and peculiar characteristics in the aspects of interest to the researcher (Yin, 2017). This study allowed us to understand how the interface between budget utilities with organizational ambidexterity, organizational learning and market orientation capabilities occurs.

Thus, we deal with the selection of the case that constitutes the object of research. For Eisenhardt (1989), case selection is an important aspect in the construction of the theory from the case study. In this research, we consider the relevance and not the representativeness, as explained by Flick, (2004). Thus, the choice of the organization and the interviewees were among the goals defined for this investigation, their problem and the objective.

The investigation strategy allows to define the focus, in order to direct the wide number of information provided by the data collection. Yin (2017) explains that the case study does not represent sampling and when doing it, its goal will be to expand and generalize theories (analytical generalization) and not to enumerate frequencies (statistical generalization). As it is a single case, the results will reveal evidence of the occurrence of the phenomenon in the context of agribusiness organization. This research was approved by the Human Research Ethics Committee of the Federal University of Grande Dourados (CEP/UFGD), with the Certificate of Presentation for Ethical Appreciation - CAAE n<sup>o</sup> 29468620.2.0000.5160.

For case selection, initially, we seek empirical evidence of information related to agribusiness organizations that presented organizational learning and market orientation as an organization challenge and that use the budget as a form of managerial control. The first sources of research were the websites and social networks of organizations on the internet.



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Therefore, we are looking for an organization that has learning organization and market orientation as an essential source. Another possibility was to identify news in the media, which highlights the organization being studied and its link with organizational learning. Agribusiness was chosen for the study due to its importance in the Brazilian economy and its connection to the organizational learning process and market orientation.

According to data from the Ministry of Agriculture, Livestock and Supply (MAPA), agribusiness represented 21.46% of the national gross domestic product (GDP) in 2018 (MAPA, 2019). Thus, Brazil is one of the largest producers and exporters of agricultural products in the world (Artuzo, Foguesatto, Souza & Silva, 2018). Grains, especially soybeans and corn, saw rapid growth in production and productivity, given by the geographic expansion in the Midwest region of the country and the adoption and diffusion of innovations (Borlachenco & Gonçalves, 2017).

Organizational learning and market orientation make it possible to solve several challenges faced by agriculture (e.g. adaptation of growers to climate issues) and the management of natural resources (Artuzo et al., 2018). The research construct aims to identify the presence of observable elements and indicate how these manifestations can be captured by the constitutive definitions (Bisbe, Batista-Foguet & Chenhall, 2006) for evaluation, understanding and positioning in relation to informational aspects.

Table 1 presents the categories, subcategories, constitutive definition, operational definition and the authors that are part of the construct.

Table 1  
**Characterization of the variables adopted in the investigation, in terms of measurement and theoretical framework**

Category	Subcategory	Constitutive definition	Operational definition	Theoretical Framework
Organizational ambidexterity	Exploitation	Managerial capacity for adaptability and efficiency of products or services	Manager's report on the organization's management capability according to exploitation and exploration.	Duncan, (1976); March (1991);
	Exploration	Managerial capability for creation, innovation, experimentation, research and discovery, learning		
Budget utilities	Planning	Utilities that aim to obtain the necessary goals to achieve the intended strategy	Manager's reports on potential budget utilities in the organization. Analysis of documents that aim to use the budget. Observation of aspects relevant to these utilities	Ekholm and Wallin (2011); Abernethy and Brownell (1999); Simons (1995)
	Dialogue	Utilities that stimulate the search for opportunities and encourage the emergence of new strategic initiatives		
Dynamic capabilities	Market Orientation	Ability to focus on the organizational needs of clients 'expressed needs and to develop long-term thinking according to clients' latent needs	Manager's reports on organizational and strategic routines that the organization adopts (will adopt) during/after budget definitions on market orientation and organizational learning. Observation of aspects relevant to these dynamic capabilities.	Fiol and Lyles (1985); Burke (1989); Narver and Slater (1990); Naman e Slevin (1993); Hult, (1998)
	Organizational Learning	Ability to develop insights, knowledge and associations between past actions, the effectiveness of these actions and future actions		

Source: Authors' own elaboration (2021)



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Ekholm and Wallin (2011) constituted the category involving budget utilities and which was tested by Mucci, Frezzatti and Dieng (2016). The category covering Dynamic Capabilities was composed by Narver and Slater (1990), Naman and Slevin (1993) and Hult (1998) tested by Henri (2006), Widener (2007) and Oyadomari et al., (2011) and Rehman *et al.*, (2019). The organizational ambidexterity category was created by Duncan (1976) and March (1991) and tested by Raisch and Birkinshaw, (2008); Simons (2010; 2013); Bedford (2015); Gschwantner and Hiebl, (2016).

The information needed for the research was presented in a case study protocol. The protocol contains the research questions, the objectives and the definition of the methodological procedures used, the letter of introduction of the researchers and the Informed Consent Form (ICF). In this regard, it clarifies the objective of the study, the procedures and the participation of the respondents in the research, as well as ensures that the identity of the interviewees would not be revealed and their confidentiality would be preserved.

The procedures used to collect the data were interviews, documents and observation. In the typology of the interviews, a semi-structured script previously established was followed, with the freedom to adapt the questions to the context studied, with support from the literature and the assumptions that emerged to the point that the information was reported. This interview script (Appendix A) was composed of semi-structured and open questions, built from the theoretical foundation and instruments already used in other investigations.

The investigation script was divided into 5 blocks: (i) characterization of the respondent, (ii) organizational learning, (iii) market orientation, (iv) budget utilities and (v) organizational ambidexterity. This same instrument will be used for all research subjects. Table 2 presents the description of the interview script.

For the validity of the research instrument, an interview was conducted with two managers of an agribusiness organization, in order to verify whether the questions meet the research objective. The interview was recorded and lasted approximately 30 minutes. After the interview ended, respondents were asked for suggestions for improvements on clarity and understanding. The pre-test interview was transcribed and analyzed. Based on this initial analysis, it could be concluded that the questions addressed in the interview script meet the objective proposed in the study, which answers the research question.

Table 2

**Description of the interview script**

Blocks	Description	Number of questions
1	Characterization of the interviewee	12
2	Organizational learning	3
3	Market orientation	2
4	Budget utilities	3
5	Organizational ambidexterity	1

Source: Authors' own elaboration (2021)

The interviews were conducted at two different times, in the months of April and May 2020. Other information, such as documents and organizational records for the past 3 years, was provided during the interviews, by email or demonstrated during the interview. The locations were the administrative units located in the center-west of Brazil. Table 3 presents the list of research subjects.

The managers interviewed combine the roles and qualifications needed to contribute to the scope of the study. To guarantee the reliability of the information, the interviews were recorded with the consent of the interviewees. Then the content was transcribed and the text sent to managers for approval. The transcript resulted in 20 pages of records.





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Table 3

**Research Subjects**

Interviewees	Position	Time
1	Administrative and Financial Manager (Comptroller)	1h06min
2	Unit Manager	27min
3	Unit Manager	48min
4	Unit Manager	30min
5	Technical Sales Representative (partner organization)	32min

Source: Authors' own elaboration (2021)

In addition to the interviews, we use and/or access the following documents: history of the organization (anonymously termed the Agricultural Organization), complete annual reports of the financial statements for the years 2016 to 2019, code of conduct reports published on websites and social networks, e-mails exchanged with the research subjects. In addition to these documents, the business budget of the last few years extracted from the integrated management system. This information was collected until May 2020.

Non-systematic observations occurred during field visits, at the same time as the collection of data from the interviews, and will be recorded in notes in the field diary. According to Mynayo (2004), the field diary contains all information other than the record of formal interviews: in this case, observations and records about informal conversations, behaviors, gestures and expressions that are of interest to the research topic.

The field notes allowed generating additional and complementary information to record words, phrases and points related to the investigated environment, such as location and visual presentation. During the interviews, the facilities of the production and administrative units, the interviewees' workplaces and the meeting rooms were visited. For Gibbs (2009), field notes should record the description of events that occurred, such as private observations, questions and reflections on things that happened, for example, in the interviews.

The validity of the research depends on the use of operational techniques to reduce or eliminate errors and increase the possibility of explaining the data. Yin (2017) suggests triangulation to increase research credibility and reliability. The triangulation occurred by analyzing the text of the interviews, observations, internal records and documents.

Data analysis started with the transcripts of the interviews and with the reading and review of the documents, field notes and text transcribed and categorized according to the categories of analysis. The content of the interviews and the alignment with the research categories were systematically reviewed and discussed by the researchers at different times during the interpretation and analysis of the results.

## 4 ANALYSIS AND DISCUSSION OF RESULTS

### 4.1 Organization context

The Agro Organization (fictitious name) operates in the resale of inputs, production, processing of seeds, industrial processing (Soy/Maize) and receipt, processing and drying of commercial grain (soybeans/corn) and commercialization of grains, as presented on its website. It was founded over 31 years ago, with a headquarters and two units (branches), with 75 employees. The organization has a partnership with suppliers that have exclusivity for product sales, which contributes to its continuity and consolidation of activities.

The organization's corporate structure is a limited liability company. Organizational management is conducted by the Owner and the Administrative and Financial Manager who



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form the board of directors. In addition to the board of directors, managers participate in management in order to discuss issues related to their unit or any issue that encompasses all units. The milestones in its historical trajectory include expansion and growth with two units in their original state.

Among the business partners, there is a multinational that celebrated 15 years of relationship in 2019 on social networks. As a benefit, there is an interest in innovating and expanding the relationship of both with the producer (final customer of the Agro Organization) through knowledge, training and experience. This business partner offers events, courses, training in general, as reported by all interviewees. In return, the Agro Organization offers a fraction of the market to the business partner.

In this way, the organization adapts to the environment with the premises of RBT, mainly regarding organizational learning and market orientation capabilities. It is understood that this scenario, which offers training and professional experience, becomes a relevant factor for operating in the market and dealing with competition. Such elements have an interface with the utilities of the budget, which, in turn, allows discussions on organizational ambidexterity.

#### **4.2 Analysis and Discussion of the Interface of Budget Utilities with Organizational Ambidexterity, Organizational Learning and Market Orientation Capabilities**

In the characterization of organizational learning and market orientation capabilities, elements of courses and training were identified, performance close to the client, technical quality of the sales consultant, professional experience of the team developing information systems and programs. The evidence collected denotes, with greater emphasis, organizational learning and market orientation as a process of appropriation and generation of new knowledge about customers and other organizational issues (Antonello, 2005; Slater & Narver, 1999).

Investments have been made in recent years to develop an information system, with qualification and training of employees from different areas of the organization, such as sales consultants, unit managers and owner, according to the interviewees. These investments are in partnership with its main supplier of products. Qualifications and training are in the areas of sales, financial, administrative and family succession.

In the institutional values of the organization, one of them presents personal and professional improvement. In the institutional mission, “Providing solutions that generate customer satisfaction and success”. In the reports, the interviewees’ concern was highlighted in stressing the role of learning offered by the organization, as reported by Interviewee 3 “a lot of access to courses, training [...], a very strong curriculum”. Training “is shared [...], we finish the courses and hold meetings [...], we present and try to stratify what is best”, as presented by interviewee 2.

In the case under study, there was an approximate interface between dynamic capabilities and the search for improvement for the efficiency of existing resources, that is, of organizational ambidexterity, as Interviewees 2 and 3 emphasize on the role of training for the development of the integrated technological system, allows the sales consultant, when scheduling for a routine visit to the client, consult and identify if the customer has pending contract signing and/or duplicates.

Following this line of reasoning, Interviewee 1 recognizes that the information system has helped to remedy deficiencies, as “problems of access to information, transparency and timeliness”. Thus, it understands that the organization seeks efficiency, refinement, implementation to the use and development of things that are already known (March, 1991),



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which features incremental learning, continuous improvement of internal resources and greater customer satisfaction (Zhang, Zhao & Voss, 2016).

In addition, such an information system “allows us to understand the performance of each employee [...]. It was also observed that, in each unit, in the management room, there is a table with target indicators (financial and visits by Sales Consultants) and monitor its development to reach the goal”, as reported by Interviewee 1. We also observed that, in each unit, in the management room, there is a table with target indicators (financial and visits by Sales Consultants). In this way, we understand that this mechanistic approach helps to determine whether managers and employees act according to pre-established plans, as presented by Simons (2013).

In this sense, the utility of the planning budget includes action plans derived from strategic objectives, detailed financial targets, comparison of actual results with targets and explanation of variations (Henri, 2006), which can offer organizational learning (Oyadomari et al., 2011). Under these circumstances, Interviewee 4 understands that the utility of the budget serves to plan, which defines “how we want to grow”. For Interviewee 3, “we define the goal [...], which is cascaded by unit and consultant”. In this context, Interviewees 2 and 5, in addition to the utilities mentioned above, understand the budget as “a way of seeing if there is a deviation”.

Such reports are convergent to what the organization expects from managers, so the internal report recommends that the consultant's costs and time be optimized when visiting the producers' farms. When presenting the internal report, Interviewee 2 mentions that this learning was suggested by the consultancy. “The purpose of this optimization was to improve our efficiency [...], to increase our revenue and decrease expenses”, reported Interviewee 3.

To reach the goal, Interviewee 1 shows that the information system provides learning and keeps the focus on the search for efficiency, since “having the power to analyze what is done and having timely information from the budget.” Consequently, it realizes that the information of the management control has an inductive role in the decision-making process, as presented by Oyadomari et al., (2011). Thus, it allows single cycle learning by correcting small deviations and changes that are necessary in the course of reaching the goal (Argyris & Schön, 1978).

For a competitive issue that culminates in a drop in revenue and, as a consequence, makes it difficult to reach the budget target, the company understands the crucial role of the sales consultant. The consultant is seen as the main piece to obtain information from the producer, in addition to offering a differential service, such as monitoring by satellite map of the farm, unit managers demand a weekly visit to each producer as a non-financial goal. “Now, for example, because of the coronavirus, the consultant goes alone (on the producer's farm), takes a picture of the crop, makes a virtual meeting and explains to the client”, Interviewee 4 reports.

The sales consultant “every week spends on the same customers, at the same time [...] and makes a real-time report (RTR) and sends it to him”, Interviewee 5 presents. Interviewee 1 understands that this role of the sales consultant solves another common problem that affects the budget, as the lack of signature of documents (duplicates, etc.), which is a unanimous problem for the respondents (1, 2, 3 and 4). For this purpose, the company offers the information system and proximity to the sales consultant at each customer farm. Thus, “it affects the budget, [...] it gains resource efficiency because they visit and already gets the signature for the duplicates and contracts”, Interviewee 3 completed.

This case reinforces the importance of meeting goals, which is essential for the organization to remain competitive (Merchant et al., 2015), according to the understanding of exploitation. To obtain it, it seeks to learn about customers and analyze its competitors, as



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explained by Slaver and Narver (1995). So, “we have weekly visits, spend fuel, time [...], but if you don’t do that, it doesn’t guarantee our efficiency and the budget target”, interviewee 4 concluded. According to the above, there is evidence in the interviewees’ report, in documents and observation, of the precepts of proposition 1.

The study provides empirical evidence that the interface between organizational learning and market orientation capabilities and organizational ambidexterity (exploitation) allows discussions focused on budgetary planning utilities. As the literature advocates, we observed that organizational learning and market orientation are necessary for the organization to improve its efficiency (Oyadomari et al., 2011; Henri, 2006; Argyris & Schön, 1978). Therefore, management control is essential to influence the behavior of managers and employees (Heinicke et al., 2016).

In continuity, according to the reports, it became evident that the budget has more uses in the organization: “the budget is used a lot to motivate the sales team [...], for the entire team to be awarded (commercial and administrative), the goal in the commercial part must be achieved”, Interviewee 1 explains. Following the same line of reasoning, Interviewee 3 shows that the budget “helps, mainly in the mapping of the strategy, to understand how we can access the client”. Interviewee 4 agrees and adds that the budget is useful for “allocating resources, projecting growth, [...] to create ideas to increase revenue, decrease spending and project growth”.

In turn, Interviewee 2 explains that the budget is discussed “we have a supplier, she wants to grow 15%, the so-called adhesion [...] we discussed with them because they have market information”. All interviewees are invited for discussion at meetings that take place annually for budget planning and monthly to monitor budget variations, as flagged in the email inviting to the meeting. In addition to the discussions with the partner and supplier, interviewee 1 explains how the budget discussion system is “the budget is discussed [...], the board together with the managers”.

Interviewee 4 adds: “then the definition (of the goal) is two-way [...], look at this product X, I can't, at Y I can”. Such findings allow us to conclude that there is a search to maintain dialogue, debate ideas and alternatives, which allows the perspective of strategic issues (Muller-Stewens et al., 2020) of the organization. Interviewee 4 explains that every meeting “is based on regional knowledge and the owner’s experience [...], it went through several phases”, and “on commercial matters, structure and sales strategy, customer service and consultants [...], everything that will affect our budget”, Interviewee 3 completed. “In the sales strategy, for example, we analyze our strength, the competitor’s weak point”, Interviewee 4 reports.

Interviewee 2 adds that in the meetings the role of learning is perceived through the training offered by the company and its business partner to employees, “once you can share the knowledge and put it into practice”. In this sense, the discussions offered by the budget lead to organizational learning (owner's experience and professional training), also being responsible for creating new knowledge among the partners involved, to implement creativity and the exploitation of resources to deal with organizational demands (Birkinshaw et al., 2016; March, 1991).

Regarding training, the organization participates in national and international congresses and events, courses and training, as highlighted in our social networks. Among these, we highlight the trip made by managers and a group of producers to the United States to visit farms, the reality of the farmer in that locality and participate in the largest agricultural fair in the world (the Farm Progress Show). It is also worth mentioning the technical visit to China in which the director-owner participated for “exchanges of experience and synergy”, as presented on social networks. Interviewee 5 explains that the trip to China brought



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knowledge: “the Agro Organization (fictitious name) was not capturing the needs of the field [...], need to increase the number of products by customers [...]”.

Organizational learning is seen as necessary unanimously by all respondents, as reported by Interviewee 2: “that adds value, right? It offers to implement, bring new things and that the producer sees us as differentiated”. As an example, Interviewee 1 mentioned the development of the digital solution Right Control and Interviewee 4 highlights the Crucially Important Target program (CIT). Both were put into practice after meetings between management and unit managers.

In the digital solution, the intention is to implement the work of the sales consultant. Interviewee 1 explains that it is “satellite technology, which allows monitored farms, with a camera [...], he knows the day and time he harvested, the maturation point of the soy [...] by the algorithm, he will harvest the soy on Friday, for example”. In video, on social networks, the solution allows data collection, generates information and the Sales Consultant analyzes together with the producer for decision making. In addition, the stored data can be used for planning the next harvest.

Regarding CIT, Interviewee 4 explains: “the method was implemented at Volkswagen and we had a course talking to people to extrapolate to agribusiness”. He noted that the table is displayed on the wall of all units and its application for each. In unit X, we observed that their objective was to reach a certain dollar amount of customers with low purchase share and others that belonged to the competition. When questioning Interviewee 4 about the operationalization to achieve the objective, he points out that “he started making weekly visits to customers [...], until you gain trust. [...] the consultant has to go there with an objective, a visit to add [...], and on Saturdays we had a meeting to find out how it was during the week”. The so-called, “[...] Focus Monitoring Meetings (FMMs)”, as Interviewee 5 explains.

Based on the interviewees’ reports, internal reports and social networks, there are findings of the precepts of proposition 2. In this way, the study provides empirical evidence that the interface between organizational learning and market orientation capabilities with organizational ambidexterity (exploration) allows discussions aimed at the budgetary utility of dialogue. We observe that the organization encourages dialogue, exchange of experience, organizational debate, which can contribute to disseminate knowledge and the emergence of strategic actions (Laitinen et al., 2016; Simons, 1995), as mentioned in the exploration.

The budget was perceived to provide motivation for the organization to identify alternatives that reflect competitive advantage (Henri & Wouters, 2019). It also offered discussion and search for organizational learning, which gave the organization the opportunity to experiment and discover new possibilities to explore its market (Benner & Tushman, 2015). In line with this reasoning, it provides motivation for managers to learn, be prosperous in a long-term perspective and achieve the goals set (Yanishevskaya, 2017).

### **4.3 Synthesis of the Analysis of the Interface of Budget Utilities with Organizational Ambidexterity, Organizational Learning and Market Orientation Capabilities**

Based on the previous topics, we continue to evaluate the interface between planning and dialogue budget utilities, dynamic capabilities and organizational ambidexterity. In this section, the objective is to highlight aspects that characterize the elements as a whole, as established in the general objective of this investigation. According to the reports, the relevance of budget and organizational learning was perceived to stimulate the search for efficiency and for new experiments.

The budget proved to be essential to influence the behavior of managers in the search for alternatives to achieve the goal and efficiency of resources. The reach of both became an appropriate setting for learning organization and market orientation. In this case, professional



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training served as a way of monitoring the goal and achieving efficiency, as was the case with the development of the integrated technological system and the strategy of keeping the Sales Consultant close to the customer.

We observe that the utility of the planning budget is aimed at putting established objectives into an action plan as it allocates resources, seeks to cut spending and restricts behavior. Among the reports, we noticed that the budget is basically focused on the goal, that is, the continuous search for resource efficiency and greater customer satisfaction. Therefore, the context is favorable to discover alternatives for this achievement.

Among the alternatives, the technological system enabled the monitoring of sales consultants to optimize time and resources and the CIT allows monitoring budget execution and variation. In addition, this consultant has a non-financial goal in which they must visit the client weekly as they assist in making decisions during the time it takes to sign duplicates and contracts. For managers, this non-financial goal directly interferes with their organizational goal.

The budget, with this utility, plays an essential role for managers to strive to achieve the proposed goal and make their unit efficient in resources so that the organization remains competitive within its field of activity. Thus, the results reveal consistency with Muller-Stewens et al., (2020), Birkinshaw et al., (2016); Laitinen et al., (2016), Bedford (2015), Widener (2007) and Henri (2006).

In turn, with regard to the utility of the dialogue budget, we note that it helps to promote discussion between hierarchical levels, as reported by Respondents 1, 2, 4 and 5 about the meetings that are scheduled between managers and directors. These occasions are understood as essential to, above all, sharing knowledge and learning. We observed that the organization is shaped and adapted to the environment, since it offers professional training, meetings, events, integrated information system.

We noted its importance for knowledge, which in general is influenced by the organization's budget. In this regard, we seek to create new knowledge, implement creativity, experiment with alternatives, which can reflect in competitive advantage. Among the alternatives, we mention the technology for monitoring the farms via satellite and the use of the CIT method that was used by a motoring organization.

In addition, we highlight that the manager perceives motivation, as the budget offers financial premium in case of reaching goals, as reported by Interviewee 1 and 3. This motivation, made possible by the budget, requires managers to seek to learn, discuss alternatives to organizational demands and be creative in order to achieve strategic objectives. In this context, the results were consistent with the literature by Henri and Wouters, (2019), Benner and Tushman, (2015), Yanishevskaya, (2017), Simons (2013), Widener (2007) and Simons (1995).

## 5 FINAL CONSIDERATIONS

The aim of this study was to understand how the interface between budget utilities and organizational ambidexterity and dynamic organizational learning and market orientation capabilities occurs. The study was developed in a large agribusiness organization in the grain sector (Soy/Corn). Based on the statements and documents, we realize the important role of the business budget and dynamic capabilities, since the previous discussions only used the performance assessment utility.

In the context of the organization, the budget influenced the behavior of those involved in its planning and execution. Thus, it was useful to improve the efficiency of its resources (exploitation) to generate revenues and profits while seeking, simultaneously, new opportunities, create innovations and adapt to the emerging change (exploration).



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Organizational learning and market orientation are necessary for this to occur, as was the case with the development of the Integrated Technological System and the Crucially Important Target (CIT) program.

The development of knowledge is understood by the agribusiness organization as essential to provide changes that aim to meet the growing world demand. In this sense, it deals with rapid technological development and political changes with difficulty in forecasting. Thus, the budget is vital for dialogue, sharing customer information, correcting small deviations, motivation of the group of employees and for improvement in the form of performance of that organization.

### 5.1 Theoretical and Practical Implications

This research has implications in the literature, by demonstrating, empirically, that the budget has multiple uses. This indicates that the budget holds properties of exploitation and exploration, making it possible to generate new ideas, motivate the team, search for different ways to solve problems, search for learning, seek information from customers and competitors, as well as obtain goals and control. In the meantime, the budget cannot be understood only as an exclusive tool for exploitation. In this regard, the budget also favors exploration, as listed by Henri and Wouters (2019), Gschwantner and Hiebl (2016) and Bedford, (2015).

The practical implications of the study are observed in providing crucial information about the management process of a given agribusiness organization, for the purpose of business continuity. The budget and its utilities provide information that allows the coordination of activities, whether for exploitation and, simultaneously, for exploration. This evidence can contribute to spread the idea that the budget can promote different priorities such as the induction of goals, instigating creativity, innovation and organizational learning, which are a source of competitive advantage, as pointed out by Muller-Stewens et al., (2020) and Chenhall and Moers, (2015).

### 5.2 Limitations and Recommendations for Future Research

The limitations of this investigation will certainly serve as an opportunity for further studies. In this regard, it is worth mentioning the absence of the owner-director among the interviewees, all interviewees reported their long years of professional experience. It is understood that his adherence to the investigation, in order to be interviewed, could have contributed to the discussions by adding his perspective. Another limitation stems from the budget utilities examined. Consideration of the budget utilities proposed by Ekholm and Wallin (2011) and anchored by previous empirical findings, but there are other uses in the theoretical-empirical field.

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## **APPENDIX A**

### **Organizational Learning**

How does the organization learn from past experiences and generate knowledge? (*report of some experience*)

How is organizational learning shared? Exemplify.

How are divergent views on certain situations analyzed?

### **Market orientation**

How does the organization identify customer needs?

Is customer information shared? Exemplify.

### **Budget utilities**

How is the budget used in the organization?

What uses for the budget in the organization?

How do these budget utilities stimulate organizational learning and the identification of customer needs (market orientation)?

### **Organizational Ambidexterity**

How can the situations below affect the organization's budget, organizational learning and the identification of customer needs?

- a) Improve the efficiency of internal resources to generate greater revenues and profits
- b) Search for new opportunities, create innovations and adapt to market changes