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**REORGANIZING FUNCTIONS IN FINANCIAL MANAGEMENT – LESSONS LEARNED**

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## ABSTRACT

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Examiners: Professor Satu Pätäri  
Associate Professor Helena Sjögren

Keywords: financial management, organizing financial management, change management

Purpose of this Master's thesis was to study previously implemented organizational change in case company's financial management functions. This study aimed to point out the key lessons learned that should be considered when centralizing services from decentralized functions to a Shared Service Center. In addition, employee experiences in change, change management and change outcome, and the benefits and challenges of centralized financial management is presented.

Theoretical section of the research presents alternatives for organizing financial management. Centralized financial management model is discussed in more detail, especially from the perspective of benefits and challenges. Finally, change management theory is presented. This is a qualitative research, and the empirical data was collected through interviews involving eight employees from target organization, four Accountants and four Controllers, from two separate teams.

The research results showed that change should be managed in a structured and holistic way. When centralizing services from individual functions to a Shared Service Center, the change management should be considered for units involved. The change was relatively well received. According to those in the role of Accountant, change management was comprehensively successful, while Controllers experienced challenges in change, such as lack of support and communication. The study showed that the promotion of a new corporate culture has been successful.

When centralizing services to a Shared Service Center, time should be spent to analyze the current state and suitability of the processes. The benefits of the centralized financial management were efficiency, process development and quality improvement. The challenges of a centralized financial management are inflexibility and vulnerability in resourcing. After centralization, processes and employee's expertise in Shared Service Center should be continuously developed.

## TIIVISTELMÄ

Lappeenrannan-Lahden teknillinen yliopisto LUT  
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Kauppatiede

Nina Kiukas

### TALOUSHALLINNON TOIMINTOJEN UUDELLEENORGANISOINTI – KOOTUT OPIT

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Tämän Pro gradu- tutkielman tarkoituksena oli tutkia aiemmin toteutettua organisaatiomuutosta case yrityksen taloushallinnon toiminnoissa. Tutkimuksen tavoitteena oli selvittää olennaiset opit, joita tulisi ottaa huomioon keskittäessä palveluita hajautetuista toiminnoista palvelukeskukseen. Lisäksi tutkimuksessa tarkasteltiin työntekijöiden kokemuksia muutoksesta, sen johtamisesta ja muutoksen lopputuloksesta, eli keskitetyn taloushallinnon hyödyistä ja haitoista.

Tutkimuksen teoriaosuudessa esitellään taloushallinnon organisointivaihtoehtoja. Keskitettyä taloushallinnon mallia käsitellään tarkemmin, etenkin hyötyjen ja haasteiden näkökulmasta. Lopuksi käsitellään muutoksen johtamista. Tutkimus on laadullinen tutkimus ja sen empiirinen aineisto on kerätty puolistrukturoitujen haastatteluiden avulla, joihin osallistuivat kohdeorganisaation kahdeksan taloushallinnon työntekijää, joista neljä henkilöä toimii kirjanpitäjänä ja neljä Controllerina, kahdesta eri tiimistä.

Tutkimustulokset osoittivat, että muutosta tulisi johtaa strukturoidusti ja kokonaisvaltaisesti. Keskittäessä palveluita yksittäisistä toiminnoista palvelukeskukseen, tulisi huomioida molempien toimintojen muutoksen johtaminen. Muutos otettiin vastaan suhteellisen hyvin. Kirjanpitäjän roolissa toimivien mukaan muutosjohtaminen onnistui kokonaisvaltaisesti, kun taas Controllerit kokivat muutoksessa haasteita, esimerkiksi puutteellisen tuen ja kommunikoinnin osalta. Tutkimuksessa ilmeni, että uuden yrityskulttuurin edistäminen on onnistunut.

Siirrettäessä tehtäviä palvelukeskukseen, yrityksen tulisi käyttää riittävästi aikaa nykytilan ja prosessien soveltuvuuden analysoimiseen. Keskitetyn taloushallintomallin hyödyiksi nähtiin tehokkuus, prosessien kehittäminen ja laadun parantuminen. Keskitetyn taloushallintomallin haasteita ovat joustamattomuus ja haavoittuvaisuus etenkin resurssoinnissa. Keskittämisen jälkeen, jaetun palvelukeskuksen prosessien ja työntekijöiden osaamisen kehittämisen tulisi olla jatkuvaa.

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## 1 INTRODUCTION

The purpose of this research is to investigate previously implemented organizational change in case company, in financial management area. This study will present the essential issues to be taken into consideration while centralizing financial management tasks to Shared Service Center. Change management and ways of organizing financial management is discussed in this study. This section describes the background for the research, key concepts and theoretical framework, scope, questions, and delimitations. Finally, the research methodology and structure are presented in this chapter.

### 1.1 Background for the research

Digital transformation has affected companies holistically – both strategically and operationally from the perspective of organizational structure, processes, and cultural transformation. Companies are reorganizing operations to implement strategy and vision efficiently, as well as remaining competitive. Managing organizational change can be described as an ongoing process. Constantly changing external environmental factors, such as technological, financial and market position development are to be considered while finding suitable way to organize business operations (Gurbaxani & Dunkle, 2019, 209; Gilani et al, 2018, 240-241). Businesses are under pressure, no matter what sector or industry company operates in. To ensure a successful business - organizations must be able to understand and meet the needs of customers and authorities. Additionally, flexibility is needed, to modify processes, business operations and models. Financial management has evolved, especially due to the development of information technology. It has had a significant impact to the practicalities, along with globalization and other external environmental factors. As technology development initiatives are implemented with even faster timelines, organizations and people with slower development readiness should be noticed, in order to avoid disappointments and failures in change implementation (Gurbaxani & Dunkle, 2019, 209; Smith et al, 2005, 416-417; Granlund & Malmi, 2004, 13; Skerlavaj et al, 2007, 346). In the field of future financial management, development orientated operating model is emphasized: the operational efficiency increases, and the core business is focused merely on value-creating tasks. Process management, understanding and linking end-to-end processes to the financial management function, continuous development, monitoring, change management, prioritization and operational benchmarking are in the core of future financial management development.

Process development or business process management (BPM) has become more common in companies along development of ICT and can be utilized regardless of the sector company operates in. In the core of process development or management is meeting customer needs and creating value for customer. The process organization model facilitates the development of processes, creating common operating models, clear roles, and responsibilities, as well as reducing bureaucracy. In process organization, the role of the process owner is emphasized, whose responsibilities include monitoring, controlling, and identifying development targets (Lahti & Salminen, 2014, 206-208; Ciacosa et al; 2018, 1146; Kiiskinen et al, 2002, 30, 35-36).

Due to previous factors, companies should assess, plan, and implement organizational changes aligned with corporate strategy and having continuous control of the change. Benefit realization after the change needs to be secured. Additionally, the best possible alternative for organizing functions, for instance supporting services such as financial management should be evaluated closely. Functions related to financial management are continuously streamlined, for cost savings and efficiency reasons.

In general, organizational changes have been studied extensively. Financial management related or specific organizational models used in financial management such as Shared Service Centers has been studied in some extent. Raudla & Tammel (2015) and Janssen & Johan (2006) have published studies in public sector. Raudla & Tammel (2015) state that the main benefit of utilizing Shared Service Center is cost savings, but challenges arise as trying to find balance between centralized and decentralized model, which affects flexibility (Raudla & Tammel, 2015 162-164.) Main goals of Shared Service Center, such as cost savings and process development were not achieved based on research results. Root cause for the unsuccessful benefit realization was related to hidden costs that were not included in transformation's business case calculation. Additionally, the establishment process was time-consuming, original objectives for the transformation had been influenced heavily by other factors, causing negative outcome (Janssen & Joha, 2006, 111-113.) Organizational changes and change management have been studied extensively, for instance by Kotter (1996). Kotter's (1996) process is popular framework for change management.

This thesis is conducted for a financial group, and the research is focused on case company's business area within the Nordic region, and more closely limited to understand specific change in specific area – organizational change in connection to reorganizing financial management function, which was initialized in 2019. The Nordic business area provides financial services for retail and corporate customers. More closely, the target organization, financial management unit is a supporting service function for case company's Nordic business area. The Nordic financial management function is responsible for financial accounting and controlling related tasks: providing internal and external reporting, accounting, and financial controlling services. Before the organizational change process was initiated, financial management functions were operating in all Nordic countries, utilizing decentralized organizational model. Purpose of the organizational change was to centralize specific financial management functions to Nordic Shared Service Center.

## 1.2 Key concepts and theoretical framework

Financial management is often connected to a variety of individual topics, such as internal accounting techniques or accounting related legislation. Financial management is larger than just accounting, it is a vital part of any kind of business. It is a system that enables organizations to monitor financial activities and it provides requisite information to internal and external stakeholders. Based on the needs of stakeholders – financial management can be divided into financial and management accounting (Lahti & Salminen, 2014, 16; Kaarlejärvi & Salminen, 2018, 95-96; Järvenpää et al. 2014, 20).

Financial management has been under transformation over several previous decades, while transition to paperless accounting initiated in 1990s. Accounting related documents were used in paperless form and it was followed by electronic financial management becoming more and more common in companies in 2000s. Digital financial management period in 2010s enabled automatization of processes, since the data and information was accessible through information systems. In 2020s, systems offer more versatile solutions, not just processing simple tasks. The intelligent systems support with analyzing results and figures. The development of financial management into more digital direction has possibly been one of the drivers in the growth of financial management outsourcing. Especially outsourcing of non-value adding routine tasks can potentially provide wide range of benefits, such as increased cost savings (Maelah et al, 2012, 62; Kaarlejärvi & Salminen, 2018, 15-17).

The most utilized ways to organize functions in financial management are decentralized model, outsourcing the function, traditional centralized model, or centralize tasks to Shared Service Center (Lahtinen & Salminen, 2014, 204.) Decentralized financial management functions operate individually, per local business operations. With outsourced financial management, it is possible for organization to transfer operations or part of it to be provided by external service provider. Outsourcing arrangements are based on agreements, as the external vendor delivers service with agreed compensation, timeline, and quality. Centrally organized financial management is a centrally operating unit, placed close to a corporate management in organization. Financial management related operations are centralized from single business units to one centralized unit (Granlund & Malmi, 2004, 18; Janssen & Joha, 2006, 103; Lahti & Salminen, 2014, 211.)

Shared Service Centers are internal business units that provide non-core function supporting services for several internal functions (Schulz & Brenner, 2010, 212.) Shared Service Centers provide internal services for several organizations, in HR, accounting, finance and IT area. Main motives for establishment of Shared Service Center are service improvement and cost savings (Strikwerda, 2014, 2; Minnaar & Vosselman, 2011, 75-77.) Literature argues that Shared Service Center is optimal mainly for routine tasks, as transactional processes are most often high volume related routine tasks, such as accounting tasks (Schulz & Brenner 2015; Raudla & Tammel, 2015.) Change management is necessary element in change implementation process. It is a process of managing things and people. Many change management theories exist, but one of the most known theory is John P Kotter's 8-step change management process (Kotter 1996, 26-27). Kotter (1996) has created a change management process that includes essential factors to consider while implementing a change. The factors are related all the way from vision creation to anchoring cultural change.

Theoretical framework of the study consists of two parts: way of organizing financial management and change management, see figure 1.

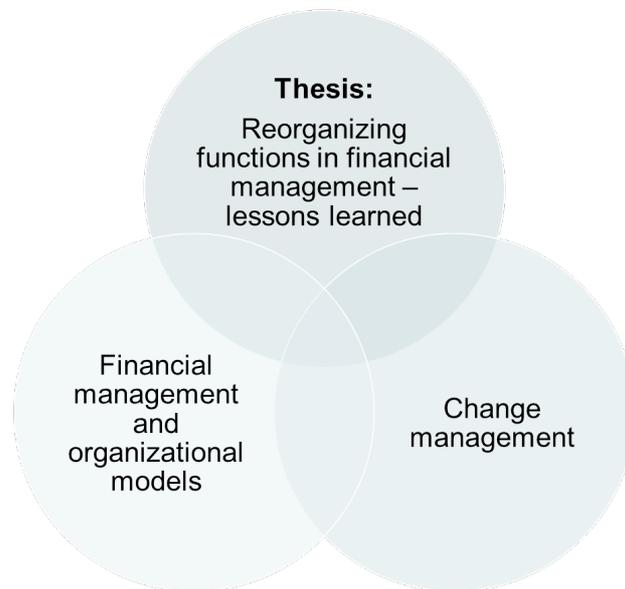


Figure 1: Theoretical framework

First section presents the organizational models of financial management. Shared Service Center is discussed in more detail since that is the selected way to organize financial management functions. This section presents previous studies in relation to Shared Service Centers. The second section introduces aspects related to change management, such as the Kotter's (1996) change management process. Addition to Kotter's (1996) change management process, other change management related elements are briefly discussed, such as emotions experienced in change. In this section, studies related to change management are presented.

### 1.3 Research scope, questions, and delimitations

This study will present essential matters to be taken into consideration in organizational changes, especially while centralizing financial management functions to Shared Service Center. The way change was managed and experienced by employees in financial management function is discussed. Additionally, it is targeted to point out challenges and benefits the employees experienced while centralizing financial management tasks to Shared Service Center.

There are many issues to consider in transformations, all the way from current state analysis to benefit realization. This thesis will identify useful information for case company related to changes and change management, which can be utilized in future changes.

Main research question is structured as following:

- *What are the key lessons learned in centralizing functions to Shared Service Center?*

The main research question is supported by sub-research questions, the first one is connected to change management and experiencing it:

- *How was the change managed and how did the employees in financial management function experience the change management?*

The second sub-research question seeks to describe the change outcome, benefits, and challenges of centralized financial management:

- *What are the challenges and benefits employees in financial management function experienced in the change outcome?*

As described previously, the study is conducted for specific company, for case company. It is limited to investigate specific organizational change, within specific financial management function. More closely, two teams responsible for financial management tasks in Shared Service Center is studied. These two teams are responsible for accounting and controlling tasks. Therefore, this study is conducted from employee perspective, gathering experiences from employees.

#### 1.4 Research methodology

This research is implemented with qualitative method. The research data is collected from interviews conducted for financial management employees. Selected employees have been part of the organizational change and are currently working in the financial management function. The purpose is to gain in-depth input from individuals. Qualitative research is suitable for study cases where the researcher does not have enough information regarding the research subject, and the aim is to gain an in-depth understanding of it (Kananen 2014, 17.)

Qualitative research is characterized as using people to gather information, as personal thoughts and views of individuals are in the core of the study. Information is gathered with qualitative methods for instance semi-structured interviews. The target group for the study is selected in advance, not with random selection. From the selection of qualitative methods, semi-structured interview was chosen as execution method. The semi-structured interview emphasizes the elements of open and formal interview, and it is characteristic for semi-structured interview that the interview questions and the order of presenting the questions may find its shape at later phase (Hirsjärvi et al, 2014, 164, 208.) Empirical section is focused to gather and analyze data related to two main themes: 1) change management and experiences 2) benefits and challenges in relation to centralized financial management. Data for the research is gathered via semi-structured interviews, as the selected employees from financial management function were interviewed. Total of 8 interviews were conducted.

### 1.5 Research structure

Structure of the thesis is described in the figure below (figure 2). This thesis is divided into theory and empirical part. The study has five main sections that are divided into more specific themes. In the beginning of the study, the background and the purpose for the study is described, following the targets, delimitations, research questions and method. The two following sections are focused on the theoretical part of the study, which discusses literature and previous studies related to organizing financial management and change management. In fourth section, utilized methodology and research data gathering are described. Fifth section gathers the overall results of the empirical part of the study. Finally, in the end of the thesis, the conclusions and summary are presented.

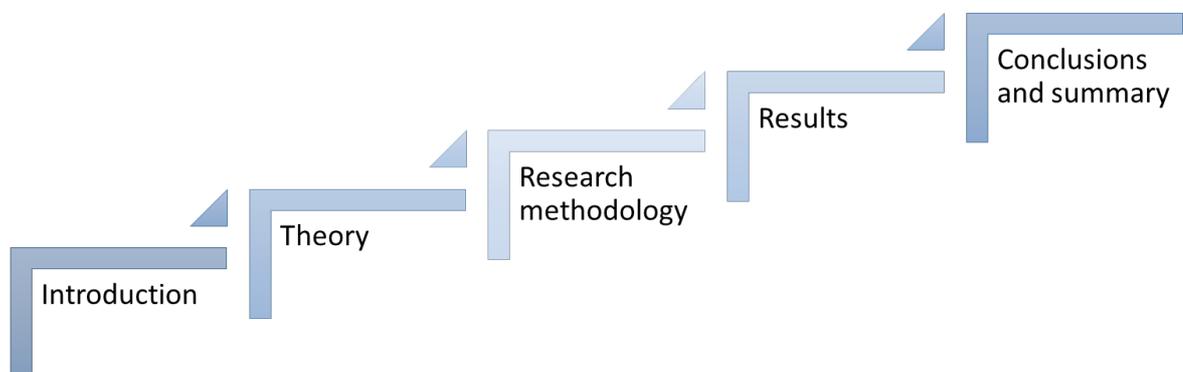


Figure 2: Research structure

## 2 ORGANIZING FINANCIAL MANAGEMENT

This section describes relevant theory themes related to the research. The most utilized ways to organize functions in financial management are presented, decentralization and outsourcing models are presented in high level, and centralized models more closely. Financial management functions can be centralized in two different ways – either with traditional centralized unit or in Shared Service Center. Shared Service Center is reviewed in more detail, as the case company's financial management function is organized accordingly. This section also presents the benefits and challenges of organizing financial management in Shared Service Center.

As described in previous sections, both financial management and other corporate functions are constantly facing challenges due to requirements caused by internal and external factors. Well-functioning organizational model can be used as a supportive element in challenging operative environment. It is crucial to ensure organizational efficiency and agility, which can impact positively to cost-effectiveness and quality. However, the development of financial management organizational models has begun decades ago, and way of organizing functions seems to continue to evolve, to meet the internal and external demands (Malcolm, 1999.) As financial management becomes more digital, new opportunities are detected in the field of organizing and management. In the past, organizational decisions in financial management have been more straightforward – to use one of the organizational models. Today, organizing of financial management function can be implemented by combining several options. Organizational solutions are adjusted to fit the needs of company, for instance, executing some part inhouse and some part outsourced. The benefits such as flexibility and cost efficiency are realized in case the organizational change is implemented correctly (Lahti & Salminen, 2014, 204).

According to Malcolm (1999), centralization as organizational strategy was highly utilized in companies, from 1950's to 1980's. After the era of centralization, companies adopted other organizational strategies, such as decentralization and Shared Service Center model. Decentralization as organizational model was highly utilized from early 1980's to 1999, while Shared Service Center model became more common since 1985. Development of strategies and ways of working became even more visible, as companies started to establish Global Service Business (GSB) models, consolidating functions from globally. Increased service focused culture and improved teamwork were the motivational factors to establish a globally operating consolidated function (Malcolm, 1999.)

## 2.1 Decentralized financial management

Decentralized financial management functions operate individually, per local business operations (figure 3). The responsibility of performing financial management related tasks lies in the respective business units. Development of processes and maintenance of competence as well part of functions responsibilities. The purpose of the model is to respond to the business requirements with agile way and holistic management, both in terms of resources and competence. It is flexible to support business in key initiatives, since the management of business unit specific costs and resources lies in local function (Granlund & Malmi, 2004, 18, 20; Janssen & Joha 2006, 104; Bergeron, 2003, 17).

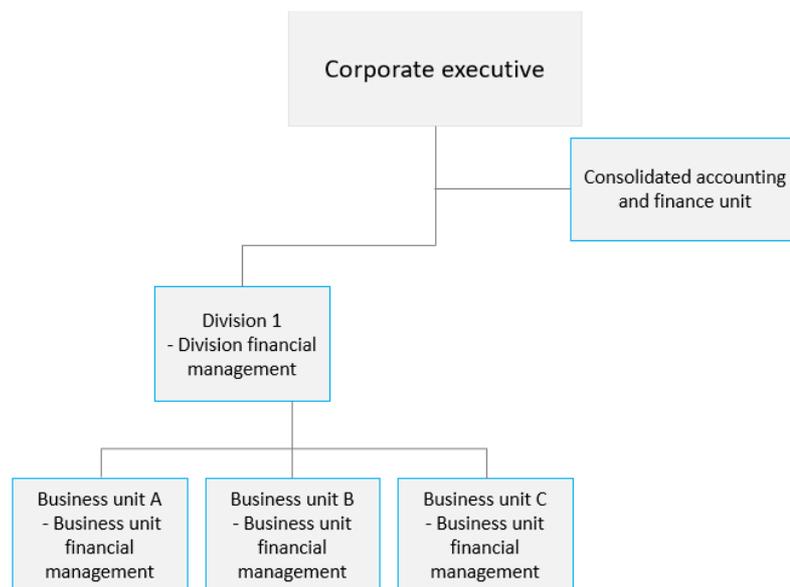


Figure 3: Decentralized model of financial management (Järvenpää et al., 2013, 24).

Corporate acquisitions and new information systems were drivers for decentralization of financial management since 1980s. Decentralized model was an enabler for business units and divisions to meet the data needs and demands, in addition to increase the financial expertise in several individual units. Additionally, decentralized model was highly utilized by the time before integration of financial management systems, such as Enterprise resource planning (ERP) became more common. The model serves especially in country-specific functions, with country-based operating models and information systems (Järvenpää et al, 2013, 23-24; Lahti & Salminen, 2014; 210-211).

Janssen & Joha (2006) highlight the cost related challenges in the usage of decentralized model, as enterprise level costs tend to increase. Operational and procurement costs are increased, caused by service production in multiple locations. Ulbrich (2003) argue that decentralized models are more functionally structured, rather than process structured. As transaction quantities in the decentralized units are lower, it can lead to lack of synergies and building of special competence (Janssen & Joha, 2006, 104; Ulbrich, 2003, 7).

## 2.2 Outsourced financial management

As outsourcing becomes more common, companies aim to optimize business by outsourcing supportive functions such as IT, HR, and financial management. According to Krell (2007), outsourcing of accounting and finance operations has increased steadily from 2000s. With outsourcing, it is possible for organization to transfer certain business operations or part of it to be provided by external service provider. Outsourcing arrangements are based on agreements, as the external vendor delivers service with agreed compensation, timeline, and quality (Janssen & Joha, 2006, 103). Figure 4 illustrates position of outsourced model (financial management) in organization.

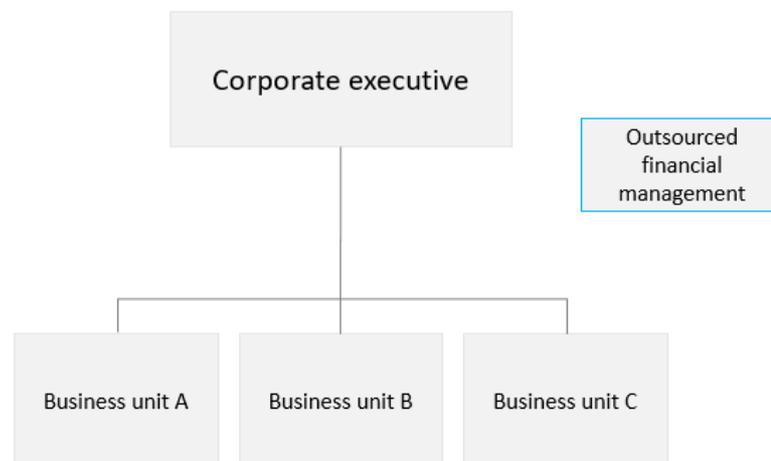


Figure 4 Financial management with outsourced model (Järvenpää et al., 2013, 25).

According to a recent study by Deloitte (2020), cost savings are again one of the main motives for outsourcing, in addition to flexibility and time to market. COVID-19 is one of the major influencing factors in this respect. Uncertainties caused by the current situation may be promote companies to outsource functions. The prevailing situation requires companies

to review and assess overall financial performance of the company. In addition, the increased remote working may also have some impact on the growth of outsourcing. Previously it has been experienced that in outsourcing arrangement, physical resources should be placed in same location. Placing resources in one location would create more confidence towards to overall outsourcing. Due to the rapidly increased remote working culture, having physical resources in one location is not as influential now as it was before. Companies can benefit from global expertise in cost-efficient locations, and can also manage risks better, with decentralizing offices more flexible than previously (Deloitte 2020).

The report published by BDO (2015) emphasized concerns companies have related to outsourcing of financial management functions. The report stated that some Finnish medium-sized companies are not outsourcing functions, since benefits related to outsourcing have not been assessed. Therefore, financial management is organized in other way. For instance, those companies which have decided to organize financial management in-house, have stated that the most critical factors for inhouse financial management are:

1. inhouse organized financial management is efficient and provides high quality services
2. cost savings related to outsourcing are not significant
3. while outsourcing functions, transparency and control vanish in relation to internal core business processes
4. some companies have established a Shared Service Center and centralized financial management function to Shared Service Center (BDO 2015)

### 2.3 Centralized financial management

Centrally organized financial management is a centrally operating unit, placed close to a corporate management in organization (see figure 5). Financial management related operations are centralized from single business units to one centralized unit. Purpose of the centralized model is to perform financial management tasks centrally, on behalf of other business units. Operational costs regarding centralized model are covered in legal entity level. Any service fees are not separately charged from business units using the financial management services (Lahti & Salminen, 2014, 211; Janssen & Joha, 2006, 104; Ulbrich 2003, 6-8).

Usage of centralized models between 1950s and 1980s was based on system integrations, as corporates aim for cost effectiveness and optimization of hardware. With centralized model, all valuable functions were gathered to one location (Bergeron, 2003, 17-18; Malcolm 1999). Centrally operating model is enabler to gain advantages, such as economies of scale and high level of control (Janssen & Joha, 2006, 211.) Other advantages of the model are reduction of vulnerabilities related to resourcing, deepen the competence of employees in a specific financial management area and harmonization of processes (Lahti & Salminen, 2014, 211-212.) However, challenges related to the model exists, typically centralized units do not promote service-oriented culture, nor responsiveness (Bergeron 2003, 17.)

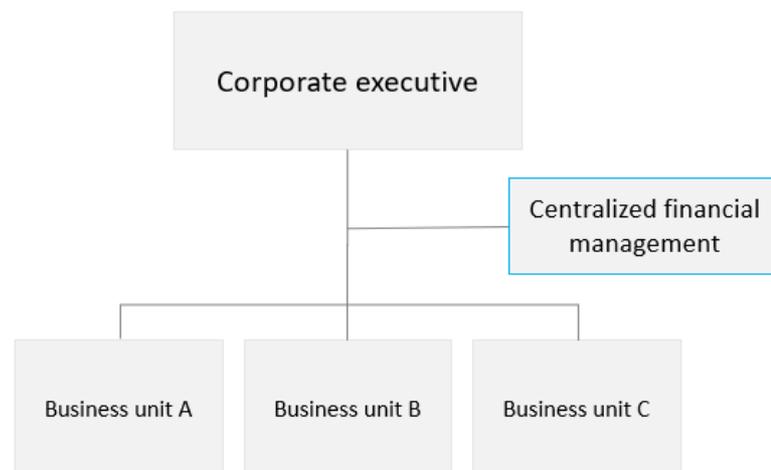


Figure 5: Centralized financial management (Järvenpää et al., 2013, 23).

### 2.3.1 Financial management in Shared Service Center

Shared Service Center is established in-house, to which selected support functions are transitioned, (see figure 6). Shared Service Centers are internal business units that provide non-core function supporting services for several organizations (Schulz & Brenner, 2010, 212). Services are usually categorized to expert and transactional tasks. Literature argues that Shared Service Center is optimal mainly for transactional processes, since these are most often high volume related routine tasks, such as accounting tasks. Financial analysis focused tasks are typically expert-level tasks. It should be evaluated whether expert level tasks are suitable for Shared Service Center (Schulz & Brenner 2015: Raudla & Tammel, 2015; Herbert & Seal 2013.)

Shared Service Centers or shared service organizations became more common especially after mid 1990's. First Shared Service Centers were established in US related companies, such as USA army, in which the handling of travel expenses was the first task to be centralized. Financial related Shared Service Centers became visible after 2000. Main purpose of this organizational model is to support other functions to focus on core business and centralize the supporting tasks to Shared Service Center. Shared Service Centers provide services for several organizations, in HR, accounting, finance and IT area. Main motives for establishment of Shared Service Center are service improvement and cost savings (Strikwerda, 2014, 2; Minnaar & Vosselman, 2011, 75-77).

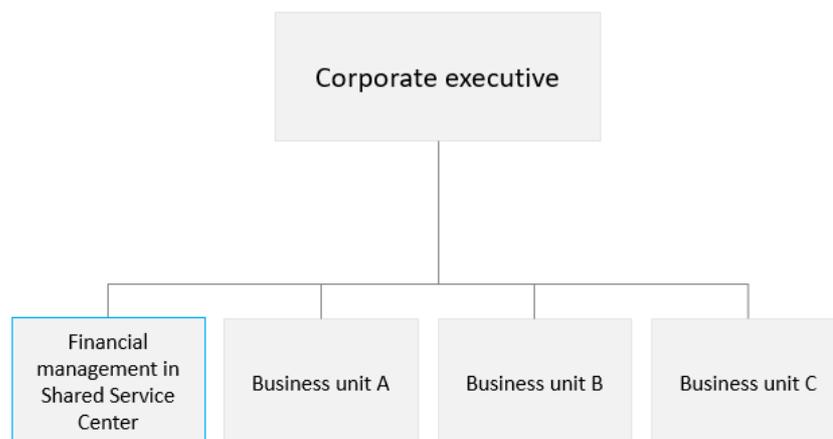


Figure 6: Financial management as Shared Service Center – model (Järvenpää et al., 2013, 25).

Following features are typical for a Shared Service Centers (Schulz & Brenner 2015, 215-216):

- Aligning towards competitors and external environment
- Outcome of process consolidation
- Focus in the delivery of supporting services
- Cost savings as main objective
- Service-minded culture for serving internal customers
- Partly autonomous, separate organization that operates like a normal business

There are challenges associated to Shared Service Centers. Generally high-volume transactional services are optimal to be transitioned to Shared Service Centers, which generate cost savings by developing processes and reducing resources. Thus, continuous knowledge and process development are required to gain targeted cost savings (Lahti &

Salminen, 2008, 174-176; Derven, 2011, 60-62; Raudla & Tammel 2015, 164). Expert services could be transferred to Shared Service Center, but the suitability must be assessed. Country specific practices, such as legislation, may be a challenge for some Shared Service Center related tasks, if it is a multinational Shared Service Center (Lahti & Salminen, 2008, 175.) Davis (2005) has studied the establishment of Shared Service Centers in multinational companies and created a related 15-step establishment process. Davis emphasizes that setting up Shared Service Centers can increase negative feelings among employees and managers. Therefore, it is particularly important to execute adequate ground study, including benchmark research evaluating the Shared Service Center operations of other companies. This should be a first step in the process. The figure below (figure 7) presents the stepwise process of setting up a Shared Service Center.

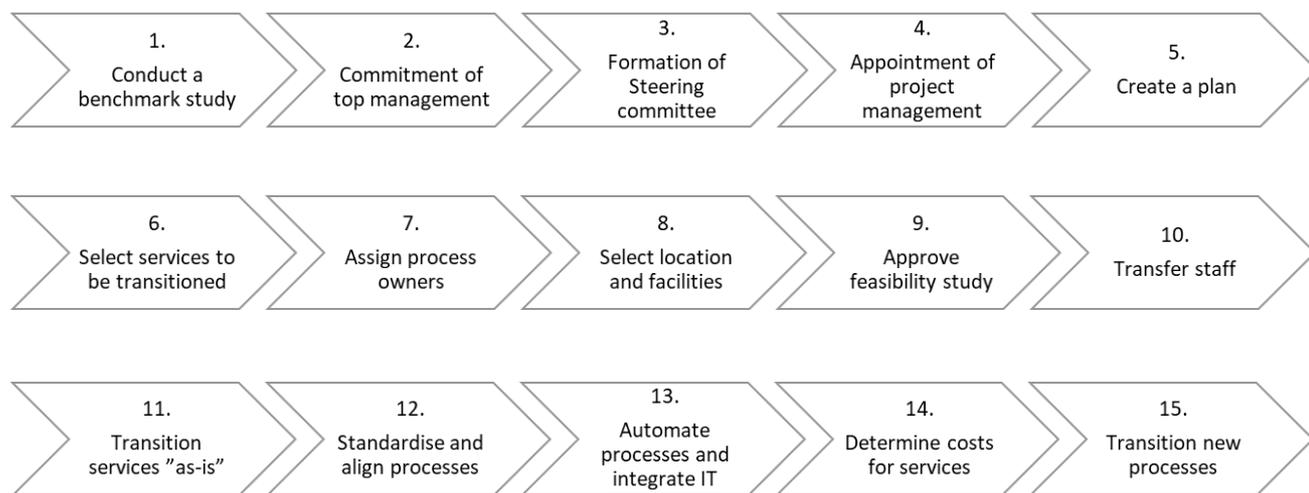


Figure 7: Establishment of Shared Service Center Davis 2005, 10).

After establishing the Shared Service Center, it is time to manage the operations and Davis (2005) addresses that the main purpose of the operations in Shared Service Center is following: alignment of Shared Service Center with company strategic needs and provide service for the internal customers. Additionally, service level agreements (SLA) are to be signed, feedback is to be gathered from internal customers and processes are continuously to be improved, to decrease costs. (Davis, 2005, 13). Fitz et al. (2013) highlight the importance of the governance model, referring to the SLA agreement, that states the roles, responsibilities, requirements, and quality standards of Shared Service Center. The structure of the function needs to be adaptable, to meet the expectations by the business, and demonstrate ability to create constant change through continuous improvement. (Fitz et al., 2013, 15-16.)

### 2.3.2 Previous studies

In a way, outsourcing process is comparable to centralization of functions to Shared Service Center. Organization or team is handing tasks to the receiving organization or team in Shared Service Center; therefore, Shared Service Center can be categorized as outsourcing that takes place in-house. Kakabadse & Kakabadse (2000) emphasize the importance of understanding the current state of the business before transitioning operations to another service provider. Organizations should be able to evaluate current performance and thus gain an adequate understanding of the business, processes, and related challenges. This is seen as a key prerequisite to contribute to a successful change. Weaknesses in functions and processes should be identified. Kakabadse & Kakabadse (2000) highlight the overall benefits related to outsourcing, such as economies of scale, quality improvement through alignment and development of processes.

Herbert & Seal (2012) studied Shared Service Centers with applying institutional theory. The paper focused on analyzing creation and development of Shared Service Centers. Companies should assess the suitable organizational model for supporting services, whether it is outsourcing or alternative solution; establishment of inhouse-service, Shared Service Center. Shared Service Center is promising way of organizing functions – having a customer-centric approach, full control, and management of the service in-house. Janssen & Joha (2006) studied motivating factors for establishing Shared Service Center. According to the research results, main goals such as process improvement nor cost savings were not achieved. It was pointed out that interpretations of the motives, especially from the point view of innovation and cost savings, were not clear while establishing the Shared Service Center. Additionally, other challenges occurred in the process: the establishment of the share service center took a relatively long period of time, and original objectives had been influenced, for instance from the rapid technological development. Goals may not be achieved or can be achieved partly, in case of technological development or external demands, that impact negatively to the change and original goal setting (Herbert & Seal, 2012, 83, 95; Janssen & Joha, 2006, 111-113).

The main benefits of Shared Service Center are connected to improved quality and cost savings (Schulz & Brenner 2015, 215-216; Raudla & Tammel, 2015 162-163; Herbert & Seal, 2012, 83, 95.) According to Herbert & Seal (2012) cost savings can be as high as 25-30 %. Other beneficial factors related to Shared Service Centers are that skills and competences remain in-house and are increased within the time. Shared Service Centers affect to the roles in management accounting area since new routines and rules are

established while centralizing processes to one location. Raudla & Tammel (2015) highlight the quality improvement aspect in their study. Quality of the supporting services increases with centralizing knowledge and expertise, as well as sharing the best practices. On top of it, overall knowledge management is more efficient, and function has more room for innovation. From business perspective, business units can focus on core responsibilities and end-customers, as Shared Service Center commits to deliver supportive services. Customer centricity is one of Shared Service Centers features, and the purpose is to serve its internal customers. Janssen & Joha (2006) stated that even though the study evidence revealed that original objectives, such as cost savings and process alignment were not achieved, other benefit factors were highlighted in the research results. Improved identity & access management and information security, sharing and implementing best practices and resource management were identified as benefits while utilizing Shared Service Center. (Herbert & Seal, 2012, 83, 95; Raudla & Tammel, 2015 162-163; Janssen & Joha, 2006, 112-113).

The challenges related to Janssen & Joha (2006) research were related to costs. The case-study revealed that hidden costs, such as training, planning, reporting, and management control were not taken into consideration in the business case calculation, which has an impact to benefit realization. Derven (2011) highlights that is important to understand the constant investment Shared Service Center requires, both in time and money. According to Derven's research, functioning Shared Service Center requires training and development related investments. Continuous training is one of the factors in a successful Share Service Center transition, it ensures commitment and development of employees. Thus, it should be noted that some level of learning gap is ahead in transition. Competency models can be utilized for continuous training, with self-assessment supporting at building personal development plans. Additionally, talent management is highlighted in Share Service Centers, since the organizational model creates transparency towards to resources, skills, and knowledge (Janssen & Joha, 2006, 111-112; Derven, 2011, 60-62).

According to Derven (2011), disadvantages and risk factors of a Shared Service Center can be related to service disruptions or interruptions, overlapping work in shares service organization and the handover- organization. It can cause a fear for stakeholders that shared service organization cannot manage the tasks with needed quality. To manage challenges and risks related to share service organization, SLA (service level agreement) should be created, which states the responsibilities and expectations of parties.

The main challenge in Shared Service Center that Raudla & Tammel (2015) discuss is related to the way of organizing and finding the balance between centralized and decentralized models. In case operating traditionally in centralized way, flexibility and providing customized solutions to internal customers is jeopardized. Additionally, the purpose of the Shared Service Center is to develop its processes, therefore one challenge could increase while balancing between standardized solutions within processes and systems and providing customized services (Derven, 2011, 60; Raudla & Tammel 2015, 164).

PWC conducted a survey connected to Shared Service Center's maturity state and future outlooks. 29 companies participated the study, from banking to manufacturing industry. PWC has created a maturity model that assess the performance of Shared Service Center with eight criteria in four different phases:

Table 1: PWC – Shared Service Center maturity model (2014, 9)

<b>Evaluation criteria<sup>11</sup></b>	<b>Phase I: Start-up</b>	<b>Phase II: Growth</b>	<b>Phase III: Expansion</b>	<b>Phase IV: 2nd generation SSC</b>
<b>1. Strategy</b>	<ul style="list-style-type: none"> <li>No SSC-specific targets, strategies, measures or implementation plans set</li> </ul>	<ul style="list-style-type: none"> <li>Some SSC-specific targets, strategies, measures or implementation plans set</li> </ul>	<ul style="list-style-type: none"> <li>SSC-specific targets, strategies, measures or implementation plans set</li> </ul>	<ul style="list-style-type: none"> <li>SSC-specific targets, strategies, measures or implementation plans set</li> <li>Regular review of implementation and introduction of countermeasures if required</li> </ul>
<b>2. Organization/ Governance/ Compliance</b>	<ul style="list-style-type: none"> <li>SSC run on cost centre basis with no allocation of SSC costs</li> <li>No SLAs in place</li> <li>Unclear process owner and manual controls</li> </ul>	<ul style="list-style-type: none"> <li>SSC run on cost centre basis with fixed allocation of costs</li> <li>Some SLAs in place</li> <li>Multiple process owners and many automated controls</li> </ul>	<ul style="list-style-type: none"> <li>SSC run on cost centre basis with costs allocated on services provided</li> <li>Comprehensive SLAs in place</li> <li>Single end-to-end process owner per business unit and many automated controls</li> </ul>	<ul style="list-style-type: none"> <li>SSC run on profit centre basis with services allocated based on market prices</li> <li>Comprehensive SLAs in place and regularly adjusted</li> <li>Single corporate end-to-end process owner and controls automated wherever possible</li> </ul>
<b>3. Continuous improvement</b>	<ul style="list-style-type: none"> <li>No improvements made in relation to costs, quality and time</li> <li>Six Sigma, TQM not deployed</li> </ul>	<ul style="list-style-type: none"> <li>Slight improvements made in relation to costs, quality and time</li> <li>Six Sigma, TQM in process of implementation</li> </ul>	<ul style="list-style-type: none"> <li>Some improvements made in relation to costs, quality and time</li> <li>Six Sigma, TQM in process of implementation</li> </ul>	<ul style="list-style-type: none"> <li>Major improvements made in relation to costs, quality and time</li> <li>Six Sigma, TQM in continuous use</li> </ul>
<b>4. Business processes</b>	<ul style="list-style-type: none"> <li>Not standardized, harmonized or automated</li> <li>Simple mass transactions</li> </ul>	<ul style="list-style-type: none"> <li>Mainly standardized and harmonized</li> <li>Simple mass transactions and some expert services (centre of expertise)</li> </ul>	<ul style="list-style-type: none"> <li>Optimization and automation of business processes</li> <li>Simple mass transactions and expert services (centre of expertise)</li> </ul>	<ul style="list-style-type: none"> <li>Optimization across the organization</li> <li>Total services in terms of holistic processes</li> </ul>
<b>5. Customer relations</b>	<ul style="list-style-type: none"> <li>Internal clients</li> <li>Non-standardized structure and management</li> <li>No implementation of customer support tools</li> </ul>	<ul style="list-style-type: none"> <li>Mostly internal clients</li> <li>Standardized routine processes and transactions</li> <li>Ongoing implementation of customer support tools</li> </ul>	<ul style="list-style-type: none"> <li>Internal and external customers</li> <li>Focus on efficiency and effectiveness within SSC</li> <li>Ongoing implementation of customer support tools</li> </ul>	<ul style="list-style-type: none"> <li>Mostly external customers</li> <li>Focus on contributing value to the whole company</li> <li>Implemented and regularly updated customer support tools</li> </ul>
<b>6. Performance management (PM)</b>	<ul style="list-style-type: none"> <li>PM tools (BSC, benchmarking) not deployed, used infrequently</li> <li>No ICS (internal control system) implemented</li> <li>No quality/performance targets</li> </ul>	<ul style="list-style-type: none"> <li>PM tools (BSC, benchmarking) being developed</li> <li>ICS implemented</li> <li>Quality/Performance targets introduced</li> </ul>	<ul style="list-style-type: none"> <li>PM tools (BSC, benchmarking) being implemented</li> <li>ICS in place</li> <li>Extensive quality/performance targets defined</li> </ul>	<ul style="list-style-type: none"> <li>PM tools (BSC, benchmarking) in continuous use</li> <li>Comprehensive ICS and continuous optimization</li> <li>Continuous adjustment of quality/performance targets</li> </ul>
<b>7. Human resource management</b>	<ul style="list-style-type: none"> <li>Non-standardized structure and management</li> <li>Relation of employee development to performance evaluation unsupported</li> <li>No training/advanced training system introduced</li> </ul>	<ul style="list-style-type: none"> <li>Combining existing expertise and focus on professional expertise</li> <li>Relation of employee development to performance evaluation</li> <li>Non-standardized introduction of training/advanced training system</li> </ul>	<ul style="list-style-type: none"> <li>Professional expertise and management development</li> <li>Relation of employee development to performance evaluation extensively designed</li> <li>Comprehensive training and advanced training system</li> </ul>	<ul style="list-style-type: none"> <li>Service and leadership culture established</li> <li>Relation of employee development to performance evaluation continually reviewed</li> <li>Continuous improvement to training and advanced training system</li> </ul>
<b>8. Systems and technology</b>	<ul style="list-style-type: none"> <li>Multiple systems, no standardization of ERP platform</li> <li>No workflow systems introduced</li> <li>No IT governance set up</li> </ul>	<ul style="list-style-type: none"> <li>Partially standardized ERP platform</li> <li>workflow systems Implemented</li> <li>Low level of IT governance</li> </ul>	<ul style="list-style-type: none"> <li>Standardized ERP platform</li> <li>Extensive deployment of workflow systems</li> <li>Average level of IT governance</li> </ul>	<ul style="list-style-type: none"> <li>Optimized, modular ERP systems</li> <li>Organization-wide workflow systems</li> <li>High level of IT governance</li> </ul>

Maturity levels are divided to four stages, from stage one (lowest maturity) to stage four (highest maturity). The maturity levels are based on the eight criteria with specific numerical values in each criterion. The answers of the survey were transformed into numerical values to assess the results with created maturity model. Majority of the respondents were placed in stage three, which is the second highest category of the maturity model. This states that the participants in the survey are operating Shared Service Centers with high maturity level. Additionally, based on the survey input, almost all respondents are satisfied in utilizing Shared Service Center as organizational model. Future challenges are seen around cost savings, maintaining employees with knowledge and skills, process optimization and development. The most important items for outlook in Shared Service Center development were related to process improvement and automatization and transitioning new processes to Shared Service Center (PWC, 2014, 10, 48-49).

As presented formerly from research and literature review, there are several issues raised from benefit and challenge point of view towards to organizing financial management in Shared Service Center. Benefit and challenges have been gathered in the table below:

Table 2: Literature summary - Benefits and challenges of Shared Service Center

<b>Benefits</b>	<b>Author</b>
Cost savings	Kakabadse & Kakabadse 2000, Schulz & Brenner 2015, Raudla & Tammel 2015; Herbert & Seal 2012
Increased quality	Kakabadse & Kakabadse 2000, Schulz & Brenner 2015, Raudla & Tammel 2015; Herbert & Seal 2012
Customer centricity	Herbert & Seal, 2012, Raudla & Tammel 2015
Process alignment and development	Kakabadse & Kakabadse 2000, PWC 2014
Sharing best practices	Raudla & Tammel 2015, Janssen & Joha 2006
Resource / talent / knowledge management,	Raudla & Tammel 2015, Janssen & Joha 2006
Improved information security, identity, and access management	Janssen & Joha 2006
Full control and management of the function	Herbert & Seal 2012
New roles and responsibilities	Herbert & Seal 2012
<b>Challenges</b>	<b>Author</b>
Establishment of Shared Service Center: as is analysis or suitability assessment not completed sufficiently	Kakabadse & Kakabadse 2000, Janssen & Joha 2006
Cost savings target not achieved: continuous process development missing	Janssen & Joha 2006, PWC 2014
Maintaining skilled resources	PWC 2014
Country specific regulations and laws, expertise tasks not suitable for Shared Service Center	Lahti & Salminen 2008
Balance in hybrid model (centralized vs. decentralized) and standardized vs. customized processes	Raudla & Tammel 2015
Service disruptions or interruptions	Derven 2011
Establishment: Business case calculation is not valid, hidden all costs (eg. hidden costs) not identified	Janssen & Joha 2006

As summarizing the findings from the literature and research review, essential issues are to be taken into consideration already in the establishment phase of Shared Service Center. It is essential to understand the current state of operations and conduct an as-is analysis. The business case calculation needs to be updated while project is progressing, to reveal all the costs related to transition. Additionally, the analysis of current state needs to be completed, in order to identify all operations, roles and task to be transitioned to Shared Service Center, as well to understand the weaknesses and so-called grey areas, that may cause challenges in the change implementation process.

In transition project, which usually takes time, it is important to assess risks and factors impacting the possible outcome continuously, example technological development or regulatory demands. Overall change management is needed to conduct a transition project. While the Shared Service Center is established, to operate and develop function in collaboration with internal customers, it is crucial to create SLA agreement, to agree roles and responsibilities and expectations between Shared Service Center and internal customers. For employees that are transitioned to Shared Service Center, training should not be forgotten, to secure best outcome.

Based on the previous studies and literature review, the main benefits of Shared Service Center are cost savings, process alignment and development, improved quality, and knowledge management. Continuous efforts, from sake of development and monitoring is required to secure benefit realization. The challenges related to Shared Service Center operations varies. Some challenges are related to the establishment phase, it is highlighted to perform as-is analysis and especially suitability assessment. The literature review revealed that Shared Service Center is optimal mainly for transactional processes since these are often high-volume routines tasks. It should be separately evaluated whether expert tasks can be centralized to Shared Service Center (Schulz & Brenner 2015; Raudla & Tammel, 2015; Herbert & Seal 2013.)

### 3 CHANGE MANAGEMENT

This section describes elements related to change management, how changes are managed, what emotions and reactions appear in change implementation. In the core of the section is Kotter's (1996) change management model, which is applied in the empirical section. Specifically, change management in this context is related to organizational changes.

#### 3.1 Factors influencing organizational change

There are a lot of aspects to be taken into consideration while implementing a change, from vision creation to continuous support and communication of the change process. Roles and responsibilities need to be clear for parties, as both managers and leaders are mandatory roles in change implementation. Organizational change or change is usually difficult to define due to its diverse nature. Change is often associated with measurement of success, and it has been studied that many transformation projects fail (Burnes 2004.) The change initiative must take the whole business entity into consideration since the alignment of culture and structures is a prerequisite for an effective organization. In organizational changes, structural change is rapidly and more easily implemented, while changing corporate culture is a longer process (Burnes, 2004, 897-898.)

Kotter (1996) has divided change management into two categories – leadership as managing people and management, as managing things. Management includes planning, budgeting, organizing, controlling and problem-solving activities. These provide results in short periods and forecasts. Leadership part is focused on showing the direction, finding alignment with people and being a motivator for the change. Leadership is the factor that will produce change, and the concrete results, such as new products. According to Kotter (1996), successful transformation includes 70-90 percentage of leadership and 10-30 percentage of managing issues (Kotter, 1996, 26-27).

Change management and leadership skills are not the only key elements for successful change. The factors of successful change have been addressed by Kotter (1996), but the organizational readiness perspective must be highlighted separately. Management must be adequately prepared to drive change, but the perceptions and readiness of employees and teams must also be considered. Readiness has an impact on implementing change, either promoting or undermining change (Chrusciel & Field, 2006, 505.) Weber & Weber (2001) emphasize internalizing change in their research, and according to the results, when

employee has internalized the change, employee commitment increases, towards change and management (Weber & Weber, 2001, 295-296).

Changes are experienced in different ways, and it takes time to internalize the change. Change and perceived emotions are often described according to a change curve created by Elizabeth Kübler-Ross (Goodman & Loh, 2011, 244), see figure 8. The change curve includes different phases of the emotional states and strongest emotions can be identified in the beginning of the curve (Wiggins 2008). Goodman & Loh (2011, 244) emphasize that leaders should understand the steps of the change curve. This promotes as processing leaders own change curve rapidly. Additionally, when leaders understand the change curve and the phases, it is easier to support employees in change. Identifying the change curve process and recognizing in which phase employees are, can be utilized in change communication. Emphasis on the change vision can be enhanced in a timely manner. Utilizing new changes requires abandonment of the earlier way of working, culture and structures. Therefore, each individual need to consume time to adapt to something new. (Goodman & Loh, 2011, 244; Wiggins, 2008, 21.)

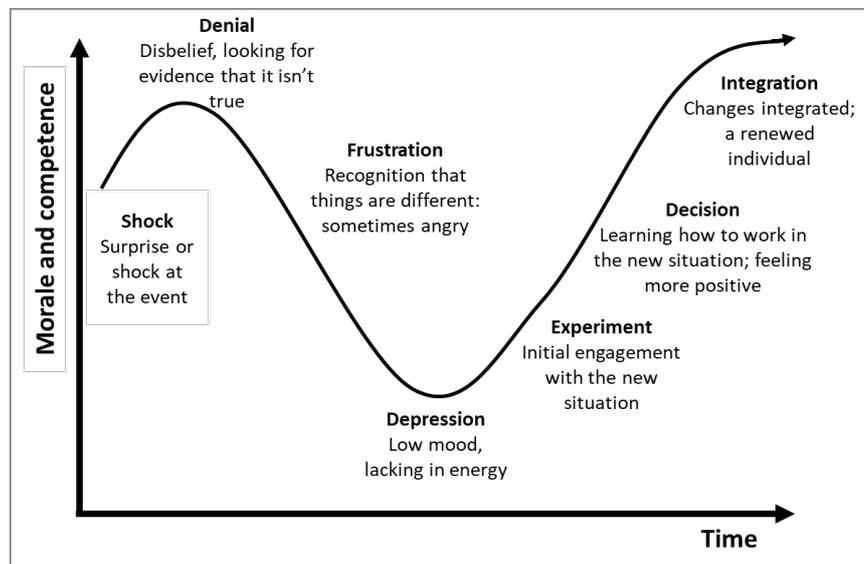


Figure 8: Change curve (Goodman & Loh, 2011, 244)

Change resistance is one phenomenon that occurs in change implementation. This can have negative impact to change, and therefore managers should identify change resistance and be able to use different methods to address the issue. The most common causes of change resistance are lack of trust and misunderstanding, different assessments, parochial self-interest that is connected to the feeling of losing something valuable and finally, low

tolerance for change. Resistance to change can be dealt, for example, through training, communication, involvement, and support (Kotter & Schlesinger, 2008, 132-136).

### 3.2 Change management process

Kotter (1996) has created an eight-step change management process for changes, such as organizational transformation. The process responds to the challenges identified in Kotter's (1996) study in managing and implementing change, creating following eight-step model of change management (Kotter, 1995, 60; Kotter, 1996; 21).

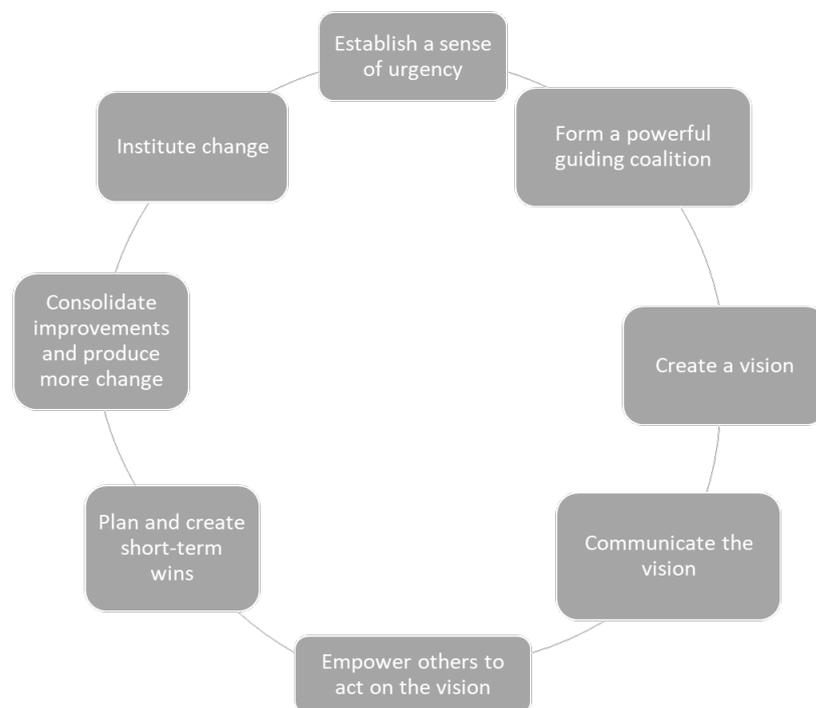


Figure 9: Change management process (Kotter, 2021)

#### 1. Establish a Sense of Urgency

To conduct a successful transformation, Kotter states that it is essential to create a feeling of urgency and necessity. A sense of urgency and necessity can be emphasized by sharing information widely about company's threats and possibilities. These can be related to market position, technological development, and financial performance. The first step is crucial to commit and motivate people to contribute towards to transformation (Kotter, 1995, 60). In case urgency is not highlighted in relation to specific change, it is easier to be forgotten and resources commit to other transformations and initiatives. If organizations do

not feel the necessity for the change, it might be difficult to contribute any effort towards to change or it will be done with low quality. The sense of urgency can be emphasized by following factors: manage expectations, promote attractiveness of the change and finally, inspire people with positive and “can do” attitude (Appelbaum et al, 2012, 767.)

## 2. Form Guiding Coalition

For organizational changes, a group of change agents should be gathered into a team that supports and drives the change implementation. Change agents should highlight the feeling of urgency and necessity, as well as create vision and communicate it to people (Kotter, 1996, 47; Kotter, 1995, 62). The required qualities from change agents are following; team consists of people with adequate authority and credibility, wide expertise on sequence and professional experience to secure inclusive decision making. Finally, change agents have needed leadership skills to manage transformation. Leadership and management skills are both crucial, since management controls the change, while leader is the change driver (Kotter 1996, 57-59).

Pollack & Pollack (2015) utilized Kotter’s change management process in their study, in connection to a large organizational change for a multinational company in finance sector. Research highlights the establishment of change agent groups at local levels, as there are overlapping phases in change process, that are on-going simultaneously all around in organization. Therefore Kotter’s (1996) change management process was questioned, due to it’s top-led change model approach. (Pollack & Pollack, 2015, 51, 63-64).

## 3. Create a Vision and Strategy

In a change process, vision needs to be created, to explain the background, what is the reasoning behind the change. While the vision and strategy are clear, it is easier for the people to follow the plan and contribute. It decreases the number of confusions and doubts towards if the change is needed. According to Kotter, there are three goals for successful change vision and strategy. The direction will be set with the vision, what is the state to be. Secondly, it guides and motivates people to contribute to the desired direction. Finally, it has a supportive element of coordinative purposes (Kotter 1996, 68-69). There are threats associated with organizational changes, such as loss of knowledge. In depth substance knowledge can be one of company’s strengths, and in case it is jeopardized, it can increase fear. The risks associated with the transfer or loss of competence, and development of competence are emphasized in the literature related to organizational changes. These factors should be considered when defining strategy, vision, and communications (Malone

2002; Burke & Ng 2006.) Vision creation is a time-consuming activity, that requires a lot of thoughts and communications (Kotter, 1996, 88.)

#### 4. Communicate the Vision

Main message of the change should be simple and clear. It is one of the requirements for successful communication. Communications require repetition and utilizing several communicational channels and forums. If vision is not communicated properly, there is a possibility that change will fail. The vision should be as simple as it can be communicated shortly and efficiently. Acceptance and processing of change requires everyone's own, personal emotional processes that affect the internalization of the message. Therefore, it is important to continue selling the vision even in a long run so that people in organization can buy the idea. To deliver the message, various channels and forums should be utilized. The criticality of the vision is experienced in-depth if the information is shared in several forums; in company level meetings and in one-to-one meetings with closest manager (Kotter 1995, 63-64; Kotter 1996; 87-95).

#### 5. Empower Others to Act on the Vision

In this step, people in organization are given power and authority to drive the change, with removing possible barriers that affect negatively to change implementation. The four critical obstacles that the change could face are related to insufficient employee or organizational abilities, inflexible internal processes, structures or systems and leaders that are not committed to the change (Kotter, 1996, 102-105.) The change implementation always requires people and process involvement, in large scales. Therefore, it is important to motivate, commit and empower people to be part of the change.

According to study of Washington & Hacker (2004), in changes it is essential to ensure that managers understand the change and are committed to it. Based on research results, managers who internalize the change need, most likely promote the change, and change resistant decreases. Therefore, it is highlighted to "peel the layers of the onion" while committing people to the change. (Washington & Hacker, 2004, 400, 409-410.) Additionally, organizations should invest time and money for communicational and training purposes. Adequate training needs to be provided for employees to have the needed skills and information to implement the change (Kotter 1995, 64; Kotter 1996, 115.)

## 6. Plan and create Short-term Wins

According to Kotter (1996) in business transformation, milestones related to short-term wins should be planned and created, to create transformational pressure towards organization. This step is focused on visualizing the impacts of the change towards to employees. Short term-wins are connected to urgency of the change, since the pressure related to short-term wins increases the feeling of urgency. Additionally, if no evidence of the change is visible, it has a negative impact to motivation and change progress (Kotter 1996, 117-121, 127). Short-term wins are created based on three criteria. First one is connected to the visibility, it needs to be in a form that is understandable for larger group of people. There needs to be an evidence for people to see the change in practice. First criteria is followed with simplicity, that supports with decreasing possible resistance towards wins. Final one is related to overall change, the strategic perspective and reasoning behind it (Kotter 1996, 121-122).

## 7. Consolidating Improvements and Producing Still more Change

The term "learning organization" has become familiar in organizational development literature. Learning organization supports business in managing challenges such as uncertainty, change and complexity. Learning and the learning speed can be one of company competitive advantages (Altman & Iles, 1998, 44). Therefore, investment should be made in the learning and development in change implementation as well, which in turn supports the management and implementation progress of future changes.

This step is about realization of the change, in practical level. In this step, it is possible for the change progress to be jeopardized in case groundwork is not completed sufficiently. There are two aspects to be taken into consideration. One is related to the company culture. Secondly businesses are operating in an environment with progressive interdependence, which causes complexity from change perspective. Therefore, it is essential review the plans and strategy, by change agents, to create solutions with structure and repeat earlier change steps to conduct new changes (Kotter, 1996, 133-138).

## 8. Anchoring New Approaches

Final step in the Kotter's (1996) change management process is focused on anchoring new approaches, in relation to corporate culture. Kotter argues that cultural change is the largest barrier in change creation. Culture is such a powerful issue, and therefore a critical final step in the process. Culture is associated with values and people behavior. In organizations, people share common values, whether they are connected to objectives or challenges.

Behavior refers to the way people are acting in group and how for instance new members of the group are guided to behave (Kotter, 1996, 148). Finally, it is stated that corporate culture change is the final step of the change management process, never first. Most of the cultural change is feasible when people in the organizations have created actions and improvements towards to change, since the change and the journey itself affects people behavior (Kotter 1996, 155-156.)

### 3.3 Previous studies

Kotter's change management model has remained popular, but it has also been criticized. Pollack & Pollack (2015) describe in their study that the Kotter's (1996) model is quite linear, and there are not that many studies available, focused on implementing the change in practice with Kotter's (1996) model. It is emphasized in their study of organizational change, that change drivers are required in all organizational levels, while Kotter's (1996) model focuses on top-led change management (Pollack & Pollack, 2015, 51).

Purpose of the literature review study conducted by Appelbaum et al (2012) was to gather pros and cons in Kotter's (1996) change management model. The eight steps of the model were evaluated through previous studies, with existing literature during past 15 years. Based on the literature review, some limitations were recognized, such as the model is not suitable for all changes. However remarkable counterarguments were not found towards to the Kotter's (1996) process. It should be noted, that while using the model, it creates a better framework for success, but it does not guarantee successful change implementation (Appelbaum et al 2012, 765, 776-777).

In change management, it is worth combining several existing change management processes or frameworks (Appelbaum et al 2012; Ansari & Bell, 2009 159). Ansari & Bell (2009) used several change management models while studying cost management related strategic change. The study revealed two phases of Kotter's model were utilized, related to communications and empowerment. Additionally, it was emphasized that dialogue with organization is part of other change management processes, but not Kotter's (1996). Continuous dialogue with organization enabled good results, and simple, detailed communication plan was utilized as a tool to ensure the dialogue (Ansari & Bell, 2009, 159).

There are many issues to consider in change management. Kotter's (1996) process of change management, as described previously, seems simple with its eight steps. In terms of content, it is essential to bear in mind that the individual steps in practice probably are more comprehensive, requiring time and effort. Communicating change for instance, is a challenging exercise, that requires competence, plan, time, and tools for practical implementation. Communications itself is an extensive and time-consuming process. As presented earlier, Kotter's (1996) model is built for top-led change management, while this paper discusses change at a lower organizational level.

## 4 RESEARCH METHODOLOGY

This section describes the research methodology used in the empirical part of the thesis, as well as the overall process; implementation of the research and data gathering. The target organization and responsibilities are introduced shortly as well.

### 4.1 Research method

A qualitative research method was chosen for the implementation of the empirical section. According to Hirsjärvi et al. (2014) qualitative research method is the most suitable option, when the research target is to be studied in-depth and extensively (Hirsjärvi et al. 2014, 161.) Additionally, Kananen (2012) states that in case there is not enough understanding of the research subject, the qualitative research method is applicable. Qualitative method can be used to study the phenomena in more depth. It is highlighted that interpretation of researcher has an effect to the final conclusions, which may affect reliability of the research (Kananen, 2012, 29-30). Qualitative research is characterized as using people to gather information, as personal thoughts and views of individuals are in the center of the study. Information is gathered with qualitative methods, for instance via semi-structured interviews and the target group for the study is selected in advance, not with random selection (Hirsjärvi et al. 2014, 164.)

The use of qualitative research method is most suitable for the purpose of this research and the use of the method is therefore justified. The study focuses on reviewing employees' personal experiences who are currently working in the target organization and have been involved in the organizational change process. The purpose is to gather in-depth information regarding the phenomena and the target group for the study must be chosen in advance. Individuals must have experience from the change process. The aim of the research is to study individual experiences, rather than collecting large amounts of data. From the selection of qualitative methods, semi-structured interview was chosen as execution method. The semi-structured interview emphasizes the elements of open and formal interview. It is characteristic for semi-structured interview that the interview questions and the order of presenting the questions may find its shape at later phase (Hirsjärvi et al. 2014, 208.)

The interviews emphasize the researcher's own way of interpreting the data. Therefore, this study has completed a sufficient groundwork to create an interview structure that serves the purpose. The connection between research questions, theory, and empirical section has been continuously evaluated as research has progressed. The interviews were supplemented with collected notes during the interview sessions, to ensure the research material is sufficiently relevant.

#### 4.2 Implementation of the research and data gathering

The target organization, the Nordic financial management function, includes several teams operating in the field of accounting, reporting, and controlling related tasks. Accounting team is responsible for accounting related tasks, as reconciliation and bookings, as the name implies. Controlling team is focused more on quality assurance related tasks and supporting internal customers with different accounting needs, for instance in development projects. The study was limited to the two teams, accounting and controlling teams. Decision was made together with case company. Purpose was to select two different teams for the study, one with more operational responsibilities and the other more focused on controlling, quality assurance and reviewing of accounting processes.

The study initiated in October-November 2020 with design phase, in collaboration with case company. The research topic was limited in a selected way, that serves optimally the target organization, and the research will be sufficiently managed. In November 2020, the topic and limitation of the study were approved by case company. The study was limited to investigate the organizational change experiences of employees working Nordic financial management function. Theoretical themes such change management and centrally organized financial management were utilized while forming the interview questions (appendix 1). The aim was to create questions that would provide answers to the research problem of the study. Interview questions were divided into three sections: background information, experiencing the change and change management and change outcome – centralized financial management function. The interview questions were formed using Kotter's (1996) change management process. In addition, readiness Chrusciel & Field, 2006) and emotions Goodman & Loh, 2011; Wiggins, 2008) in change management were included as part of the questions, these were not included in Kotter's (1996) model. The questions were chosen, since they were perceived as relevant in examining the change and its outcome.

Firstly, with background information section the purpose was to gather information, including employee's current role and responsibilities, how many years employee has been working in the organization, company and in financial management. For second section – experiencing the change and change management – the purpose was to gather, according to the change management theory, various issues experienced by an individual in the change, and to understand in more detail how the change was managed. The interview questions in this section were supposed to guide individual to share own personal experiences from the change, from the first feelings and thoughts regarding the change, all the way to the more stabilized stage. The final section – change outcome – centralized financial management function, is focused more on gathering information from the perspective of benefits and challenges in centralized financial management.

Table 3: Interview summary

<b>Role</b>	<b>Financial management work experience</b>	<b>Language</b>	<b>Month in 2021</b>	<b>Length of the interview</b>
Accountant	5–10 years	English	February	62 minutes
Accountant (Senior)	10–20 years	English	February	63 minutes
Accountant	10–20 years	English	February	63 minutes
Accountant (Senior)	10–20 years	English	February	57 minutes
Finance controller (Senior)	10–20 years	English	March	96 minutes
Financial controller	1–5 years	English	March	56 minutes
Financial controller (Senior)	10–20 years	English	March	60 minutes
Financial Controller	1–5 years	English	March	59 minutes

Once the case company approved the research questions to be utilized, it was time to conduct the interviews. Leaders selected the suitable employees from their teams, individuals that have been involved in the change and are able to answer the themes and questions given. Semi-structured interviews were conducted for eight employees from the target organization between February and March 2021, four employees from accounting team and four employees from controlling team. Before the actual interviews were conducted, two leaders from Nordic financial management function were interviewed to understand the motives and reasoning for the change in more detail. During the next phase, the actual interviews were conducted, based on the literature of the thesis themes and the first, so-called baseline interviews with leaders.

Due to prevailing covid19 situation, the interviews were conducted remotely, using Microsoft Teams remote conference meeting feature. Conversations were recorded, stored to author's computer, and deleted after transcription phase. Leaders provided a list of employees to be interviewed, and the author shared the interview questions to the leaders beforehand, requested comments to modify the questions if needed. For the selected employees to be interviewed, the background information was shared beforehand, to clarify what is the purpose of the interview. It was also emphasized that all the information will be handled confidentially and anonymously, and the name of the employees or company would not be presented in the thesis. The interview questions or themes were submitted for the interviewees to familiarize and reflect the topic in advance before the actual interview session.

Interviewees and interviewer were prepared well for the meetings, and from that aspect the meetings were successful. Interview duration was approximately one hour per interview, in one hour there was enough time to cover the research themes. Duration of the longest interview was over 90 minutes. The interviews were conducted according to the interview questions and in some interviews the questions were covered in different order, but the interviewer made sure that all the questions were covered, despite the order of presenting the questions. Some questions were refined in interviews, in case the questions were difficult to understand, but for most of the questions were understandable. Most of the interviews were conducted with both interviewer and interviewee holding camera on. This was voluntarily for the interviewees. The intention was to create confidential atmosphere, with holding the camera on.

After conducting the interviews, it is time to process and analyze the data. Data processing is most often divided into five sections: transcription, segmentation, categorization, classification, and reporting. (Kananen, 2014, 101-102; Kananen, 2013, 104.) The recorded interviews were transcribed to textual format. The interviews for the accounting team were completed in February 2021. Recordings were transcribed into written format immediately after the interview sessions. The interviews for the controlling team were conducted in March 2021, following similar procedure as with the interviews with accounting team. The transcription of the interviews was carried out with rough level and informal way, with no breaks, weights or tone of conversation considered. After transcription phase, the research material was analyzed, with general content analysis. The material was divided per theme and classified, to make it easier to complete the analysis. The results of the empirical section are presented in following section.

## 5 RESULTS

This section is focused on presenting the results from the interviews. The main interview themes were divided as following: experiencing the change and change management and change outcome – centralized financial management function. The results will be presented according to the order of interview themes and specific questions per theme. Additionally, before presenting the findings from the actual interviews conducted for the accounting and controlling teams, the input from leaders will be described in chapter 5.1

### 5.1 Motives to conduct organizational change

Before conducting the actual interviews for eight employees from accounting and controlling teams, leaders from financial management function were interviewed. The purpose of the so-called baseline interview was to understand the motive to conduct an organizational change and re-organize financial management. As well it was crucial to understand the goals of organizing financial management with selected way. In addition, it was important to agree on how to proceed with the study and what expectations leaders had. In the baseline interviews, leaders presented the financial management function on high level, with its roles and responsibilities. Background for the organizational change and team responsibilities were presented, and rest of the time was used for discussing of the financial management pre- and post-organization. The pre- and post-organizational set-up was walked through in the baseline interviews, to receive sufficient understanding of the change. Pre-organization was organized followingly: each Nordic country had own financial management related teams and tasks. In post-organization, financial management related tasks were centralized to one Nordic financial management function.

The reason and a motive to gather tasks and roles in one Nordic function, is to gain big scale advantage, efficiency and streamline processes. Additionally, leaders mentioned the importance of gaining more control to the processes, having people and processes in one place, instead of having them spread all around the Nordics. While the processes are centralized, quality improves, processes are aligned, and cost savings are gained. Leaders highlighted the importance of process development after centralizing tasks into one function, since after aligning the processes, it is much easier to leverage for instance automatization and robotics in the processes.

The baseline interviews revealed that organizational change journey initiated in 2019 already. The stabilization period has been on-going for some time, after completing the handovers, takeovers, and team formalizations. One of leaders was interested to understand in deeper level, the experiences of the employees during the change journey from emotional and practical point of view. This specific leader wanted to understand in case there was enough support provided during the change process. Based on the baseline interviews with the team leaders, the frame for the actual interview themes were set.

## 5.2 Background information

While gathering background information in interviews, it was revealed that one employee had started to work for the case company after the organizational change and was not part of the organizational change. For this employee, it was impossible to comment on the experiencing the change and change management – theme in the interview. However, for this employee, the interview continued, and this individual commented on the change outcome – centralized financial management function – theme, in terms of benefits and challenges. About half of the interviewees have worked for the case company or its predecessor for several years, while half of the interviewees have a more recent employment relationship with the company.

Based on the interview results, in the change process employees in accounting team mainly received tasks from other units in Nordic countries, while the employees in controlling team spent time in handing over local tasks in country-based financial management teams to accounting team. This was since the current employees in controlling team used to work in country-based accounting teams, which needed to handover tasks in organizational change. While accounting team was focused in taking over accounting tasks from the other Nordic countries, employees in controlling team were handing their former tasks over and supported the transition, example with completing quality reviews for accounting or reporting related tasks.

### 5.3 Experiencing the change and change management

This section presents change management topics, the essential factors gathered from change management literature. The topics are for instance related to experiencing emotional states in change, the vision of change, strategy, and change management.

#### **Emotional stages in change**

The discussion of the theme began with a traditional question, related to emotions and experiencing them during the organizational change process. The responses and comments connected to emotions and feelings were not surprising, following a natural pattern, experiencing change according to the change curve presented in literature review. The interviews also did not reveal strong resistance towards to the change on an emotional level either.

Emotions were experienced from fear to sadness. Some employees were surprised, when information about the change was published and the change journey was just to begin. Changes always evoke emotions. Experiences are completely individual, some experience emotions in larger scale, some with lower scale. In particular, the importance of dealing with emotions is emphasized at the beginning of change, when change is communicated, and news are needed to be processed.

*“It was a lot of feelings, sadness, scared. When we got information how it would look like and I applied (for a job) and got what I applied for, it felt good.”*  
(11)

*“Information was given in meeting. It was not shocking, but it was like wow something really big is happening. It comes with a lot of feelings, with uncertainty, will I have a job, will my colleagues have a job, what will happen, what will still be in Country X, based here.”* (13)

*“... In the start you of course feel a bit insecure and exposed because you don't know how this process will end, will I have the same position as I have, or will my current position be removed? That was like questions I ask myself a lot, when we had the first introduction about this new organizational change.”*  
(16)

As the change journey proceeded, there was stress in the air, but also curiosity towards to the new organization and practices. Nearly in all interviews, it was emphasized that individuals understood necessity of organizational change, but as well there was curiosity,

and a desire to learn and develop on personal level in case company. The fact that individuals had seen the need for change certainly contributes to their personal attitude and motivation towards to change, even though during the organizational change, individuals had to apply for a new position.

*“I actually felt that this is a good thing, something needs to be done, because I could see why they were doing this, it was not a question why are we doing this or so, it was a needed step for organization to take. That was quite interesting.” (13)*

In emotional level, the change was relatively well received. Purpose, strategy, and vision of the change were clear, and the necessity was emphasized. However, the interviews revealed that organizational changes have been implemented at more frequent pace in case company. Changes and with especially changes implemented with frequent pace are experienced individually, some find constant change stressful. Some emphasize the link between management and change and state its importance:

*“...I have been through lot of organizational changes for my whole working life, it is always, even if it is hard, it turns out for the best. It is always like from top management, if they can deliver why this is needed, it is key that you understand why and not taking too many emotions at the time, but to see the point of it. ” (14)*

There were also negative emotional experiences, related to information sharing and mismatch between practice and theory in organizing financial management. It was understood that it is a good idea to gather employees together in the same team or unit and the team is responsible for the appointed tasks, increasing knowledge and improving the quality of processes. However, there were issues that proved to be stress or concern factor: things that could not be assigned to a particular team or person, such as occasional problem solving and having flexibility with resourcing perspective, which caused personal concerns and negative feelings. This communicational topic is covered merely in the communicating the vision part.

*“...we were worried about this layer in between, that would disappear. That was typical something I worked with, kind of problem solving. When there were issues in the systems related to accounting. When you have a finance team in each country, then it is quite natural that accounting or finance issues are directed to that, and then you have the natural point of contact, that kind of disappeared now” (17)*

### **Necessity and urgency of the change**

Necessity and urgency for the organizational change was highlighted in all interviews, which may indicate that the overall business purpose, strategy, and purpose of financial management function are clearly in people's minds. Individuals seem to have a business understanding in a sense that the company needs to implement solutions to remain competitive in the market. Of course, while receiving the news regarding the organizational change, some individuals needed to more time to digest the news, it is natural. Even the change was necessary from employee's perspectives, for all employees it was not so clear as the change journey began. The strategy and vision for change became clearer as the journey progressed.

*"First, I didn't understand why it was necessary at all. But now I can see from my point of view, it is easier to have it centralized for the understanding of everything in accounting area. We have the same products in each country, the picture will get clearer, and it is easier to understand." (I1)*

*"The purpose was to take tasks and put in one team and that can make them similar and take the best practices, it has been hard to do that in four countries and previously we haven't been working that closely." (I2)*

The need for change and urgency are essential in change promotion. A sense of urgency and an understanding of the change need create pressure on those who implement change, which contributes commitment, but also creates energy to make change happen. The case company has managed to openly share information about the company's position in the market, its competitiveness, and it has been shared quite clearly for employees. Although the sense of urgency and the need for change were emphasized in the interviews, change was guided forward in a structured way, at least for Accountants.

*"... When we saw that huge excel with all the tasks from all the countries and we needed to learn all the processes, it was both challenging and curious what was going to happen and how it looks in other countries and also how are we going to manage this". (I2)*

*"This was one of the fastest organizational change I have been through, like tempo wise, it was very, very structured..." (I4)*

Each interview highlighted the success of harnessing the new culture. The interviews emphasized the adoption of a new corporate culture and the understanding that it is necessary to operate in a chosen way to achieve the set goals and remain competitive.

Cultural change is a long-term mission, and some time has passed already after the organizational change process was initiated in case company, interviewees seem to breathe the new culture.

*“It was the only thing that made sense, from the strategic point of view and the vision, I completely agree that is the way company needs to go in the Nordic, in order to become a player to actually have competitive value in the market.”*  
(15)

Kotter's (1996) change management model also emphasizes the planning and implementation of short-term wins. The interviews revealed that the change was managed in a structured way, at least for those acting in the role of Accountant, and the achievement of short-term wins was monitored step by step. The purpose of short-term wins is to create pressure, and at least based on the interviews, it was achieved.

*“...when that job started, when you are working with it, it is easier to handle it and it goes step by step, even though I saw it was lot of tasks to take over”*  
(12)

### **Empowerment, personal motivation, and commitment**

Motivational factors towards the change were investigated during the study. Although the Accountants and Controllers were motivated to implement the change, it was further highlighted that the change was intense, and additionally challenges and problems occurred. Organizational change is experience as enabler for something new, such as self-development. Based on interview results, learning, developing, and promoting digital solutions have a positive effect on motivation and change commitment.

*“I tried to motivate myself and tried to think positive, that this good be a good opportunity for myself, example new challenges and possibility to learn something new.”* (16)

*“Digitalization and smoother process making motivates me a lot of, I like to make things for the better”* (14)

For the accounting team, the impact of team spirit on motivation was emphasized, as individuals felt that team spirit also influenced motivation and commitment. By common contribution and inspiration, things are accomplished.

*“As a team we are super strong, we had strong team feeling. We made it together. We have a strong team, absolutely. You cannot take that as granted, as a team we are motivated to do this, we have same goals, we all wanted to our best, we are loyal people, by loyal both to our team members and to company.” (I3)*

### **Communicating the change vision**

Communications is an important part of change and change management. Information sharing is key tool to commit functions and organizations to a change from the early stage, embedding the purpose and goal in people’s awareness. In change promotion, roles and responsibilities need to be clarified of what is being done, what is being aimed for, with what kind of timeline and what kind of input is required from participants. It is needed to emphasize that in changes, all information cannot be shared to employees, but the more transparent and continuous the communications are, the better the end-result is.

Accountants felt that information was shared sufficiently. One factor that might have affected the communications in this specific change, was the fact that accounting team was the first team to be formalized and centralized to Nordic Shared Service Center. In addition, Accountants felt that information was shared by leaders and managers as soon as it was available. The progress of the change was monitored, and problems were solved in regular meetings.

*“...as soon as they (leaders/managers) received new information they gathered us together, we went the timeline through together many times.” (I2)*

Controllers were satisfied with the information sharing from strategical communications perspective:

*“We had meetings for employees, and we also had several meetings for each function. And a lot of additional information was also shared continuously” (I5)*

From Controllers perspective, in terms of change and practice, there were challenges in communication:

*“...at that time, it felt a bit frustrating, because it was not so good communication, we received some timelines, and they were not followed up” (I7)*

Controllers felt that there was insufficient communication in terms of practical implementation, especially in situations where tasks had to be transferred from country-specific, local functions to the Nordic financial management function. Controllers did not know which tasks would be performed by Controllers in the future and which tasks would be handed over to the Nordic accounting team. One of the concerns was the lack of contact information, Controllers didn't know who would contact the local, country-based functions. Additionally, there was a feeling that there was not enough understanding of the importance of the task with the people who were leaving the company and who would perform their duties if the transition to the new Nordic function was not made in time.

One of the Controllers commented on the differences between accounting and controlling teams in the change process, from communicational and different change implementation phase point of view:

*"I can imagine that accounting team might not have had the same perspective, they received a lot of new tasks, and they had plans when to take over. Us, who needed to hand over, it just felt like the process drew out long, and it wasn't clear to us, when are they taking over, do they know what to do, do they have access to the systems, do we need to make sure that they have what they need – like who does, what and when? That was a source of frustration." (I5)*

### **Support in the change process**

Differences emerged in supporting change theme between Accountants and Controllers. From Accountants point of view, in general, the support was perceived as sufficient, both individual support from the closest leader and support for the practicalities of change journey. The accounting team also seemed to emphasize a good team spirit, with team members supporting each other in change. Support was given in regular team meetings as in individual one-to-one discussions with leader. In addition, if challenges occurred in practical matters, such as the promotion of taking over new tasks, the issues were discussed and solved together.

*"We got lot of support from leaders. They gave us tools we needed" (I3)*

*"We were told how good we are every day and how much we have achieved."  
(I1)*

*“We had some team meetings where we discussed about it and how we could help each other. We have always had a good team spirit, to help and support one and other.” (I2)*

Controllers had different experiences, as Controllers wished more involvement as the change initiated, since there were unclear matters to be discussed and agreed. The Controllers operated in local teams, and they were supposed to fill in their work assignments to handover lists that had been received. Personal support from the leader would have been needed in the change.

*“Those handover task lists, how can I come with input to these, we have some other stuff that is not on them, or some stuff they haven’t thought about, I remember feeling that if they would have asked, we could have given better input.” (I5)*

*“I don’t think I was personally supported. If we had some questions or thoughts, we could talk to our leader or HR. But I don’t think there was any follow up from leader, it had to come from me.” (I6)*

### **Involvement with implementing the vision**

Purpose was to investigate involvement of employees in change, especially when new organization was formalized, in handing and taking the tasks over, promoting a common goal. Background information section included a question regarding roles and responsibilities in change implementation. The interviewed employees participated in the change in operational manner, handing over and/or receiving tasks, and supporting change in practical matters. The teams were given the responsibility to re-design the processes and process developers were utilized for process re-designs, and this was positive issue in increasing employee’s own expertise.

*“I think that we have lot of involvement, they gave us resources that we could make changes to the tasks, we had several people that were great at building models for us, and we also had one person that was helping us, building reconciliation reports. We got a lot of help, to manage this.” (I2)*

Accountants commented that communication between team and management was emphasized, especially in participation point of view. The project schedule and goals were set from above, and the leaders driving the change break down the plan into task level. In case challenges occurred with schedules and implementation, the accounting team was able to raise concerns with the closest leader and manager, who then took the message

forward to senior management. Therefore, there was flexibility in terms of schedules, at least a few times when problematic situations occurred. This in turn affects motivation when there is a feeling of being heard. Also, as the project progressed, individuals were involved in planning the scheduling and implementation of future tasks to be transitioned, at least asked for input.

*“... they listened to us and asked us: Do you think this is possible, can we do this, can we do this, do you think this doable or not? Absolutely, it was a team effort and I felt I have something to say about it.” (13)*

In general, both Controllers and Accountants felt that there was an adequate level of involvement and participation, especially for transitioning tasks in relation to handovers and takeovers:

*“We work from very operational point of view, we needed to get these things done. Very hand on task orientated, I don't think that we could have been involved any differently” (15)*

Additionally, one employee was not involved in the change process, in context of handovers and receiving new tasks. This was for rational reasons, as the employee's responsibilities did not change in the context of the organizational change.

### **Consolidating improvements and producing new changes, institutionalizing new ways of working**

In creation of new operating models and ways of working will become visible in daily basis for teams and stakeholders. The new organizational model seeks benefits over the previous model. Individuals from the accounting team felt the new operating models and practices were a success. In the past, processes with highly manual phases were developed in collaboration with process developers, and the processes are now more streamlined, faster, more developed, and more controlled. Best practices have been implemented in Nordic financial management function, as in the past in every country the processes very operated in different way. The role of process developers was critical in implementing the change within the given timeframe. In addition, it was emphasized that transformation has been a success, since the handovers are completed at this point and teams are formalized, and roles and responsibilities are in place.

*“We have been working a lot with quality with our bookings, models and reports and reconciliation. This is work in progress still, we are still enhancing*

*processes and reconciliation. We have come a long way, and but we still have some more steps to take” (13)*

Thus, one of the Accountants emphasized that the team should continuously evaluate and improve its processes. When processes are in one team instead of four countries and a team, it is much easier to create a process development plan, for example for accounting or reporting processes. The changes do not end with the fact that the organizational change has been completed and the team has been formed.

*” I think you have to do these things in stages, you have to do what you can at first, then you have to re do it, and make it even better, when you know more about the process, when you learn more about the business. It is always time for second part, not the organizational change itself, but the work involving, it needs a second review.” (14)*

Controllers also commented that the process developers were helpful in the change process and helpful in finishing the change in given deadline. As the team 's operations stabilize, operating models and operational roles in the controlling team are perceived as challenging, as the team should act in quality assurance role and not perform that much operational roles. The team is also exposed to a wide range of one-time tasks that can challenge the visibility of the team’s actual performance and responsibilities.

*“I think we need to sit back and reflect, kind of what is the process, how do we do it best and how do we meet requirements we have” (15)*

*“We should be controlling and assuring the quality, not doing the operational tasks.” (15)*

*“We are working a lot ad hoc, so we are not kind of touching so much these things we actually should do.” (17)*

### **Change agents and holistic change management**

Promoting change always requires a group of people to drive change. For change to progress and potential obstacles to be identified and solved, it is important to commit to the change along the way. Managing change involves many things to consider, planning, monitoring, supporting, communicating and problem solving. It involves managing both things and people. Plans needs to be adjusted when unexpected situations arise. The Accountants and Controllers gave their comments on how they felt about overall change management. Accountants felt satisfied with the actions of change agents, referring to

closest leader and manager, while Controllers felt that change management, especially the guidance was deficient.

Accountants felt that change was well managed, from the point view of support, communication, reflection, and closest leaders were felt to be doing an excellent job in many areas leading the change. The atmosphere was praised during the change, and the positive spirit within the team was also raised during the interviews. Several interviews also highlighted the progress of monitoring change and emphasizing it in a pragmatic way. Short-term wins and milestones were achieved and communicated in the regular meetings.

*“Our closest leaders x and x did a fantastic job, I really felt they had our back, they were super supportive, and they had a lot of knowledge about the team, and about the company. They sort of spread the feeling that we can do this, we can do this together and we are a super team.” (I3)*

*“They made it a lot easier. Positive attitude as well. ‘We will do this; it is not a problem’”. (I1)*

*“We got so much information from leaders, so I think it was handled well. It was handled better this time when compared to earlier change” (I2)*

*“... we continuously looked in the rear-view mirror, to see what have we done, and how have we done it. Because that is very important when you go through changes, that you actually see what you are doing, because when you are inside this wheel, you don't realize how much you are producing or how much you are generating, which is kind of good to see where we are and what have we done.” (I4)*

Controllers experiences of change management and change agents differ compared to Accountants. In general, actions of change agents were not visible in the country-based local units, in which the Controllers were operating at the time. There were challenges with support and communication. The Controllers highlighted issues that they considered to be areas for development related to change and change management. These were related to the understanding of current state of the processes, support, and communications in change process:

*“...there are issues in our local procedures in each country.... like issues in systems where we manually handle stuff in one country, because the set up in the system, differences with the local procedures, the quality of the existing*

*procedures and processes was here (higher) and like in reality it is here (lower)” (15)*

*“In the start I felt it was a little bit missing, I felt we were sitting with the same tasks as we did before, and it was difficult to, kind of, we were not supported very much when we tried to say that this is not our task, this should not be in Controlling team.” (17)*

#### 5.4 Change outcome – centralized financial management function

This section presents second theme of the research, connected to organizing financial management in centralized way. Accountants and Controllers have commented on the benefits and challenges of organizing financial management in the current way, centrally in Shared Service Center.

##### **Benefits**

The most essential benefit of centralized financial management was the efficiency and development of processes. Both Accountants and Controllers mentioned that a centralized model can create a more efficient financial management function, the processes can be aligned, having one process instead of four, and best practices are implemented. This has positive impact to the accounting and reporting quality, which has a direct connection to the reliability of reports and figures. Processes are controlled in more sufficient way and changes can be implemented more agile and faster pace in a centralized model. It was also considered critical that the harmonization of processes facilitate the comparability of processes.

*“..it has been efficient, because we can identify issues with the countries, misalignment and if one country has better process, we can adapt that to other countries” (15)*

*“We have more control in our books than we had 2 years ago”. (12)*

Tasks were centralized to the accounting team from other country-based functions as they were (as-is processes). As a result, many Accountants and Controllers highlighted how critical and important the process developers were in enabling change. The developers were utilized in the creation of various automated processes. Therefore, the developers had significant role in the development of the processes. Prior to the organizational change, the

controlling team did not exist before, but the team and its role are seen as necessary for the future:

*“About team in general, well we didn’t really have a controlling team before. It is difficult to say what the benefits are in the team. For controlling to be Nordic instead of Local, it is an absolute necessity, as I see it” (15)*

Increased skills and expertise were also seen as benefit. Accounting team started to share best practices and develop ways of working immediately as the change process started and team was formalized. In both teams, some team members have learned new tasks and increased their own skills. Increasing knowledge of one country's process to processes in all Nordic countries has had a positive effect on motivation.

*“I have increased a lot of my knowledge, I think it is really interesting to work in Nordic environment, not just one country, to work with lot of people in each country and learn about how this is done and how this is working in x country and compared to z country” (18)*

Competence is also to be increased in daily basis. The aim is to promote knowledge sharing and process documentation within the accounting and controlling teams:

*“Team’s sessions are held when we have tasks that everyone should know. During this journey, I started to takeover and needed to handover it to other one in the team. We have had lot of experience in sharing, sometimes whole team, sometimes smaller groups with this kind of tasks.” (12)*

The Accountants felt that the team's operations had stabilized, the tasks, responsibilities and the operation and purpose of the entire Nordic financial management function were clearer. There is a broader understanding of the company's business as well. The interviews revealed that the accounting team members has remained almost unchanged, despite the organizational change. This may have had a positive impact on the implementation of the change in the accounting team. However, the team has learned to work together in the change process and developed processes together.

*“I would say this is a new team, even it was an accounting team in x country that became the Nordic team, and that was kind part of the deal, it was like – I don’t know how to explain it but, I would say that the mission or the goal for this team was to became this Nordic team, that is the benefit on its own, in one way.” (14)*

The controllers did not highlight the benefits related to the team or the team 's activities, as the team' s activities were mainly subject to challenges, which are discussed in more detail in the Challenges - section.

The centralized way of organizing financial management is also seen as promoting collaboration with other functions, on day-to-day tasks or projects. “One point of contact” was important, which is related to having individual or team to support with specific issues. While operating centrally – the function will have larger picture of the business processes, and deeper knowledge is shared for the stakeholders, ensuring that stakeholders have the needed and detailed accurate information. Additionally, the development of collaboration between stakeholders and the Nordic financial management function is also seen facilitated in a centralized model. Communication and information sharing are easier, and ensuring collaboration is also flexible, when compared to decentralized way of organizing financial management. Finally, the growth of individual’s network, cross-border cooperation, and the promotion of a corporate culture in an internationally operating company was emphasized in the interviews, as benefit factor.

*“I think it is good for those stakeholders to have one point of contact when they have questions, we set up an accounting related site when there are questions from any team, around accounting.” (15)*

The benefits discussed earlier are mainly non-financial benefits. The literature has highlighted the financial benefits related to organizing financial management in centralized way, but literature is viewing the benefits mainly from a business entity perspective. This study has gathered input from experiences and feelings of individuals. However, a few interviews also highlighted the economic benefits, for instance the cost savings in centralization.

*“Personnel costs, less people are working. Now x persons in accounting and I don’t know how many there were before, that is one big cost saving area. When you have better quality and better control of the books, we are perhaps saving costs in that area as well.” (12)*

## **Challenges**

Accounting team identified resourcing and knowledge loss as the biggest challenge or risk related to organizing financial management in centralized way. From resource challenges, lack of back-up plans for illnesses or other unexpected situations were highlighted. The lack of back-up plan is identified already within the team, and it is being processed at the time. However, the interviews highlighted that when there are no employees in other countries,

in a way certain amount of flexibility is missing. For instance, in case of people leave the team or sick leaves occur, back-up plan is created only for critical processes. Gathering people and knowledge into one team is one of the benefits of the centrally operating financial management, but it also includes vulnerabilities. Participation in the projects or changes is crucial for Accountants to be involved, and it can be challenging if there are no resources to support projects:

*“For most important tasks we have backups. But otherwise, I do not know. That is a challenge. We know about it, in the future – if you want to have a vacation or you are sick in closing, someone in the team – all your tasks will be done by your colleagues” (I1)*

*“One risk that I can see when we are working centralized and not country wise. You can have much more detailed information when working in one country and understand more, and being part of projects more widely, when working for only one country. That can be a risk. Since we are only x people, we cannot be part of every project and we need to prioritize.” (I2)*

There are pros and cons related to resourcing in centralized function. It was highlighted in the interviews, that if there are gaps in the process documentation, individual can take important information along while resigning. However, the documentation of processes and tasks is currently being promoted in accounting team, but sometimes “quiet” information is difficult to gather in documents.

*” If someone leaves from company and has worked for long time, and has a lot of information. This is a risk. It is lot of information that will be gone, depending, if it someone who has worked for long time and knows about things”. (I1)*

*“Challenge to maintain the knowledge, it is a risk if we lose it. If that comes up as a problem, it is probably worthwhile to have the specific knowledge within the country, not on Nordic level.” (I3)*

Other issues that were raised in the interviews especially from challenge point of view, were related to country-specific standards and regulations. Country-specific differences and language skills demands can increase difficulties, for example in accounting standards matters.

*“Speaking from experience what I have seen from the past, I’m not saying that will happen here, but it can be country specific laws and regulations can be*

*forgotten about, because it is not always like it works to have these roles on a Nordic level, when it comes to country and business specific areas, that is one challenge and one risk I see.” (I4)*

It was previously argued that process developers were of great benefit in implementing organizational change and developing processes. However, one of the Accountants comments that solutions have been created by process developers, but there are risks connected to the created automated solutions. There can be situations where automated solutions do not work properly, or even worse, it is not noticed, or there can be interruptions to operations of accounting team caused by digital solution failures. The issue is that the Accountants do not have knowledge of the created solutions and there is no plan what to do in case of digital solutions failure or issue with functionality.

*“.....when you have built models and well they stopped working, and you make a manual thing, then that would turn out to be a problem, because in the end that process that took one hour , maybe takes 3 hours next time, because the automation is overlooked or overworked” (I4)*

*“Biggest risk would be that we don’t see the failure, because it is automated. Hopefully someone in the end will notice, if it is huge problem. I think it is worth to have a backup plan.”(I4)*

The challenges related to the centralized controlling team are heavily focused to tasks and responsibilities, from few perspectives; there are challenges with workload, especially with one-time occasional tasks. As well Controllers mentioned that they should be focusing more on controlling and reviewing for accounting specific tasks. Currently, time is spent on other tasks as well, such as ad hoc tasks and even on tasks, that should not be handled by controlling team.

*“I was told our main job is to review reporting and to answer difficult accounting questions, but I use a lot of time myself to do reports and some accounting. ” (I8)*

*“We should be reviewing reconciliations and reports, do analytics, so we kind of can answer to why these numbers are going up/down, we should be on top of those things, we should be involved in projects, kind of like when there is a new product or changes” (I7)*

*“... this is a new team, I feel like we are working on - getting it to work better and better, and do not use so much time on things that maybe are not our responsibility.” (18)*

One-time or ad hoc tasks are handled by Controllers daily. Some one-time tasks are received from projects, some from other business functions, management, teams from the Nordic financial management function related to accounting or reporting. One-time or ad hoc tasks are often received to individuals' personal email. Some of the ad hoc tasks are experienced time-consuming and those are difficult to manage in the controlling team.

*“I receive ad hoc questions daily, main thing that I'm doing is answering ad hoc questions. (17)*

*“That goes into the whole team as well, we are so busy answering single questions, that we don't have the time or the resources to write the policies or guidelines that is needed for better alignment and make procedures more efficient.” (15)*

Controllers also pointed out that a controlling portal has been set up for stakeholder communication, where stakeholders can place requests related to accounting or quality controlling matters. However, this has not been thoroughly implemented and due to the workload of the team, stakeholders do not use the portal as they do not receive responses from it quickly enough. Stakeholders approach Controllers in person, via email, with the desire to get the matter handled as smoothly and quickly as possible.

*” Controlling team have this portal where we would like all the requests to be, but we haven't had time to follow up so I fully understand that people are not using it because they do not receive any answers there. That was kind of the plan to try to organize it a little bit better and be able to show how much ad hoc questions that we receive. But it is not so easy to organize it.” (16)*

*“The benefit about using the portal is that everyone on the team would see what kind of questions are coming, easier to give it to the right person or to the person who has time to do it, if you get the ad hoc questions to your e-mail, it is more difficult for others in the team to help. I feel like it is OK to get them to my e-mail, I know I can ask from someone in my team if there is a problem. But the portal could be used more” (18)*

Interviews highlighted that Controllers are not using time and effort only to the actual responsibilities of controlling team, and service level agreements and job descriptions

created in the past are not implemented in practice. Time is spent on handling one-time tasks or answering accounting related questions. Some described the team's activities as if they were "extinguishing fires". Some pointed out that one-time tasks and questions will come to the controlling team, due to one root cause that is related to the fact that team do not have time to update guidelines and policies for stakeholders.

*"There is this service level agreement, it is not that nobody thought about what we should do. If you ask somebody from management who is responsible for correct accounting procedures, they will say Controlling team, but I would say that we don't have the time to do it, we have so many other tasks that have deadline." (15)*

Current resourcing and team operations model pose challenges for process development and quality assurance tasks. Team support is also potentially used for the wrong purpose, such as "reassurance" function. Several interviews expressed the desire for additional resources in the controlling team so that some could answer one-time questions, and some could focus on improving processes, controlling, reviewing, and producing missing documentation that would reduce the number of ad hoc questions.

*"I feel that we are so pressured on time, that kind of prevents us on what we are doing, it could have been a lot better. The intention is that we would be able to fix problems, set up these processes that works and kind of do that the whole accounting / reporting process is better and this takes time, because when we are going down to kind of fix an issue, it takes time and as it is now, we don't have time to do this, so it kind of adds up on the list of everything we should do. I think it could be lot better if we had more resources or other things are taken away". (17)*

*"Review of the process and improving it, doesn't have a deadline. But a report that needs to be delivered, or something that needs to be booked before closing or someone has a product going live, that has a deadline. The whole soft part, that thing that we should reflect and asses, we don't have the time to do it." (15)*

The controlling team serves many stakeholders in the case company, but the interviews also highlighted that the Controllers' support is also required by employees of their own function, the financial management function, by employees who work on accounting and reporting tasks. In addition, other teams operating in financial management area are supported as well. Interviews revealed that Controllers feel that the team is contacted with

simple matters, even the purpose of the controlling team is to support in challenging and difficult accounting-type issues. However, it is seen that there is a need to support other teams and businesses by answering one-time questions, but responsibility of the team is seen as challenging, for instance, dividing tasks for Controllers vs. for other Finance related functions.

*“I think that is the main challenge (lack of resources), all the other teams are using us, controlling team, as we have to answer on everything, this is kind of putting it on the edge, they want us to kind of review and go it through, we don’t have the time to do that, they kind of have to come up with solutions on their own, we can be this quality assurance, but we cannot answer on everything, that is kind of part of the problem.” (17)*

*“It is not clear where this line of what is our responsibility and what should be done in the accounting or reporting of other finance departments.” (17)*

Due to the vagueness in workload, resourcing, and team responsibilities, the inefficiencies and wastage caused by the situation were identified as challenges:

*” And that effects all the stakeholders, because then they have to ask us every time, every time there is issue, or something, they have to ask us, and we cannot refer to policies or something because we don’t have one and we don’t have the time to do it. Resources and the prioritization of the work that is done, the alignment with the procedures, I think I would go with, it is a big challenge” (15)*

*“It is difficult to know what is the best solution for these problems. We are a team, our job is also to help organizations with accounting questions, so we need to be service minded also. But of course, it is important to set aside to really dig in to your job. Not to work 5 minutes and 5 minutes with other task.” (18)*

The biggest risk that Controllers see in the current way of working is that the quality is not at a sufficient level, as Controllers do not have time to carry out the core tasks of the team, using enough time for actual quality assurance tasks. Also, not having time to get to know the processes and understand the end-to-end perspective of the processes poses challenges in quality area. Additionally, knowledge of system solutions was also emphasized, and process and system knowledge are seen as an essential factor for Controllers to operate with core tasks.

*“From risk perspective the challenges that we have of course increase the risk of errors in the numbers, the issue with the lack of resources to do these reviews and assessments of the procedures, increase the risk of errors in our financial statement and reports.”. (I5)*

Manual tasks that are handled in the team and function were also raised as one of the risks. There is a desire to automate manual tasks, as well as that the information will be found in the systems and have own processes in the future.

*“I also see some risks with all these manual tasks, because it is easy to make some mistakes, because everything is manually in Excel. It is high risk of operational mistake there. So, it would have been good to get these products in a system and be more focused in the controlling function.” (I6)*

## 5.5 Key findings

### **Experiencing the change and change management**

Emotions caused by the change were very natural, and varied, with confusion at first and feelings were experienced from wide range, from fear, sadness to happiness. However, the interviews did not reveal strong change resistance. Accountants and Controllers seemed to have optimistic attitude towards to the change, even though challenges emerged in the process. The change was relatively well received, and this may be since individuals saw the change as necessary and were therefore able to deal with it accordingly.

The practical change – with all the handovers, takeovers and team formalization was perceived as interesting, of course, but also as stressful. Some negative emotional experiences occurred along the change journey. It should be considered while reviewing the research results that Accountants were able to implement the change vision rapidly when Controllers needed to wait for a while to start the change journey. First Controllers needed to handover their previous tasks, and support with the transition. After this period, the controlling team was formalized. Additionally, Controllers were concerned that not all issues had been considered when transition started, for instance the non-standardized tasks that were handled locally in each country, but these tasks were not documented anywhere. Both Accountants and Controllers saw the change necessary, and it was revealed in the interviews that there was an understanding to the conduct an organizational change to ensure the business competitiveness. Cultural change has been implemented as well. The change vision and strategy became clearer to individuals as the change progressed. At this stage of the change, while the vision and strategy are settled, leaders

are in crucial role. Leaders should guide the change to the correct direction, to ensure successful change. Accountants commented that there was a sense of urgency and things were progressed with a tight schedule and pressure. At this point, leaders succeeded to create change pressure on people.

Empowerment, personal motivation, and commitment to change seemed to be a positive thing, in terms of believing in the change plan, and many commented that there was a motivation to contribute to the plan. Also, in the accounting team, the impact of team spirit and teamwork on motivation was emphasized, as individuals worked together with team and solved problems together. Thus, this does not apply for the controlling team. There were few different issues when comparing accounting and controlling team that need to be taken into consideration. This is related to team readiness, implementation phase and roles and responsibilities within the teams. The accounting team was pleased with the change communication, as line managers were constantly supporting the change and shared information whenever it was possible. Controllers, on the other hand, found strategic communication successful, but in terms of change and practicalities, communication was perceived insufficient. The concerned feelings of Controllers were increased by the lack of knowledge. Controllers didn't know who was going to contact former local teams, and in what timeline. It was experienced, that time was passing, things were not progressing, and communication was not working.

Accounting team felt that there was enough support, both individual support, as well as support in practical matters. Controllers felt trapped in the change process alone. They would have preferred more interactive supportive actions, which could have reduced number of concerns, and perhaps also to prevent problematic situations. However, in terms of participation, especially in practice, there was a feeling that the level of involvement was at a sufficient level. For the accounting team, the interaction was good between the team and managers, which certainly had a further positive effect on the team atmosphere and the flow of contribution. The Controllers commented that in the early stages of the change, the activities were focused on handovers and takeover. As the change was focused on operational deliveries, Controllers commented that involvement was sufficient for this. Even the involvement in the practical matters was enough, Controllers wished that their input would have been gathered when the project was initialized, to ensure that all tasks are gathered in handover documentations.

Both teams experienced that implementing new ways of working were a success, especially around processes with highly manual phases that were developed in collaboration with process developers. Accountants felt that the new operating models and practices were success. Processes are now more streamlined, faster, more developed, and more controlled. Best practices have been implemented in Nordic financial management function, as in the past in every country the processes very operated in different way. The situation in controlling team differs since the team is not focusing in its core tasks only. The team should act in a quality assurance role and not perform operational roles. Interviews revealed that controlling team is also exposed to a wide range of one-time tasks.

Accountants felt that change was well managed, from the point view of support, communication, and reflection. It was experienced that closest leaders were doing an excellent job in many areas as leading the change. Controllers' experiences in change management and change agents differ compared to Accountants. Controllers commented that in the beginning of the change, actions of change agents were not visible. There were also challenges with communication, and the current state of the processes may not have been understood as to what they are in practice.

Accountants seemed to be satisfied with the overall change management, Accountants received the needed support, team formalization had already taken place, team contributed towards to common goals and change agents were supporting the change all the way, short-term wins were created. Controllers experienced challenges in communication and support, and these challenges affected negatively to the area of motivation, creating improvements and new ways of working in the team, and the overall change management.

Based on the results, change and change management theme was summarized in a table (table 4). Reasoning behind, both success and insufficient effort will be concluded in the chapter 6 Conclusions and summary.

Table 4: Experiencing the change and change management

<b>Experiencing the change and change management</b>	<b>Accountants</b>	<b>Controllers</b>
Emotional stages in change	Natural, following change curve	Natural, following change curve
Operational readiness	Success	Challenges
Overall change management	Success	Some challenges, some successes
Necessity and urgency of the change	Success	Success
Change agents	Success	Challenges
Creation of short-term wins	Success	Success
Empowerment, personal motivation, and commitment	Success	Success
Change vision and strategy	Success	Success
Communicating the change vision	Success	Challenges
Support in the change process	Success	Challenges
Involvement with implementing the vision	Success	Success
Consolidating improvements and producing new changes, institutionalizing new ways of working	Success	Challenges
Adopting cultural change	Success	Success

### **Change outcome – centralized financial management function**

In general, benefits and challenges of centralized financial management were discussed in the interviews. In terms of benefits, the experiences in both roles Accountants and Controllers were similar, but experienced challenges differ which is connected to the team.

Benefits for the centralized financial management function are following:

- efficiency and improved quality
- development and harmonization of processes and operations
- more control
- faster and agile change implementation
- improved skills and competence
- promote corporate culture
- improved business understanding and cross-functional collaboration
- cost savings

Accountants and Controllers seem to agree in terms of benefits in centralized financial management function. Benefits gathered from Accountants and Controllers were in line with the benefits presented in the literature. The development of processes and operations was emphasized in all interviews and in several questions. Increased competence and skills were mentioned as one of the benefits in centralized financial management function. This possibly has an impact to personal motivation. In addition, the centralized model is also seen to have a positive impact on collaboration with stakeholders, as the current Nordic Financial management function provides a one point of contact for stakeholders, at least enabling proficient information sharing and communications.

It was revealed in the interviews, that when the organizational change started, accounting team received the tasks to the team in as-is state. This of course requires process development and alignment, when centralizing various tasks from four countries, with own processes and procedures to Nordic function. Based on the interviews, process development with the support of process developers was very critical change enabler. Additionally, controlling team commented that previously, there was no existing controlling teams in all Nordic countries, therefore it is difficult to compare the benefits with a possible previous approach. However, a controlling team at the Nordic level is seen as necessity.

Challenges of the centralized financial management function has been gathered in table 6, and it distinguishes the views of the two teams.

Table 5: Challenges of the change outcome

<b>Change outcome - challenges</b>	<b>Accountants</b>	<b>Controllers</b>
Inflexibility and vulnerability with resources	X	X
Country specific standards and regulations	X	
Automated solutions: missing contingency plans in case of failure	X	
Capacity challenges		X
Not focusing in core responsibilities sufficiently		X
Team is used as reassurance		X
Process development is not conducted or conducted partly		X
Manual tasks with possible risk scenarios		X

While going through the challenges in the interviews, differences between the teams came visible. The challenges for the accounting team are related to resourcing if unexpected situations occur, that will affect the accounting related deliveries. While processing accounting related tasks for all Nordic countries, it is seen as challenge to understand and monitor local market, from the perspective of laws and regulations. Automated solutions

implemented in the context of organizational change and management of the solutions can also prove to be a challenge in case business contingency plan is missing.

The challenges of the controlling team are related to resourcing and thus quality. Interviews highlighted capacity challenges the team is facing, with the huge workload. Team is acting as “reassurance” for other teams, which increases the workload. Team is receiving one-time tasks or requests, related to supporting needs by financial management employees or projects. This causes challenges on perform the team’s actual responsibilities, related to accounting and reporting reviews, and quality assurance. Process development cannot be conducted if there is not enough effort given. Additionally, manual tasks were also raised separately, as a possible risk event.

## 6 SUMMARY AND CONCLUSIONS

This section describes the summary and conclusions of the study. The research questions are presented, and answers are provided based on the research results and analysis. Finally, the limitations and suggestions for future research topics are presented.

Companies pursue to streamline operations while balancing between business continuity, customer experience, efficiency, profitability, and cost-effectiveness. New technologies, digitalization, globalization, and customer needs are drivers for a change, additionally limiting factors such as regulatory requirements need to be taking into consideration. Commitment of the employees and managers is essential while implementing a change. How do people experience change and management? What are the benefits and challenges of outcome in connection to an organizational change?

The aim of this study was to investigate experiences of Nordic financial management function's employees in relation to organizational change process. The purpose was to investigate how the change management was experienced and what are the benefits and challenges of the change outcome - as organizing financial management in Nordic function. The research framework consists of theory related to way of organizing financial management and change management. The research was carried out as qualitative study. Based on the theoretical part of the study, the themes for semi-structured interviews were selected and the interviews were conducted to eight employees operating in financial management function.

### 6.1 Conclusions and discussions

**Sub-research question: How was the change managed and how did the employees in financial management function experience the change management?**

The change management followed a similar pattern partly as in Kotter's (1996) change management process. It is difficult to state that how the change was managed, since the leaders and managers involved in the organizational change, were not interviewed. This study is only gathering data from employee perspective. However, it is visible that change management process steps were conducted in this specific organizational change. Kotter argues that cultural change is the largest barrier in change creation (Kotter 1996, 155-156.) Based on the interviews, the Accountants and Controllers are promoting corporate cultural, as understating the need for change, and the future way of operating business.

Change and change management experiences were two-fold. Accounting team experienced the change successful in all change factors, even obstacles and challenging situations occurred during the change journey. Controlling team experienced that in several areas more effort would have been required. The successful change in the accounting team was possibly influenced by the fact that the team had adequate level of readiness for the change. Team or employee readiness has an effect to the change implementation, whether promoting or undermining the change (Chrusciel & Field, 2006, 505.) In addition, change had been driven by change agents who have managed to steer change forward in a structured manner, considering the necessary elements of change, such as the importance of support and communication.

Controllers highlighted that there were challenges with change management elements, especially with communication, support, and the role of change agents. Also, it was highlighted that due to the capacity challenges in the team, it has been difficult to develop processes and produce new changes. However, from Controllers point of view and based on the results, the most essential issue that was missing from the change process was the lack of communication and support. Some factors need to be considered, while reviewing the results. The differences between the experiences of Accountants and Controllers are possibly explained by the different timelines of the change implementation. In the beginning of the change, accounting team focused heavily on taking over new tasks from local country-based functions, including the Controllers, that were studied in this research. Controllers had to wait for the change to take place, both handovers and team formation for a while, because moving functions from four countries to one country is time consuming.

In addition, it should be bear in mind that the accounting team has consisted mainly of individuals who have previously operated in a local accounting function and team members from this local accounting team, were selected for the Nordic Accounting team. This can be one of the influencing factors in the success of the change. If comparing these two teams, controlling team is totally new team, with new team members in it. While evaluating the differences with the change experiences and overall success with the change implementation between two teams, it can be questioned if the successful change journey in accounting team is connected to the following three issues:

1. Kotter's (1996) change management success factors were implemented
2. Team readiness (team maturity, formalization) was in adequate level
3. Change implementation from time perspective – change implementation was started immediately

Initially, the purpose of the research was to investigate how the employees in Nordic financial management function experienced the change. In the beginning of the study, assumption was that all employees to be interviewed were in a role of receiving tasks from other countries. As the study progressed, it became clear that Controllers were not only receiving parties, since in the change process they needed to handover their previous tasks to Nordic financial management function. Therefore, Controllers have presented experiences in two roles, as hand overing tasks in previous role and acting as receiver in new role. But this is not seen as a challenge for the research, since it enriches the research result to the extent that in the future, case company can possibly focus more on overall change management in organizational changes.

It was revealed in the interviews, that one employee had previously been already working in the Nordic organization, and therefore the change was not that significant for this individual. Anyhow, this individual gave contribution to interview. In addition, it appeared that one employee was not involved in the change process, because the employment started after the change was already mainly completed. With the latter one, the interview was focused only in the benefits and challenges with organizing financial management centrally.

**Sub-research question: What are the benefits and challenges employees in financial management function experienced in the change outcome?**

Regarding the centralized financial management function and its benefits, the literature highlighted measurable benefits related to running a business operation, such as cost savings, economies of scale, quality improvement and process development (Schulz & Brenner 2015; Lahti & Salminen 2008; Raudla & Tammel 2015; Janssen & Joha 2006; Herbert and Seal 2021.) It should be noted that this study highlights employee perspectives and more practical experiences in daily basis, in terms of benefits and challenges. Differences between literature and this research are possible.

A centralized financial management function was seen from both the Accountants and Controllers perspective as suitable way of organizing financial management, from benefits perspective. Similar benefit factors that were highlighted in the literature, were mentioned in this study as well. Main benefits in this study for centralized financial management are related to efficiency, improved quality, development of processes and more controlled processes. Interviews discussed benefits more on practical level, while in the related literature, cost savings were often emphasized. The financial benefits, as cost savings were also covered in the interviews, but were not substantially present.

Based on the study results, it can be stated that organizing financial management in centralized function is beneficial for case company, and it is reasonable way to organize financial management. Regarding the establishment of a Shared Service Center and centralizing financial management tasks into one function, it should also be considered that benefit realization in the area of cost savings requires continuous process and knowledge development (Lahti & Salminen 2008; Derven 2011; Raudla & Tammel 2015.)

With centrally operating financial management function, it is possible to gain wide range of benefits, but while centralizing resources in one place, a certain amount of flexibility is lost. The main challenge of the Shared Service Center is to find the balance between centralized and decentralized models, flexibility can be jeopardized while operating centrally (Raudla & Tammel, 2015, 164.) This was perceived as a challenge in both teams. Accountants experienced less challenges, and the challenges were related to operating models and resourcing in unexpected situations. This is certainly since teams' tasks are more standardized. Team's purpose, roles and responsibilities are defined and clear. The challenges in controlling a team are different. The research results showed that controlling team is facing capacity challenges. Controllers are not focusing in core responsibilities sufficiently, such as reviewing reports and conducting a quality assurance for accounting related tasks. What increases the workload, is also that team is used as a reassurance. This possibly happens since the team doesn't have time to develop processes and update policies and guidelines. Team is also receiving one-time tasks, that impacts directly to the capacity challenge. Initially, once the controlling team was established, an SLA (service level agreement) agreement based on the organizational model was created, outlining the responsibilities of the team. However, the team does not fulfill its responsibilities under the SLA, but spends time working on solving one-time tasks.

It would be essential to find the balance with responsibilities, tasks that are pointed to controlling team, and tasks that other financial management related teams should solve independently. Due to challenges with the workload, it was seen that the controlling team does not have time to reflection. Workdays are mainly concentrated on core tasks and one-time tasks that are pointed to the team. Continuous process development is an essential feature in Shared Service Center. Therefore, benefit realization, and the purpose of the centrally operating financial management is compromised, if there is no possibility to invest time and money to the development area. That is why it is particularly important to find a solution to this challenge. However, significant risks were not identified in the study, and the presented challenges partly match the challenges presented in the literature. It could be that the Controllers find the centralized model challenging, as it was a completely new team.

Additionally, most often transactional processes are perceived suitable for Shared Service Centers, rather than expert processes (Schulz & Brenner 2015; Raudla & Tammel, 2015; Herbert & Seal 2013.) Controller tasks are expert processes. Therefore, it should be tested whether expert processes fit in Shared Service Center. Additionally, in the beginning of Shared Service Center establishment, as-is analysis should be conducted properly, to ensure that all tasks, roles, and responsibilities are identified.

**Main research question: What are the key lessons learned in centralizing functions to Shared Service Center?**

It is beneficial to implement change management in a structured way, since based on this study, it produces good results. Kotter's (1996) successful change factors were utilized in change management. For Accountants, the change implementation was successful, and from their perspective, needed change factors were utilized in the process. From Controllers point of view, it is highlighted, that it is important to manage change for people who handover their tasks in the change process. It is essential to secure at least missing elements, such as support and practical communications for teams that are hand overing tasks. Support from change agents or nearest manager in change process was emphasized. The change was experienced relatively well. Strong change resistance did not occur, but it is good to train managers to deal with change resistance for future changes. The possible reasons why the change was experienced well, may relate to the fact that employees understood the change need and urgency. The strategic communication was seen sufficient. Also, the whole vision and strategy seemed to be clear for employees. What else was positive is that case company seems to have succeeded in the most difficult change factor, changing corporate culture. This is a huge change and slow process, but the Accountants and Controllers were already promoting new corporate culture.

The research results also highlighted that when financial management teams previously operated locally in four countries, all tasks were not documented in handover documents during the change process. This can cause a situation that all activities, such as one-time tasks or problem-solving related tasks, were not allocated to team resources. There should be a sufficient time used in the completion of as-is analysis of the financial management operations, before initiating the change process. Before establishing Shared Service Center, organizations should gain an adequate understanding of the business, processes, and related challenges (Kakabadse & Kakabadse, 2000, 716-717.) Therefore, it is beneficial to spend time on the analysis of the current situation in future changes to anticipate possible challenges and risks when implementing the change process.

Expert services could be transferred to Shared Service Center, thus country specific practices, such as legislation, may be a challenge for some Shared Service Center related tasks, if it is a multinational Shared Service Center (Lahti & Salminen, 2008: 175.) Possibly expert services are suitable for Shared Service Centers, but continuous investments are required. As it was revealed in the interviews, using the controlling team as a reassurance to other teams operating around financial management, also produces duplication and unnecessary work. As Derven stated, successful Shared Service Centers require continuous training and knowledge improvement (Derven 2011, 60-62.)

This study did not review the process of establishing a Shared Service Center, although it was mentioned in the study. The Controller task is an expert level task. Even if the one-time tasks or problem-solving tasks of the Controllers were identified when establishing the Shared Service Center, it is important to keep in mind that as organizations change and evolve, controller tasks evolve as well. It can also be challenging to predict the development of the role. Process development is one of the Shared Service Center related features. While the tasks were centralized to Nordic financial management function, the process developers supported in the change implementation. This was highlighted as crucial factor. The development needs to be continued after the tasks have been centralized. The work does not end there. Benefit realization requires further development, both in terms of people and process development.

## 6.2 Limitations and future research suggestions

The risk of this study was that the scope could have been too broad. The research could have been focused only on one team. On the other hand, now two different types of teams provided good comparative data for possible future research as well. Research could have been limited to change management, but organizational change is the starting point for what follows, the change outcome as centrally organized financial management. The aim was to limit both topics, change management and ways to organize financial management, to a manageable scope, so that the research could be carried out in a controlled way. This was achieved successfully. For future studies, perspective of research could be changed, one could examine the actions of management or managers in change. The study did not highlight the important characteristic of the Shared Service Center model, customer orientation. This is something that could be studied in the future, on how to develop operations from a customer-centric perspective.

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## APPENDICES

### Appendix 1: Interview questions

#### 1. Background information

- What is your current position/role?
- How long have you worked in target organization?
- How long have you worked for case company?
- How long have you worked in financial management/accounting?
- How did the organizational change impact your role/responsibilities?
- What role did you play while implementing the change?

#### 2. Experiencing the change – organizational change

- What kind of feelings/emotions did you experience during organizational change process?
- What kind of thoughts do you have regarding the organizational change (what was the purpose, was the change needed)?
- How clear was the change strategy/vision for you (what happens, when and why?)
- How was the information shared regarding the change along the way?
- How were you supported during the change?
- What has been your motivation towards to the change?
- How were the teams involved in the change?
- How has the implementation of new operating models in daily basis succeeded?
- How did you experience overall change management?
- (What has been the team/employee readiness, is the new corporate culture utilized, were the short term wins visible?)

#### 3. Organizational model – centralized financial management

- What benefits do you identify in the current organizational model in centralized financial management function (consider your or team responsibilities, or collaboration with stakeholders/other organizations)
- What challenges do you identify in the current organizational model in centralized financial management function (consider your or team responsibilities, or collaboration with stakeholders/other organizations)