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DIFFERENT WAYS TO ORGANIZE
THE PROCESSES OF FINANCIAL ADMINISTRATION
-a field study of medium-sized Finnish companies

Accounting
Thesis
September 2011
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Työn nimi Different ways to organize the processes of financial administration – a field study of medium-sized Finnish companies	
Oppiaine Accounting	Työn laji MSc thesis
Aika September 2011	Sivumäärä 82

Tiivistelmä – Abstract

This research concentrates on exploring the ways how financial administration is currently organized in medium-sized companies in Finland. Decentralization, centralization and outsourcing are options that are available to different-sized companies. The study was executed as a field study in seven medium-sized Finnish companies that represent different branches. Furthermore, the research method was qualitative theme interview. As large companies have already established their financial service centers and small enterprises have outsourced their financial administration to bookkeeping agencies, medium-sized companies are located between the two, finding a way that is suitable for their strategies. In addition, processes are important factors that reflect the state of the companies' financial administration. That is why the study contains a closer review of certain processes: purchase-to-pay and order-to-cash in. The conclusion of the study was that these medium-sized companies have organized their financial administration rather similarly, nationally centralized and abroad decentralized. The systems and the processes are not harmonized but the companies rely on their staff, even though redundancies and rationalization have narrowed their operation fields. A few of the processes were already outsourced in some of the companies but overall opinions towards outsourcing were careful and deliberate.

Asiasanat
financial administration, centralization, decentralization, service center, outsourcing, processes, medium-sized company

Säilytyspaikka   Jyväskylän yliopiston kauppakorkeakoulu

CONTENT

1 INTRODUCTION

1.1 The Background of the Study

There are many ways to organize the processes of financial administration. Rationalization, enterprise resource planning systems (henceforth ERP systems), electronic accounting, centralization, shared service centers and outsourcing have expanded the options and given new challenges to companies to find the most effective and profitable way to organize the business as a whole. Globalization has awoken even conservative organizations to improve their actions in order to maintain and gain the market shares in the international competition.

According to a study by Itella Information (2009), financial administration in large companies in Finland is nowadays usually centralized. 45 percent of the companies studied have organized their financial administration processes through a financial administration service center (henceforth service center) and 28 percent have a single financial unit. The study shows that during the last few years the companies have concentrated on finding a suitable way to organize the processes.

Itella's study (2009) presents that large companies in Finland have already established service centers and outsourced some of their financial administration processes. In addition, the smallest enterprises in Finland are usually using the services of accounting companies in order to concentrate on the core business (Lahti & Salminen 2008, 32). However, there are still quite a few medium-sized or slightly larger companies that have the resources to organize their financial administration in different ways. This study concentrates on those companies; which are the ways to organize the financial administration processes in medium-sized companies in Finland.

Järvenpää, Partanen and Tuomela (2003, 80-84) delineate that accounting is not concerning only the financial matters but the matters related to the whole organization. Choosing the way to organize the financial administration processes is a strategic decision and it influences the culture of the company. When accounting measures and reports the correct things, it is easy to focus on more essential matters.

1.2 Research Methods

This study is empirical and its nature is qualitative. The purpose of the study is to deepen the knowledge of how and why medium-sized Finnish companies have organized their financial administration processes. Furthermore, the pragmatic target of this study is to find out if there still are markets for outsourcing and centralizing these processes as the study is made as an assignment for a small consultancy company. The research could be classified as descriptive or interpretative. (Hirsjärvi, Remes & Sajavaara 1997, 122.)

The empirical part of this research was executed as a field-study and it includes seven companies. Data was collected through interviews in April and May 2010. Furthermore, the method of this study, theme interview, is located between structured interview and open interview (Eskola & Suoranta 1998, 87). Themes are constructed under three different sections that are further divided in more detailed questions. The structures of the interviews varied according to the natural rhythm of the conversation and specifying questions were made if necessary. The companies studied are medium-sized enterprises that operate on the different branches. Interviewees work in the financial departments of these companies as managers or leaders.

This study fulfills the features of qualitative research as the data was collected throughout interviews aiming to gather up in-depth information from a few companies, rather than studying a great group of enterprises superficially. The companies were chosen as a discretionary sample of suitable medium-sized companies, contrasting to quantitative research in which the sample is chosen more randomly, however through a certain strict system. Eskola and Suoranta (1998, 20) suggest that the data must improve and expand the thinking process of the researcher and at the same time, give a new aspect to review the theme. Therefore, a hypothesis is not necessary as the process itself provides new aspects and gives perspective. (Eskola & Suoranta 1998, 15-18.)

The benefit of a theme interview is the lack of a structure. The interviewees could answer to the questions widely on their own way, without any given alternatives. However, the same themes were presented to every interviewee, so that the answers are comparable with each other. (Eskola & Suoranta 1998, 92.) Analyzing the results will be done through finding the similarities and the differences between the companies. As the companies represent different fields of the business, some of the differences in the financial administration processes can be explained by the specialities of the field. However, the main structure of the financial administration remains the same regardless of the field.

Eskola and Suoranta (1998, 156-158) describe the analysis process with dividing the data up so that it can be interpreted easier. The method being a theme interview, the analyzing begins with dividing the data under the themes that were discussed in the interviews. The themes are divided into more detailed groups

during the analyzing process. Usually the analyzing process consists of few different methods of analysis, and this study is not an exception; it includes for example quantification, theme analysis and classifying by type. Quantification is used when some of the numerical and basic information of the companies interviewed is gathered to the chart (appendix 1). That is a good start to the analysis, since a part of the answers does not offer any in-depth information but produces merely background information that can be compared with each other. (Eskola & Suoranta 1998, 161-166.)

Dividing the data under the themes is a natural approach to this kind of study that is executed as a theme interview. A theme interview is the most used approach in the qualitative research in the business economy. However, dividing the data under themes is not enough; empirical part should be reflected through the theoretical part in order to produce the sufficient basis for the in-depth conclusions. Collecting the data under the themes brings answers to the practical questions, connects it to the theoretical doctrine, and helps the researcher to make the arguable conclusions. Using citations support the conclusions and bring credibility to the arguments. Nonetheless, the amount of the citations should remain low enough in order to leave space for the analysis. Classifying the data by type divides the themes further. The main idea is to group the data on the grounds of the similarities and create a typical pattern constructed from the answers. (Eskola & Suoranta 1998, 175-183; Koskinen, Alasuutari & Peltonen 2005, 104-105.)

Even though this study cannot be described purely as a case study but rather as a field study, there are many features that connect the case study and the field study with each other. The main idea of the case study is to collect events and analyze them while the data can be collected in different ways. In the business economics, a case study can be integrated on the practices of the company in order to solve problems or develop the activities. There is not only any single way to interpret the results, as all cases are individuals, and problem-solving can be paralleled by following a clue. The field study differs from the case study in the amount of researched units, as the previously mentioned includes more cases which are studied in the same way. Descriptive or interpretative method suits well for a field study as the aim is to compare and chart the different cases from a certain starting point. (Koskinen et. al. 2005, 154-161.)

Validity and reliability are important instruments when evaluating the overall reliability of the research. Reliability tries to find out if the study can be replicated and validity refers to the correctness of the measurements; does the indicator measure the things that are supposed to be measured? In addition, validity can be divided into internal and external validity; internal validity refers to the reliability of the study itself and external validity means the evaluation if the study can be generalized. (Metsämuuronen 2006, 56.)

The concept of reliability and validity is related to quantitative research and because of that, they cannot be adapted as such in the qualitative research. The

main thing for evaluating the reliability and validity of a qualitative research is to untangle the course of the research and present a clear exposition of the researched phenomenon. There is not only one way to do it, but the different phases of the research and practical issues concerning for example collecting, analyzing and reporting the data, as well as the meaning of the researcher in the different phases should be evaluated carefully. If there are some factors that might have influenced the research of the results, they should be presented in order to bring out the general view of the research as unbiased as possible. (Tuomi, J. & Sarajärvi, A. 2009, 136-141.)

1.3 Previous Studies

Metsämuuronen (2006, 34-41) defines the meaning of the previous research as follows: if there are not many studies concerning the subject, the target of the study can be formulated as describing. In addition, the aim of the describing research problem can be, for example, the following: which are the factors that cause certain things and how can some concepts be described or defined. Furthermore, in describing studies, the form of the research problem is not necessary a question and the hypothesis is not defined. That is natural if there are not many previous studies that can be referred to or if there are not many sources that support the forming of the hypothesis. On the other hand, if there are previous studies concerning the subject, the hypothesis can be based on those and the aim of the empirical part of the research is to prove the hypothesis right or wrong. (Metsämuuronen 2006, 34-41.)

Outsourcing and service centers have been targets of many studies during the last decades. The companies that offer centralizing and outsourcing services (for example Itella) have produced many studies concerning the centralization and outsourcing of the financial administration processes in order to chart their own field of operations. In Jyväskylä University, several theses have been made concerning shared service centers. For example, Lähteenmäki and Niemelä (2006) have studied the impacts of municipal financial service center in Jyväskylä, and Koponen (2008) has continued with the same theme with a follow-up study. Furthermore, Sokka (2010) has studied the connection between the financial service centers and enterprise resource planning (ERP) systems. Lantela (2005) has executed a field study concerning financial service centers in Finland. The study included four companies which had lately established financial service centers. In all these theses, theoretical doctrine was based on information concerning the centralization and outsourcing. After all, as previous studies and literature have brought out, both outsourcing and centralization are nowadays substantial options when considering a different ways to organize the financial administration processes.

Hyvönen, Järvinen, Oulasvirta and Pellinen (2005) have studied the establishment of municipal service centers in three different municipalities. For municipalities, establishing a service center brings flexibility and cost savings and reduces the overlapping functions. During the last decade, rationalizing functions through service centers has arisen as a suitable option for municipalities. The service centers and outsourcing are possibilities that can be utilized in different operational environments, in the public services, and in the private sector.

Furthermore, Hyvönen, Järvinen, Oulasvirta and Pellinen (2011) have studied the connection between institutional theory and accounting research in municipalities. Institutions in this case are factors that influence on organizational actors in various levels and create common activities of a company. The study concentrates on introducing the way how Finnish municipalities, one by one, became interested in establishing a service center. The change was driven by some institutional entrepreneurs that inspired and convinced other municipalities with the institutionalized belief: the new way would bring 20 per cent cost savings and new modern IT-technology available for public sector, too. These institutional entrepreneurs managed to form coalitions and spread the idea to receptive audience which were key factors in succeeding to intrigue other municipalities. (Hyvönen, Järvinen, Oulasvirta & Pellinen 2011, 3-18.)

According to Fischer's (2008) research concerning the Finnish listed company Wärtsilä, technological improvements are an important part of the development of financial administration. However, the most critical issues that benefit the company more than the low-paid employees or offshore outsourcing are centralizing the knowhow and improving positive interaction. Positive interaction in the units is needed to create a safe atmosphere that encourages employees to develop and rationalize processes. Furthermore, in Lantela´s study (2005, 29-30) companies concluded that a shared service center was the best way to change the processes and routines of financial administration, reduce costs, and invest on the quality of service. One of the companies had also considered seriously outsourcing as a solution, but they felt that a service center would provide a better and cheaper solution in the time when the processes were still scattered.

In addition, Järvenpää, Lähteenmäki, Niemelä, Pellinen and Voutilainen (2008) have studied the impacts of establishing a service center in the City of Jyväskylä in the point of view of the employee; there will be change in the job description when financial services are centralized to service center. Employees reactions towards the change were relatively positive and more effective activities were seen as inspiring and motivating. However, there are challenges that are related to interface; which of the activities should be transferred to service center and which not? And what will happen when the knowledge of the actual business disappears? These are the questions that should be considered carefully before the change.

Granlund (2010) has studied the interfaces between the information technology and management accounting. The study delineates that companies are not using the whole potential of the ERP systems. Furthermore, companies have not invested in the new technology as eagerly as studies have predicted. The main reasons for that are the large initial costs and prejudice towards new technologies. If the old systems are still working and there are not any pressures to change the systems (for example due to change of ownership), companies usually do not see investment to new technologies necessary. In addition, Granlund deliberates the meaning of information technology and information systems; should researchers follow developments in the IT world more carefully?

Busi & McIvor (2008, 186-189) suggest that even though outsourcing has been under public debate lately, the scientific facet has not reached the required level yet. In most of the studies concerning outsourcing, the research methodology follows a survey or a case study. Therefore, the field of the existing studies is still extensive and fragmented. For example, most of the information available in the Internet is produced by the suppliers of outsourcing, so that the general view of outsourcing might remain too biased. Furthermore, the field lacks pioneering theory that would be the key factor in producing more scientific studies.

Ethical issues and moral problems in outsourcing have also been studied quite a lot lately. When outsourcing leads to redundancy, the moral problems should be considered carefully already beforehand. This study does not concentrate on ethical issues, but as ethics is so relevant when considering outsourcing, there will be some references to ethical issues, too.

This study is related to shared service centers, outsourcing, and financial administration processes. One of the purposes is to scan the situation in seven companies in Finland in order to find the similarities and differences between them. As the studies mentioned before concentrated on the situations in which service centers or outsourcing were chosen to be executed, the purpose of this study is in describing the existing situations regarding the state of the financial administration processes, as well as enquiring into the future plans. The organizations interviewed are chosen on the grounds of size in order to elicit the different ways to organize the financial administration processes in those enterprises which theoretically would be - after the large companies - the next group that would consider to centralize or outsource the financial administration processes but have not necessary done that yet.

1.4 The Structure of the Study

The research begins with introduction that presents the general view over the field of financial administration processes and the starting point for the study, research methods, previous research and structure of the research. Introduction is

followed by the theoretical doctrine that concentrates on presenting the financial administration and its processes in general, electronic accounting, different systems and ways which are common options in organizing the financial administration processes, and management systems that concentrate on supporting the development of the financial administration.

Empirical part of the research starts with presenting the themes and questions discussed in the interviews. Furthermore, the answers of seven interviews are presented and after that, analyzed and constructed. The empirical part includes the individual citations that support the general view of the interviews. The empirical part is followed by the discussion and conclusion that draw together the results of the empirical part.

Discussion and conclusion part gathers up the essential results of the study, reflects them through the theoretical framework and constructs the main ideas of the whole research. In the end, there are some ideas concerning the possible further studies.

2 PROCESSES AND FINANCIAL ADMINISTRATION

2.1 The Basis of Financial Administration

Companies have to record their transactions and present them in an understandable way, which is the basis for financial administration. Organizations are bound to invest in infrastructure, equipment and staff in order to keep up the business. Different types of businesses can be divided into seven categories: raw materials, manufacture, traders, infrastructure, services, banking and insurance. However, regardless of the category, the basic model of business remains the same: organizations must have cash, workforce and customers in order to produce revenue and possible profit. Money flows provide a basis for accounting which is "the collecting, recording, analyzing, and communicating of all the financial activity in the business."(Tennent 2008, 12-18.)

Financial administration can be described as a system with which a company follows its financial actions so that it can report its business activities to interest groups (Lahti & Salminen 2008, 14). Granlund and Malmi (2004, 25) declare that financial administration consists of four fields of calculations, reporting, data systems and controlling that are emphasized differently depending on the operational environment. The role of traditional accounts department has changed rapidly during the last decades. Today accounting and routine record keeping are just a small part of the job, as finance departments are turned into service departments in which consultants add value to the numerical information and share that with different units of the organization. When considered like that, reporting can be divided into two types: financial reporting (traditional routines) and management reporting (providing information for supporting the future decision-making). (Tennent 2008, 19-21.)

An accounting information system (AIS) includes different kind of resources (for example people and technology) that are collected as a system in order to produce information out of data. All activities that are related to financial tasks can be described as business processes. Bodnar and Hopwood (2004, 6) divide basic business processes into nine different categories:

1. Inbound sales logistics (inventory, control, etc.)
2. Outbound sales logistics (sales order processing, shipping, delivery, etc.)
3. Operations (machining, assembly, packaging, etc.)
4. Marketing (advertising, promotion, etc.)
5. Service (installation, repair, etc.)
6. Procurement (purchasing, ordering, etc.)
7. Technology development (resource and development)
8. Organization and human resource management

9. Firm infrastructure (accounting, capital assets management, etc.)

The first five can be described as primary business processes that are directly associated with products or services. Other four processes are supporting business processes that corroborate the primary processes and add value indirectly to core competencies. Furthermore, there are also other ways to divide the activities in the organization; for example through transactional cycles that include revenue cycle (events that are related to distribution of goods and services), expenditure cycle (events that are related to acquisition of goods and services), production cycle (events that are related to transformation of the resources into goods) and finance cycle (events that are related to acquisition and management of capital funds). (Bodnar & Hopwood 2004, 1-7)

Financial reporting or financial accounting provides information mainly for the external interest groups like the authorities, possessors, employees, customers, journalists and other partners. In addition, financial accounting is usually performed in a specified form; it follows the certain patterns and it is produced regularly. Management reporting (or management accounting) produces information in order to support the management, being responsible for decision-making concerning the future. Management accounting is not forced to follow the strict standards but it is shaped throughout the organization's own needs. During the last decade financial and management accounting have come closer to each other; management systems and for example profitability accounting systems contribute to various processes, so that reporting becomes more generic. (Lahti & Salminen 2008, 14; Pellinen 2006, 20.)

When considering financial administration as a data system, the definition refers to components that are connected to each other in order to attain a certain result which can be for example a general ledger or a balance sheet. In a strategic level, financial administration can be seen as a supportive system for the whole organization. (Lahti & Salminen 2008, 14.) Enterprise Resource Planning Systems, ERP systems, have changed the way of working. One purpose of the ERP system is that the data is entered to the system only once and then it can be utilized in every unit all over the world. That is a significant benefit and even necessity regarding centralization and outsourcing. ERP systems are presented more closely in the chapter 2.4.2.

In the future, the harmonization of accounting in different countries will continue evolving. For example, the joining of European Union in 1995 started the internationalization of the accounting in Finland, and now, in the 21st century, the rules are revised little by little towards IAS/IFRS standards. In the meantime, the amount of different accounting methods concerning for example the cost accounting and internal accounting have been increasing. One reason for that is the development of the technology that helps the interaction and communication around the world. However, that has brought challenges to the professionals of

accounting; professional financial controller or CFO must have an ability to manage and adapt the different methods of accounting in the different operational environments while assimilating the new updates in the technology. In addition, even if the information produced in the company is of good quality, the meaning of reports might fail if they are not analyzed in depth. (Näsi 2006, 58-63.)

During the last decade, the role of the financial administration staff has been changed. The meaning of routines is reduced as the technology has developed and rationalized the functions. The comprehensive ability to understand the business as a whole and increased interaction between the financial administration staff with the other units in the company have shaped the working habits. Strategic decision-making is a part of everyday life in financial administration. (Länsiluoto, Laitinen & Laitinen 2008, 63.)

2.2 Process Management and Business Process Re-engineering

Processes are a group of actions that aim to produce a product or service for an external or internal client. Usually the basis for starting the process comes from a client and it ends after the service or product is completed. Process management is based on time-based management and total quality management. The aim of the system is to develop the processes and functions constantly from the customer's point of view. That is called continuous improvement and its main challenge is to involve the whole organization to understand the meaning of development. Making improvements should be based on trust, and the process as a whole should be interactive. (Järvenpää, Partanen & Tuomela 2003, 77-78.)

As the technology has developed in the financial administration, the demand for making the processes more effective has grown. Process management is often related to data system projects as the practices are analyzed and rationalized in order to find an effective way to perform. Furthermore, the performance and internal customer satisfaction measurements are used in order to measure the profitability of financial administration processes. (Granlund & Malmi 2004, 20-21.)

Business process re-engineering (BPR) is close to process management. The aim of BPR is to develop the business process effectively by analyzing the process and functions and by rationalizing them at once. The process is based on four principals: questioning the basis without any prejudice, evaluating the process so that the customer is in focus in every part, creating a whole new way to act and finally, making the necessary changes, even if they feel dramatic. In practice, process management and business process re-engineering support each other; some of the necessary improvements require radical changes, even if the most of the processes can be developed continuously. Usually financial administration processes are divided into a few main processes that can be, for example, a traditional accounting process that includes the routines or a controller process

that consists of management accounting that supports the core business. In addition, business process re-engineering aims to organize the unprofitable resources again so that they will satisfy the customer's needs better and gain profit through reorganization. (Järvenpää et. al. 2003, 78-79; Kiiskinen, Linkoaho & Santala 2002, 40; Drury 2004, 956-957.)

Reorganizing the processes is the answer for the problems that the traditional functional pattern causes; bureaucratic system includes too narrow duties and divided processes that no-one supervises as a whole. Process management changes the organization structure into process-oriented as the functions are divided to core and supportive functions. When functional organization divides the system through the functions which can be, for example, sales, marketing, manufacturing and finance, process thinking divides the system through processes that aim to satisfy the needs of the customer. These chains of business include parts of the different functions that formulate together a process. (Kiiskinen et al. 2002, 27-30.)

As processes become more centralized, the organizations turn into more disunited and decentralized. That brings challenges to the leaders as the meaning of individuals becomes more essential. Traditional hierarchical system is not functional anymore as the new system requires more responsibility and flexibility from the employees. However, the controllability must stay in a good level in order to control the functionality. If the organization is not capable to make these changes, the situation might develop into chaos where nobody knows the meaning of the work and does not respect the working culture. One of the most important things is to create circumstances that support the actions leading to common goal and help employees to understand these goals. That requires an open communication system and cooperation between the individuals as well as between the different units. (Nyman & Silen 1995, 65-67.)

When the responsibility and the independence of the employees grow, the meaning of motivation increases alike. A good motivation enables better responsibility and involvement, eagerness to develop things, and an ability to stand up to the pressure better in a stressful situation. In order to create this kind of work atmosphere, the leadership and human relationship skills have to be excellent. In addition, the leaders have to be fully committed to support the changes in every situation. In different phases of the change, the old and the new cultures will collide with each other. The balancing between the cultures is not always easy but it is a necessary phase in order to follow the plan. Usually a wide change in the organization takes at least 2-3 years before it is completely accepted among the actors. (Nyman & Silen 1995, 67-68, 78-80.)

Usually change is a consequence of the pressures that come from inside or outside the company. These pressures could be for example change of ownership in the company or change in a law. Adopting the reasons of change is easier when there are outside threats that force the company to unify its organization and actions. These kinds of changes require quick decisions and efficient actions which

is called reactive control of the change. The opposite for the reactive control is the proactive control of the change. Proactive changes are consequence of the willingness to develop the functions further, even if there are not any outside threats that require the change. In addition, the proactive change is a slow and demanding project that requires systematic actions in order to gain results. Furthermore, proactive action may easily be forgotten when the reactive actions fulfill the agenda and when there are not clear visions of the future to support the decision-making in proactive action. (Nyman & Silén 1995, 106-108.)

Leading a successful change can be divided into eight baselines (Kotter 1995, 61; Järvenpää et al. 2003, 289):

1. create atmosphere that supports the change
2. form a team that leads the change and inspire others in the group
3. create a vision that guides the development of the strategy
4. communicate every possible way in order to spread the new vision and strategies
5. aim to get rid of the obstacles and encourage the group to act after the new vision
6. keep up the atmosphere for the change and support the change in several ways
7. control the process and notice the short-term results
8. anchor the new ways of action into everyday life in order to make the changed pattern a part of the enterprise's culture

Change resistance is a natural reaction towards change. Employees feel that the old ways are functional and the new ones do not bring appreciable benefit compared to previous ones. Changes create uncertainty and threats, emerging in different ways depending on the individual. Different types of change resistance can be divided into three categories: rational resistance, emotional resistance and social resistance. Rational resistance refers to rational reasons to fear the change; for example, change is experienced unprofitable or it is feared to deteriorate the position. Furthermore, uncertainty of unknown and abandonment of the familiar are typical for the emotional resistance. Social resistance comes out in groups; resistance belongs to the culture as the employees fear to lose the social relations because of the change. (Järvenpää et. al. 2003, 302-304.)

When introducing a new innovation in the financial administration, it must fit in and support the company's strategy. That helps to make it more arguable to the staff. In addition, the change should always support and improve the processes in general. It is not always easy to start the change as the change resistance complicates the situation even further. However, the change resistance can be overcome; when contributing to company's culture, the significance of the change must be clarified precisely and the benefits of the new system have to be brought

out in the different situations. The superiority of the new system compared to the previous system must be emphasized in order to win the employees over. In addition, creating a functional technical system is not enough; matters concerning the human behavior and plans regarding the improvement of the employees' skills are equally important. (Järvenpää et. al. 2003, 290-293.)

Timing is an essential question when planning a change. The resources and know-how of a certain organization are limited, so there cannot be several major development projects at a time or the quality of the projects suffers. In addition, a rationalization situation is not fertile for starting a change, as the employees feel their position threatened. Interaction and open atmosphere help the adaptation. Furthermore, when the group that contributes to the changing processes includes different kind of professionals and types, there will be several opinions and solutions for different needs. In addition, the commitment to the project is better. However, that might cause some problems, too. Difficulties to find a coherent line for the changes might appear as the planners represent different types: some might for example require major changes and others just small reforms. (Järvenpää et. al. 2003, 293-295.)

Controlling the change is a key factor in taking the project further. When planning a change, besides the final result, there should be some midterm checkups that motivate the group and bring a credibility that the process will be gone through successfully and its final goals will be achieved. In addition, the change requires developments in the different fields of the know-how of the employees. In order to follow through the change process, the schedule of giving up the previous system and introducing the new system must be carefully planned, and employees should be trained well so that they have enough information to bring the change to the next level. In a transitional phase, both of the systems can be used together in order to ensure the functionality of the new system. (Järvenpää et. al. 2003, 295-297.)

The risk failing the change while renewing the processes is quite large. The reasons that lead to failing might come across in different parts of the project (Nyman & Silén 1995, 139):

- the present situation is documented but the goal is not clear and the planning process cannot be started
- there are not enough ideas to reach the target
- the project is delayed and there is a lack of enthusiasm to take the project further
- the new processes are not accepted in the organization
- the old habits revert

To avoid these risks, organizations have to estimate the possible threats already beforehand and observe the changes in the risk factors. If necessary, the

actions concerning the risk management should be started as soon as possible. (Nyman & Silén 1995, 140.)

Changing the processes in the point of view of the customer is an important starting point for both using the BPR and establishing a service center. That is why BPR is often related to establishment of a service center, as the processes have to be re-evaluated in order to find the most suitable way of action. However, there are some differences between these two approaches, too; BPR can be described as a more theoretical approach and the service centers are related to practical changes. Nonetheless, using the BPR in establishing a service center can be a functional tool that supports the practical work of the implementation and helps in making the strategic decisions. (Ulbrich 2006, 191-193.)

2.3 Financial and Management Accounting

2.3.1 Different Processes of Financial Administration

As mentioned earlier, financial administration can be divided into financial accounting and management accounting. Furthermore, financial administration can be divided into different categories depending on the processes. A common way to classify the processes is the following: purchase invoice process, sales invoice process, travel and other expense report process, payment transactions and cash management, fixed assets accounting, general ledger accounting process, reporting process, archiving and controlling. (Lahti & Salminen 2008, 14-16.)

The purchase invoice process begins with processing the purchase order and ends with the payment of the purchase invoice and the book entry to the general ledger accounting. The sales invoice process includes, among others, the sales order, invoicing, the remittance of the invoice and also the debt collection and the control of the accounts receivable. The travel and other expense reports refer to the transactions and costs that are a consequence of the employees´ business trips, and other rather small expenses that are occurred outside the purchase invoice process. The processing of the statement of account and the different payment transactions belong to the payment transactions and cash management. Fixed assets accounting controls the larger purchases that are used in production, for example machines and fixture, and also the assessments and depreciations of them. (Lahti & Salminen 2008, 15)

General ledger accounting process is a significant process especially in large companies. It includes the accruals, balancing, the closure of the accounting period and processing of the book entries coming from other systems. Reporting begins from the point where other processes end; it unites the information produced in the processes. Archiving is related to all processes; it stores the information and makes the processes visible. Controlling can be seen also as an activity, but still, it

is an important instrument (or process) in making the information reliable. (Lahti & Salminen 2008, 15.)

The size and line of business influence the processes of financial administration. If a company offers services or consulting, the demands are different compared to enterprises that manufacture products. The main differences are in sales invoice and reporting processes as well as in integrating the financial administration into other business processes. (Lahti & Salminen 2008, 31-32.)

Small companies´ requirements concerning the financial administration are usually low price and fluency. In most cases, small companies outsource their financial administration to a bookkeeping agency because they do not have the required skills or enough time to concentrate on the processes that do not belong to their core competencies. When an enterprise starts to grow, its needs grow alike and the processes must be revaluated and probably reorganized. At the same time, bookkeeping is not only the statutory obligation anymore; the role of the management accounting becomes larger. (Lahti & Salminen 2008, 32-33.)

In Finland there are around ten different ERP systems which are suitable for medium-sized companies. A medium-sized company can also invest on separate financial administration software. Typically these software solutions are easier to customize than the lighter software. The large companies in Finland are using the ERP systems or operational systems customized to particular branch, in addition of other part-systems which are integrated to one large ensemble. Depending on the size of the company, the need of customizing changes. (Lahti & Salminen 2008, 33-34.)

2.3.2 Purchase-to-pay Process

The purchase-to-pay is a simplified process that includes the acquisition of raw material, other supplies and services, as well as the payments of those. A well-timed and planned purchase is an important part of activities that contributes to the effectiveness of the whole business. When the effectiveness is at its height, the stocks are optimized and the time of payment is sufficient. (Lahti & Salminen 2008, 48.)

A purchase request is an initiatory stage of the purchase-to-pay process. When there is a lack of certain raw material or other necessary commodity, the person in need or the system automatically sends the request to purchase department to order more. After that follows the purchase order that is sent to the supplier. The supplier sends back the order acknowledgement with the confirmed date of a delivery. When the goods arrive, they have to be taken into stock. That is called the reception of the goods. (Lahti & Salminen 2008, 48.)

The process of the purchase invoice begins with the order and the delivery, followed by the receiving of the purchase invoice. After that the purchase invoice is posted with the appropriate account and circulated in order to verify the

correctness of the purchase and the validity of the information in the invoice. After the invoice is checked and approved, it is entered to the accounts payable. Payment is done in due date and then the invoice is balanced and scheduled for the bookkeeping. Finally, the invoice is filed away. (Lahti & Salminen 2008, 49.)

However, there are a few differences between the conventional purchase invoice process and the electronic purchase invoice process (henceforth also e-invoice process). Main differences concern the efficiency as in the e-invoice process the circulation and filing are done digitally through a data system and not anymore with the papers circulated from one to another. That saves time and space and prevents the loss of paper sheets. In addition, the basic information of the invoices can be read automatically from the e-invoice so that there is no need to enter the data by hand. (Lahti & Salminen 2008, 50.)

ERP systems can rationalize the process further. When the required information including the posting information is entered already to the order and the purchase is accepted properly in this point, the purchase invoice that does not differ from the order can be accepted immediately after the goods have arrived without any circulation process in between. However, it requires that the incoming invoice includes the necessary information in order to identify and verify it easily. The benefit is that the process happens in real-time, so that the received goods are entered to the debit account immediately. (Lahti & Salminen 2008, 50-55.)

The electronic purchase invoices can be divided into three different formats: pure e-invoice that can be accepted to the system as such, scanned paper invoice in which the manual information is converted to digital format, and EDI-based format that requires investments in order to build the suitable network between the companies. The receiving of the electronic purchase invoice can be done through a special system or through an Internet banking system which gives possibility to smaller companies to utilize the electronic invoicing and receive the e-invoices without any large investments to expensive systems or software. (Lahti & Salminen 2008, 55-61; Granlund & Malmi 2004, 56-57.)

The electronic purchase invoice process changes every phase of the process electronic. First, the purchase invoice comes to the system, either already in a digital format or it is scanned to the electronic format. After that, the information and usually also an image of the invoice is sent to the appropriate person through a purchase invoice processing system to be checked and approved. That happens usually by e-mail, so that the acceptor gets an e-mail whenever there are new invoices waiting in the system. After being approved and posted with the suitable account, the invoice continues to the next phase in which it is paid, transferred to the bookkeeping and filed digitally. The process as a whole becomes more effective and quicker when every phase is more straightforward and automated. That also reduces the mistakes in postings when the system can automatically recognize the suitable accounts. (Granlund & Malmi 2004, 57-58.)

2.3.3 Order-to-cash Process

Order-to-cash process represents the process that aims to produce and deliver the goods for the customer and receive the capital as an exchange of the goods. The process begins with receiving an order from the customer. That can happen digitally, for example through the ERP system or manually by e-mail, phone or fax. However, before the order is made, there can be some negotiations for an agreement with the potential customer and changing some quotations that are accepted by placing an order. After the order is received, it is processed and preset in order to send an order acknowledgement to the customer. The order acknowledgement should include at least information of the customer, exact information and amount of the ordered product or service, delivery address, date of a delivery and verified prices. In addition, as in purchase-to-pay process, orders can be based on some contracts, in which case the order acknowledgements are not needed, as the contract with the delivery dates and the prices are agreed on for a certain period. However, if there are some delays in the deliveries, the customer should be informed as soon as possible. Invoicing can take place in different phases of the process, depending on the term of payment that can be, for example, in advance or after 14 days of the delivery. Usually the invoice is sent at the same time with the delivery. (Lahti & Salminen 2008, 81; Bodnar & Hopwood 2004, 238-240, 248-249.)

Sales invoices are controlled in the accounts receivable. Most of the business is done on credit, therefore the accounts receivable represents the majority of the company's working capital. The unpaid sales invoices (a.k.a. open invoices) wait for the payment in the accounts receivable. There are two ways to handle the incoming payments: open-item processing and balance-forward processing. In open-item processing remittances coming from the customers are matched to the individual invoices and in balance-forward processing the incoming payments reduce the total outstanding balance. (Bodnar & Hopwood 2004, 250-251.)

Invoicing is an important part of the companies' everyday life. Companies have to have well-designed invoicing system in order to have enough liquid assets to ensure the functions. In addition, invoicing is an important part of companies' customer service. The amount of electronic invoices has increased during the last decade as the technology and online-systems have become more common. However, the development has been slower than predicted. (Lahti & Salminen 2008, 73-74.)

The reasons that have been delaying the development are low cost savings in digitizing the sales invoice process and expensive investments in finding the suitable system for electronic invoicing, as the old systems do not always recognize the new formats. However, the situation has eased when the different formats work better with each other and the banks have started to offer the electronic invoicing services through their Internet banking systems. It has brought the

electronic invoicing nearer to the smaller companies, too. Even though the electronic invoicing may not create large cost savings to the seller, it makes the whole process more efficient when there is no need to process the paper invoices anymore. In addition, it brings cost savings to the receiver which makes it profitable for the purchaser to demand for electronic invoices. (Lahti & Salminen 2008, 75-76.)

The advantages of the electronic sales invoice are speed, decreasing the amount of mistakes in the invoices, savings in printing and mailing costs, better customer service and image of the company, and shorter delivery cycle. The fluent process requires that the basic control information is collected properly and the customer and product registers with the posting standards are up to date. Customer register includes the information of the customer, value added tax numbers, terms of payment, customer discounts, credit control information, delivery information and other classifications that help the grouping. An ideal situation would be that the whole corporate group uses the same customer register, in which case the information is entered to the system once and after that it is available for the whole group. Besides the customer register, product register eases the processes further; creating the invoice is faster, prices are found in a certain place and posting standards can be added to each product groups individually already beforehand. (Lahti & Salminen 2008, 76-77.)

2.4 ERP systems and Electronic Accounting

2.4.1 Definitions of Electronic Accounting

Digital financial administration refers to the situation where all the data flows and different steps of the financial administration process are automated and processed in a digital format. Digital indicates usually also the paperless processes. An ideal situation would be that all the data flows between the company and interest groups are in the digital format. Lahti and Salminen (2008, 21) define the digital financial administration as "a process that consist of the workings of the people, organizing the duties, data systems, technologies and as straightforward chains of actions as possible". The purpose of the automating is to discard the unnecessary and overlapping actions when processing the digital financial administration material, and handle the remaining duties as standardized as possible. Besides the cost savings, electronic accounting is also more environmentally friendly because the amount of paper used in the financial administration decreases. (Lahti & Salminen 2008, 21.)

In the future, the total of electronic invoices will grow; many large companies and public administration have changed over to use merely the electronic invoice system and do not receive the paper invoices at all anymore. However, there are

still challenges concerning the electronic invoicing: implementation of the e-invoicing system and the practices of the contract are experienced difficult, responsibility between the actors is not clear enough, comparison between the operators is challenging, and receipts between the operators and users are not defined simple enough. (From 2009, 56-58.)

Electronic invoice can be described as "a message in a specified form that is transmitted digitally from a vendor to a purchaser" (Itella Information www.verkkolasku.info).

In digital financial administration (Lahti & Salminen 2008, 21):

- all the financial administration and bookkeeping material is processed in a digital format and the receipts are machine coded
- information is transferred between the parties, systems and processes digitally
- information is handled digitally both internally and between the different applications
- archiving takes place in a digital format
- all the information can be found online or in a digital format
- repetitive routines are automated
- different systems used in interest groups are integrated in the processes

Electronic accounting is usually an appealing option as the costs of accounting are said to be 50-90 percent less than in the traditional accounting. One of the easiest ways to start to digitize the accounting system is to make an agreement with an operator that is concentrated on the digital data transmission. (Lahti & Salminen 2008, 27.)

The EDI system (Electronic Data Interchange) is a system that has been used mainly between the large enterprises because of the large invest costs in the beginning. After the Internet has become general, the web-based systems have replaced the EDI systems. However, the old, carefully built EDI networks are still usable and reliable and that is why the companies still use the technology widely. The advantage of EDI is a highly protected, automatic data transfer in a specified form. Typically EDI systems require a large volume in data transfer between the companies in order to be profitable. (Granlund & Malmi 2004, 55.)

2.4.2 ERP- Enterprise Resource Planning System

Granlund and Malmi (2004, 32) define the enterprise resource planning systems as follows: "software which integrates all the data flows in the company that are related to finance, personnel administration, customers and refining chain". Lahti and Salminen (2008, 36) describe the ERP system as "different kind of integrated modular applications that are utilizing the common centralized

database". It means that the ERP system is based on a database in which the different processes of company are organized into one entity (Figure 1). Database provides information into particular software modules that are chosen to be used in the company. The aim is that the data is entered to the system only once, therefore it is important that the data entry is correct from the start. (Granlund & Malmi 2004, 32.)
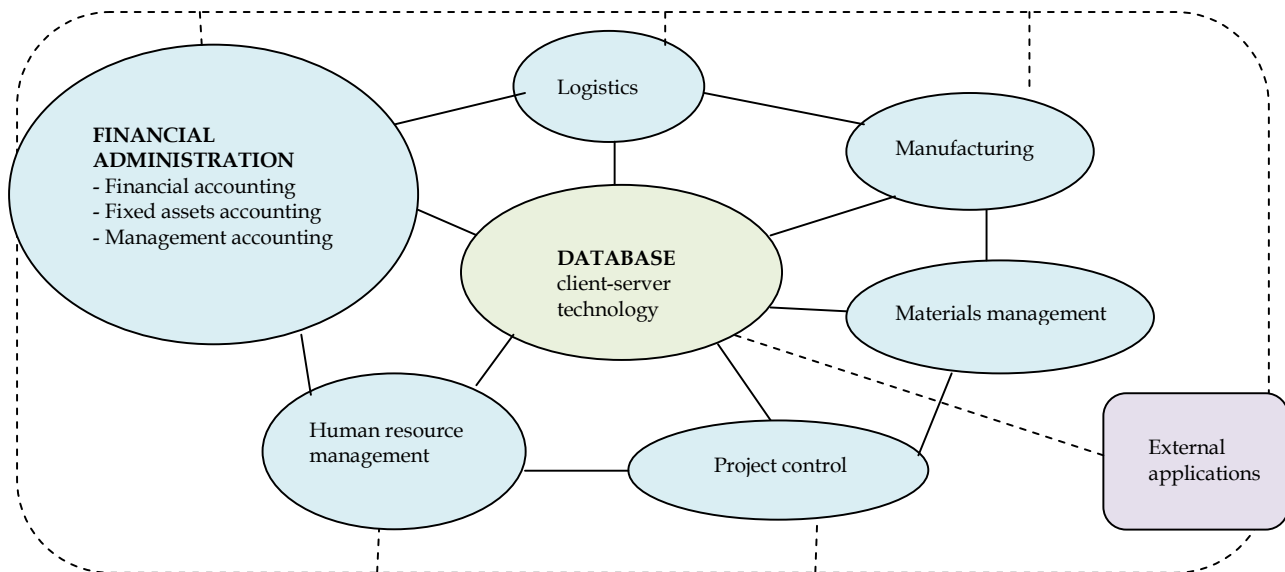

FIGURE 1 Composition of the ERP system, database compiles information from the different fields of business (Granlund & Malmi 2004, 33)

The process of implementing the ERP system begins with the process analysis. Furthermore, the implementing continues with the phase-in of different modules. (Granlund & Malmi 2004, 32.) ERP systems are developed from the Material Requirement Planning (MRP) and Manufacturing Resource Planning (MRP II) systems which were in use in the 1970s and 1980s. ERP systems encompass the processes wider than MRP and MRP II systems. (Lahti & Salminen 2008, 36.)

Usually the companies seek for the lower costs and more effective operations in the ERP system projects. The aim is to automate the processes and get the same system working in the whole company so that the most of the parallel systems can be abolished in order to reduce the maintenance costs and unnecessary work. Furthermore, some of the enterprises are also reaching for the development in the business operations in ERP projects. However, it is not always easy to reach these goals and sometimes ERP system projects are prolonged because the problems in the implementation grow too extensive and delay or even fail the project. It may cost a company much more than predicted, and thus affect harmfully the core business. (Granlund & Malmi 2004, 35-36, Lahti & Salminen 2008, 36.)

ERP systems require that the processes are integrated and harmonized in order to adjust the system into the organization's processes. The company must know their processes well before the new system can be introduced. If the company has customized processes or some units require special arrangements that are an important part of the company's strategy, introducing the coherent ERP system to the group may not support the business. The whole project might fail and the company can lose their competitive advantage. However, it is important to recognize that the separated processes are definitely necessary for the company's core competence, so that the project is not postponed because of the wrong reasons. Nonetheless, it is hard and expensive to keep the shattered system updated, and it can make the whole business fragmented. In addition, both sides of the implementation, the benefits and the hazards, should be considered carefully before making the decision to introduce the system. (Davenport 1998, 122.)

Most of the common ERP systems consist of modules that represent the different processes, for example sales, finance or purchase process. Companies can adopt all the modules or only some of them, depending on the need of the company; in some fields enterprises might not need all the modules, or they have another system that is better for the company's purposes for that particular function. Furthermore, configuration tables enable enterprise to modify the system to meet their own needs better; with small adjustments the system can be connected, for example, to inventory accounting or product revenue recognizing. (Davenport 1998, 125.)

2.4.3 Different Aspects of Leasing the Digital Services

The development of technology has brought new possibilities to service providers. Companies are not forced to invest in several different software or hardware solutions and applications anymore; ASP (Application Service Provider or Application Service Provision), SaaS (Software as a Service) and hosting systems enable the leasing of the hardware and software, and accessing the applications from any computer over a network (usually over Internet) as the servers and software are located in the service providers premises. Besides that, the service provider takes care of hosting, developing, updating and maintaining the system. (Granlund & Malmi 2004, 37-39, Lahti & Salminen 2008, 44-45.)

That gives many benefits especially to the medium-sized companies to reduce costs and concentrate on the core business, in addition to get an access to the applications and software solutions that were too expensive before and too heavy to be bought as a whole. As the pricing of the service is based on the applications or modules used in the company, the amount of users or transactions, or combination of these, the costs will be lower. Furthermore, costs remain low as the vendors reach the scale advantage when providing the same application to the great amount of customers. In addition, leasing the service helps the company to

follow the costs better as the IT costs are more predictable than before. (Granlund & Malmi 2004, 37-39, Lahti & Salminen 2008, 43-45.)

ASP refers to a computer-based system, usually an application or a software solution that is leased from a vendor and used over the network. As the software cannot be customized, the benefit is reached only when the software is suitable to the company as such. Leased customized system is called hosting and naturally the price is not competitive with ASP or SaaS to any further extent, as customizing requires resources and the service is not standardized anymore. (Granlund & Malmi 2004, 37-39.) SaaS is a more recent system that is based on ASP technology. According to Lahti and Salminen (2008, 44) the main difference between the ASP and SaaS systems is that the SaaS is usually developed and distributed by the vendor itself and it is purely web-based software.

As the technology develops, centralization and outsourcing of the financial administration processes become easier. The web-based systems enable the communication between the different units and help companies to standardize the processes. The markets in the digital financial administration have brought about a new branch: the Business Service Provisioning (BSP) which is a combination from the Business Process Outsourcing (BPO) and ASP. The purpose of BSP is to combine the processes or the different aspects of the business through ASP systems or other network-based systems and create their own business around that field. In other words, these companies offer the outsourced services and take care of the whole outsourcing process that happens in the digital world. (Lahti & Salminen 2008, 44-45.)

2.4.4 Prerequisites of Electronic Accounting

In Finland the legislation has been provided for the electronic accounting since 1997. Finland has been one of the pioneers in electronic accounting which is a consequence of progressive infrastructure in the digital payment transactions and the uniform banking standards. However, the development of the electronic accounting has not reached the prospective level yet. Barriers have been the deficiency of the suitable ERP systems, resistance towards e-accounting and the complexity of the electronic systems. (Lahti & Salminen 2008, 23-25.)

The payment institution and the payment service laws concerning the basis of the united payment area in the Europe came into effect in Finland in May 2010. The target of the Single Euro Payments Area (henceforth SEPA) is to create an equal payments area in the Europe in order to assure the speed, reliability and transparency of the costs of the payments in the European Union countries. The transitional period of updating the systems to correspond the SEPA requirements ends at the end of the year 2010. That will have an influence on the companies' development plans. (Nisén 2010, 40-43.)

Lahti and Salminen (2008, 25-26) argue that the majority of the large

companies in Finland are using the electronic system in processing the purchase orders and that the amount of companies that send the electronic invoices is increasing. The automation in the financial administration has developed further in large companies than in small and medium-sized enterprises. Furthermore, automation has changed the job descriptions and work tasks and at the same time, it has pressured the companies to rationalize their activities. Large Finnish companies have already established financial service centers and even outsourced some of their activities. The next thing would be a better exploitation of automation in order to make the processes more effective. (Lahti & Salminen 2008, 25-26.)

3 OPTIONS FOR ORGANIZING THE PROCESSES OF FINANCIAL ADMINISTRATION

3.1 Development of the Financial Administration Processes

Traditionally the financial administration processes can be organized centralized or decentralized. In small companies where all the processes and services are under one roof, from production to administrative affairs, the centralization of finance administration tasks comes naturally. When companies start to grow and more units are founded all over the world, they usually establish own finance departments in every unit. In the 1980s, when profit centers became popular, decentralization was a natural way to organize the processes. However, in order to reduce the costs, the centralization of different services together with the development of information technology and ERP systems have changed the way of actions and increased the amount of shared service centers and outsourced units. (Granlund & Malmi 2004, 18-19.)

Malcolm (1999, 33) suggests that the different organization strategies that occur in the different periods are actually a consequence of the development of the technology. Centralization of the processes began in the 1950's when the processes required a lot of manual work and the professionals that were using the same tools had to be located in the same place. In the 1980's, the decentralization of the processes began as computers became common in the companies and communication between the units eased. The first shared service centers were established in the end of the 1980's when the first ERP systems were introduced and Internet changed the way of thinking. (Malcolm 1999, 33.)

Nowadays there are at least four ways to organize the production of services: producing the service by oneself, establishing an internal shared service center, establishing a joint venture or consortium, or outsource the service entirely or partly. Usually companies move logically from the producing by oneself towards the outsourcing. The interfaces between the different categories are not steady; the difference between producing by oneself and shared service center or joint venture and outsourced unit can be minor depending on the company. There is not only one right solution to organize the processes, but companies should find the most optimal way that is suitable for their strategy: perhaps some of the processes decentralized and others centralized, or everything completely decentralized or centralized. (Kiiskinen, Linkoaho & Santala 2002, 69-70; Bray 1996, 42-43.)

The first steps of introducing centralization as an option for organizing the processes were taken by Taylor, Fayol and Weber in the 20th century as they focused on specialization, standardization and modularization (Hepsø, Monteiro & Schiefloe, 2000). Many new steps have been taken since that, but centralization is still a considerable solution when thinking of reorganizing the financial

administration processes. Kiiskinen, Linkoaho and Santala (2002, 17) describe that the functions that are not competitive to the organization should be outsourced to partners. That improves the competitiveness and strategic locating compared to competitors. (Kiiskinen et. al. 2002, 17-18.)

Also besides technology developments, different types of rationalization reflect the prevailing eras. In the 1980's, the companies tried to build an extensive system that would cover every field of business in order to avoid the problems of economic fluctuations. Companies grew, one company operated in several different branches and every unit had for example their own administration services. However, when turning to the 90's, the technology developed. Communication and changing the information became easier because of the Internet and ERP systems that enabled storing the data to one certain location but using it globally around the world. At the same time due to the deregulation of the economy and the release of the competition, the internal operational environment of companies changed; there were more competitors and service providers. The meaning of Return on Investments (ROI) and turnover rates became more essential. That is why the organizations begun to turn less hierarchical while networking increased the cooperation between the companies. The development has also influenced the public enterprises that purchase more and more from the private sector. (Kiiha 2002, 1; Pajarinen 2001, 1-2.)

One feature that affected the companies was the change in the capital and holding markets; analyzing the risks and profit possibilities of the diversified companies required large efforts whereas analyzing the company that operated in a more narrow field was easier. Because of that, the investors begun to invest in companies that operated in a simpler field in order to build their own investment portfolio with which they could decentralize their investments to different fields and areas according to their own wishes. (Pajarinen 2001, 2.)

In the future, companies have to be ready to develop their systems further as the IFRS standards keep on changing. The third wave of the development of the IFRS standards will be reaching the companies year 2011-2012. Enterprises have already invested in the new accounting systems, project management and outside professionals in order to meet the needs of the current IFRS standards. That development will continue, and it is estimated that medium-sized listed companies have to invest even a hundred of thousand Euros more in order to meet the new standards that are estimated to bring more work to companies than the previous wave did. The changes concern for example the pattern of the profit and loss account, balance sheet and reporting. One major development concerns the data systems; the systems have to be updated so that they can produce the information concerning the changing criteria. (Kettunen 2010, 52-54.)

In addition, there are different ways to organize the processes when considering the structure of the company. When a company functions in different countries, it is easier to organize the functions through subsidiaries because of the

practical aspect. However, that is not necessary the only way to organize it; different aspects should be considered when thinking of the structure of the company. The aspects of leadership, risk, taxation and bookkeeping help the evaluation of the processes. However, changing the structure of the company is time consuming and a difficult process to execute. Therefore, there should be an actual need to execute it in order to gain success with it. If the structure of the company is too complicated, the controllability of the organization may cause more costs than it brings savings. (Laine 2008, 49.)

3.2 Decentralization

Decentralization of the financial administration refers to the method of organizing the processes through different functions, so that the units and subsidiaries of the company operate individually by producing and controlling these supporting functions themselves. As mentioned above, decentralization was a common way to organize the processes in the 1980's. In order to gain enough resources and knowhow, organizations created units that provided the necessary functions to supply the needs of the whole organization. The concept of profit centers and their popularity were shown in the development; some companies decentralized most of their processes and managed them through the profit centers. (Kiiskinen et. al. 2002, 71; Bendoly & Jacobs 2004, 102.)

The benefit of the decentralization is flexibility and connection between the finance departments and the actual business areas. Providing information in order to support the decision-making in a certain area is easier when all units have their own finance departments. That attaches the finance departments to the actual business and may even diversify the job descriptions of the financial administration staff as their work can be connected tighter to the other departments' work. Furthermore, the decentralized system is believed to improve the individual customer service as the smaller units can focus their services on a certain group of customers in order to produce customized services. (Granlund & Malmi 2004, 18-19.) In addition, decentralization of the decision-making increases the reaction speed, the quality of the decisions made and the motivation of the middle management. (Pellinen 2005, 82.)

In the 1980's the technology concerning the unite ERP systems and networks was still in its infancy. The systems were ineffective which caused a number of problems in the decentralized system. The consolidation and reporting required processing in the different systems, in addition with a lot of manual work. It made the process time-consuming and difficult to handle as the formats did not necessary work well with each other. Nowadays technology and integration between the systems have developed and the same systems in the same network can be used geographically in the different places. Units can use the same data and

entries are visible to all in real time. That has eased both decentralization and centralization. (Granlund & Malmi 2003, 19.)

Decentralization of the processes goes together with the profit center model and the trend of the strategic business units (SBUs). It aims to improve the visibility, accountability and controllability, as well as reduce the overhead costs and add value to the processes. As the profit centers and SBUs are individual units that have their local autonomy and empowerment, the processes and ways of actions of the whole group can be quite multifaceted. That makes the consolidation and comparability of the group difficult, even if technology is ready for the uniform systems. (Bray 1996, 42-43; Malcolm 1999, 32.)

3.3 Centralization and Shared Service Centers

Centralization and shared service centers are usually paralleled with each other. Malcolm (1999, 32) assorts centralization and shared service centers as follows: shared service centers are usually placed in the most favorable location in order to improve the quality and standardization of the services to the local business units, whereas centralization aims to secure the central control by gathering up the similarly skilled staff beside the central office in order to reduce costs. Furthermore, a service center is usually led from the basis of the entrepreneurship, while centralized unit works more traditionally as a single department of the company. (Malcolm 1999, 32.)

Because of the development of technology, evolution of the systems, globalization and tightened competition in the markets, centralized units have turned into service centers. Better communication channels and information systems have enabled the establishment of more individual units that - despite their wider autonomy - are more controllable than the units before. It has reduced the need to keep up the strict organizations, as the responsibility is divided into smaller pieces. (Malcolm 1999, 32-33.)

Kiiskinen, Linkoaho and Santala (2002, 72) describe the forming of service center as follows: it is "an arrangement that aims to centralize certain, not strategic but still necessary knowhow and infrastructure to one place". The purpose of a service center is to gather up the basic transactions in order to produce them as cost-effectively as possible while keeping the quality of financial administration on a high level. When asking why enterprises had established the service centers, there were four reasons that came up in most of the answers: cost savings, more efficient transaction services, standardization of the processes and improvement of the customer service. Finance service center should work customer oriented and the actions should be driven by the pursuit of the profit. In addition, finance service centers should develop the added value to the financial administration processes. (Partanen 2005, 47.) Furthermore, King (1998, 38-39) argues that a

successful service centers is constructed of advantageous customer service, continuous improvement of the processes and a good atmosphere to work efficiently.

A service center is usually established in order to reduce costs. The enterprise resource planning systems have enabled organizations to centralize different fields of business geographically in different places. The overlapping processes in a single unit are transferred to a service center, so that the work related to that area is done in one place and only once. Service centers must set the prices for their services, even if they are producing the services only for their internal clients. Usually service centers are independent profit centers whose aim is to reach the break-even. They operate custom-orientated and services are charged as internal charges that are defined in service contracts. These contracts include the agreed levels of service, quality requirements and the basis for charges. In general, the functions that are transferred to the service centers are usually the financial accounting and financing tasks. Management accounting is often done in the business units. (Granlund & Malmi 2004, 19-20; Partanen 2005, 47.)

The shared service centers can be described as an internal outsourcing which differs from external outsourcing in the organizational location and in the use of the resources. A service center operates as a part of an organization and uses the internal resources instead of gaining the resources by purchasing them outside. However, it is easier to change over to external outsourcing when the processes are already centralized and simplified to service centers. (Ulbrich 2006, 197.)

Placing a service center can be a tricky question. There are usually three options: locate it beside the existing unit (a brown field location), place it in the same area of the existing unit but not together with it (a hazel field location) or build it up in a completely new area that has some advantages compared to other areas (a green field location). The decision should be made so that it supports the company's strategy; acquiring new staff might be a good solution if there are not enough skills or motivation in the group to construct a service center. However, the benefit of maintaining the old staff is the amount of knowledge that consists of the core competencies. Furthermore, placing the service center in an entirely new location can result, for example, from lower cost levels of wages in the new area. (Melchior 2008, 2-3; Cecil 2000, 66-67.)

The competence of the staff is one of the key factors in keeping the quality in a good level in the service centers. Competence management helps concentrating in developing the employees' know-how. Usually know-how is extended through a job rotation and specialization. That has improved the professional skills of the accounting staff and absolved CFOs and other leaders time to support the decision-making. In addition, motivating the employees in the service center helps to gain better profits. However, the traditional ways for motivating are not always suitable for service centers as the organizational structure is usually low; there are not many opportunities for promotions. Therefore it is important to build up a

bonus system that encourages reaching the goals and rotating the jobs so that the employees stay motivated. (Cecil 2000, 67; Partanen 2005, 47-48.)

Cost savings are usually gained through more effective processes as the processes have been harmonized and standardized in the group and reporting has become quicker. In order to produce cost savings, standardizing and harmonization of the data systems must be done in the whole group so that the unnecessary complexity of the systems and the futile operations can be abolished. Furthermore, the redesign of the processes should be made before the new system is introduced in order to build the new system so that it supports the redesigned processes. In addition, simplified processes help the business in many ways: for example, the auditing costs are lower when the processes are more transparent and customer service is better as the operations are centralized in one place. Usually service centers have accelerated the other projects, for example electronic accounting, too. (Partanen 2005, 48; Cecil 2000, 66.)

The scale advantage can be seen in the service centers that take care of issues of the parent company and the subsidiaries. When the processes are standardized, overlapping work reduces and efficiency increases. In addition, if the network between the different systems is built properly, updating, maintaining and development projects of the systems can be done simultaneously. When account scheme, posting instructions and dimensions are uniform, the piece of information can be entered to the system only once and then it is on hand in every part of the group. Furthermore, reporting benefits from the coherent information; there is no need of conversion in different parts of the company, which provides more reliable, comparable and transparent reports. Some companies even estimate that establishing a service center is a necessity in order to the company to grow; the administration costs increase too much if the growth continues with the old system. (Lahti & Salminen 2008, 45-46; Triplett & Scheumann 2000, 42.)

First two or three years are usually the critical ones in introducing a service center. After that, if the process has gone well, the cost savings have been usually around 20 – 30 percent. The key factors for the success are a devoted management that supports the process and encourages the staff to be involved actively in the change. Furthermore, it is important to have an ability to create a new working culture with a good communication network that includes the internal information sharing and announcements for the customers and a good plan that includes setting the goals for the process and paying attention to all the fields that are enclosed to the change: technology, processes, staff, costs and core competencies. In addition, measuring the performance and the continuous improvements are an important part of every process, even if the original goals have already been reached. A service center must be competitive with the services that are provided in the open market, so that the knowhow and technology are in the same level with the competitors. (Partanen 2005, 48; Cecil 2000, 66-67; Bergeron 2003, 6.)

However, some of the companies have not achieved the cost savings at all.

This results usually from the overlapping processes that remain after the service center is established. Resistance towards a change might also influence the success of introducing the service center; some processes are decided to be left to the units, even though they should be transferred to the service center. Furthermore, introducing the service center might also happen too hastily without a proper plan that would include all the necessary actions for successful progress. (Partanen 2005, 48; Cecil 2000, 66-68.)

In addition, the planning process should be started without presumptions so that the final decisions are as objective as possible. In order to find the suitable ways to organize the processes in the service center, the old habits and working ways should be reviewed critically. As the work in the service center must be harmonized as well as possible, the old ways may not support the new point of view. Furthermore, there are both financial risks and operational risks in introducing a major reform; establishment of the service center requires investments and changing the structure of the processes is an operational discontinuity to business. That makes the process risky and requires stress tolerance from the employees. (Kiiskinen et. al. 2002, 72-73.)

After introducing a financial service center, understanding of the core business weakens easily. It is important to ensure that those functions in the service center that require know-how of the core business are kept updated and communication channels are working well between the units. However, the routine tasks and processes that do not necessary need information of the actual business should be streamlined as simple as possible in order to avoid the unnecessary work that does not support the core competence. (Partanen 2005, 48.)

Understanding the costs and how to impact on those costs is an important factor in making the service center profitable. One should pay attention to the cooperation between the service center and the other units in order to control the costs that business units generate to the service centers. It might easily happen that only the service center is responsible for the performance and internal clients do not have the need to improve the quality of their input. The demands of the customer should be evaluated also from the point of view of the costs. That is why organizational changes have to be understood by the whole group, so that everyone knows their responsibilities and the meaning of their input in cost reducing and quality improvement. Furthermore, making the service contracts accurately and charging the unnecessary extra work individually from the units can also help in reducing extra costs. (Cecil 2000, 67-68; Triplett & Scheumann 2000, 43.)

In Lantela´s study (2005, 42, 51), establishing the shared service centers begun with process analysis in every four cases. Processes were delineated in process maps and the best processes were used as such. Some of the processes were built combining the processes used in different units and others were built again from the beginning. At the same time, the lines were drawn between interfaces

belonging to the units and those belonging to service centers. Furthermore, companies believed that in the future when the processes in service centers are settled enough, the evaluation of reorganizing the financial administration processes will come up again. Then the comparison between in-house producing and outsourcing will be easier to make, as the processes are already well-centralized and documented.

According to Cecil (2000, 68) if there are about 100 employees a shared service center is beneficial. Smaller companies benefit more if they form a joint venture or consortium with another company or outsource the functions. Yet smaller companies have established successful service centers. Some of the companies have chosen not to form a service center, but still, it has been established naturally as the companies have grown and finance departments have turned to service centers. The amount of the employees is not the key factor anymore; it is important to rationalize the functions so that transactions disappear and administrative work is done as a part of a larger process: for example, invoices are made as a part of order-to-cash process. The meaning of different departments reduces as the functions are constructed through the processes. (Cecil 2000, 68.)

However, if the service center grows too large (with over 500-600 people working in the center), it might not gain cost advantages anymore. One solution is to establish another service center or an individual service centers for different processes: for example a travel and expenses center and an accounts payable center. However, the key factor is always the standardization; in order to have harmonious processes, the ways of actions have to be standardized. (Cecil 2000, 68.)

3.4 Outsourcing

3.4.1 What is Outsourcing

Outsourcing as a term consists of words "outside" and "resource" which refers to gaining the resources outside the company's own area of operation. In other languages, the word "outsourcing" includes for example the word "outside" and also the word "relocate" (in German "Auslagerung", in Swedish "utlokalisering", in Finnish "ulkoistaminen"). The difference between outsourcing and subcontracting is not always clear but one definition is to classify outsourcing as a subtype of subcontracting. Outsourcing includes two elements: function is closed down inside the company and the same services are purchased from the outside supplier. These "make-or-buy"-choices have been increasing during the last decades. (Kiiha 2002, 1-3.)

According to Kraker (referred in Embleton & Wright 1998, 94) and Zhu, Hsu and Lillie (2001, 374), outsourcing can be described as a decision of obtaining

certain goods or services from outside the company with transferring the responsibility of the function from the internal staff to non-employees that represent the external actor. In fact, companies have outsourced certain processes already many years ago: for example, cleaning and staff canteen are usually the services that companies in general buy outside and do not even consider producing them by themselves. Today´s business world offers possibilities to outsource almost anything. (Embleton & Wright 1998, 94-95.)

However, like presented already before, the world of work and economy has changed dramatically which results from the rapid development of information technology, improved communication channels and the trend of organizational change. In addition, the tendency towards cutting the costs helped outsourcing to become a fashionable way of organizing the business. The pressure to reorganize the business affected most of all vertically-integrated companies that were adjusted to reduce costs by increasing the inner proficiency and making the most of the job themselves. (Embleton & Wright 1998, 95; Bridges 1994, 9.)

Embleton & Wright (1998, 95) defines outsourcing as "a concept of looking for the expertise to handle certain business functions outside the existing firm". Gibson (1996, referred in Embleton & Wright 1998, 94) specifies that outsourcing refers to "the transfer of routine and repetitive tasks to an outside source". However, it is important to evaluate the importance of the process. If the company owns a special know-how concerning for example branch, professional networks, brands or patents, outsourcing would only harm these core processes, reduce the competence of the company and multiply the competition in the field. (Kiiskinen et al. 2002, 23.)

3.4.2 Outsourcing as a Process

According to Davidson (referred in Pollitt 2005, 3), outsourcing is a strategic decision to specialize in and focus on the organization's core competence. Reasons leading to executing the outsourcing process are usually financial (cost savings) and strategic (concentration on core competence and letting the outsourced expert take care of the less important areas of business). Outsourcing helps organization to gain the better control of its processes, which eventually leads to improved productivity and more clarified responsibilities. Usually one major advantage of outsourcing are the improvements in the customer service, resulting from improved daily routines; employees have better tools to provide their best to customers, and when there is a need of change, it can be made easily with cooperation of outside experts. (Pollitt 2005, 3-4.)

Outsourcing and making the work itself can be seen as opposites to each other. Core competencies and the enterprise's basic tasks are the things that the company should do itself. Without a core competence that requires special skills, a company does not exist. World has changed so that outsourcing the field of

business that is not included to core competence is not necessary seen as a strategic decision anymore, but actually as a tactic choice or a routine task, at least when thinking of large companies. Furthermore, outsourcing the less important areas of business has become a standard procedure in the business world. However, it is important to outline the limits in owning the business or operate in a certain field. If the process is not included to company's basic tasks and do not improve the other business functions at all, there is no need to own it. (Kiiskinen et. al. 2002, 18; 21-22.)

There are different aspects that motivate companies to consider outsourcing: company's strategy and management, finance and productivity issues, personnel and knowhow questions, and matters concerning the customers and the quality. The strategic motives contain controlling and transferring the risks and being more flexible when it comes to fixed engagements concerning the facilities or the staff, for example. That reduces the vulnerability of the company as the fixed costs are turned into variable costs. In addition, the finance and productivity issues include the willingness to improve the cost-efficiency by gaining lower unit costs with the scale advantage. However, that means that the processes have to be fitted into standardized model and if there are some special needs, they will be charged separately, which might be expensive in the long run. (Kiiskinen et. al. 2002, 82-85.)

Sometimes the company's competence is not enough when the technology develops or employees retire. If a certain area does not belong to the core business, it would be easier to acquire that competence outside the company. Furthermore, when the customers' needs change frequently, it is easier to buy the certain services outside in order to gain flexibility. For example, logistics is one of the services that is almost always bought from a specialized shipping agent that can deliver the goods all over the world in a trice. (Kiiskinen et. al 2002, 85-86.)

When outsourcing an auxiliary activity to a specialized supplier, there are several reformations concerning for example the punctuality and accuracy of the function. That is assured by a supplier who is an expert on its own field; the function is a core competence to that supplier, so the resources are focused on developing and updating the knowhow concerning that certain area, whereas the purchaser's resources can be focused on their own core competence, not to the inessential business areas. Furthermore, the supplier can utilize the scale advantages and its productivity is usually better through the better professional knowledge. Sometimes the supplier can also open up useful viewpoints to the company's core business when the cooperation reveals the different operations models. (Kiiskinen et. al. 2002, 90-94.)

Offshore outsourcing became popular in the IT world in the 1990s. Ever since, outsourcing processes abroad has been a considerable alternative for many companies. Organizations may benefit from outsourcing abroad when it is included in their globalization strategy and when there is lack of know-how in their own country. However, the outsourcing process may cause some problems to

companies, too. All the decisions should be made after a careful planning process and they should be considered as long-time solutions. (Pollitt 2005, 6-7).

Offshore outsourcing appeals companies because of the inexpensive labor costs and other inputs, for example the land. There are four types of jobs that are most suitable for the offshore outsourcing: labor-intensive jobs (call centers etc.), information-related jobs that concentrate on producing and manipulating the information (accounting, billing, etc.), codifiable jobs (routines that not require special skills) and high transparency jobs (changing the information that is easy to measure and verify, for example the financial ratio analysis). (Bahrami 2009, 213-214; Garner 2004, 16-18.)

Offshore outsourcing can also help in getting to know new markets and different types of consumer profiles. In addition, companies can differentiate their services more as the functions are transferred to the low-cost countries where they can add value to the services with lower costs. Furthermore, when the services are transferred to the third world, the different time zones enable 24- hour service. (Bahrami 2009, 215-216; Gray 2004.)

Advantages of outsourcing are usually savings in cost and time, and reduction of hidden costs. Concentration on core activities and the same time access to new talents that cannot be found in-house can give advantage when compared to competitors. Outsourced units are forced to keep the quality of service in a certain level, so that the productivity is better. Outsourcing can also help with geographical problems when new markets are available throughout a new location. (Embleton & Wright 1998, 98-99.)

Disadvantages of outsourcing originate usually from poor planning and too hasty decisions. Cost savings may not be achieved, or the new partner turns out to be unreliable. After the process is outsourced, it is difficult and expensive to bring it back in-house. In addition, the control of the job is handed out to an outsider, which means that the purchaser must pay more attention to the quality controls than before. Providers may also have several clients, which redu ces the flexibility of the business. Furthermore, the total costs may not be revealed when planning the outsourcing; the possible revisions and time of the contract may raise the original price significantly. Finally, the cuts in staff may affect the working morale of existing employees and lead eventually to the resignation of the most valuable staff. At the same time, the public image of the company may suffer from (especially offshore) outsourcing and diminish the purchasing willingness. (Embleton & Wright 1998, 99-100.)

Embleton and Wright (1998, 100-101) argue that the main points of successful outsourcing process can be divided in three categories: strategic analysis, selecting the providers, and managing the relationship. The different periods of outsourcing are presented in the outsourcing life-cycle (Figure 2). Furthermore, strategic analysis includes determining and deciding which fields of the business could be outsourced, analyzing the costs and the quality level of providing the service,

considering the impact on the corporate culture, quantifying the outsourcing goals, and discussing the long and short term impacts. Usually suitable function to be outsourced is a routine task which is already properly delineated and can be easily measured, managed and provided in a competitive environment. (Embleton & Wright 1998, 100-101.)

After the decision to outsource has been made, begins the chase of the suitable vendor. Selecting the provider is not an easy task. Firstly, the company should classify its own needs, and based to that, inspect all the options. Similarities in corporate culture help both the supplier and the purchaser to build an effective basis for cooperation. Besides the written material, it is always good to visit at the potential supplier and see if the reality meets the needs. (Embleton & Wright 1998, 101-102.)

As important as making the decision to outsource certain processes and choosing the suitable vendor is to manage the relationship. It often requires new management skills and new ways to monitor and evaluate the implementation of the outsourcing contract. In addition, communication is the most important thing when these changes are gone through. It helps staff to understand the meaning of the process and reduce the prejudice towards the change. (Embleton & Wright 1998, 102-103.)

An employee has been seen as one of the key factors of the company´s success. However, it is hard to balance between outsourcing and ethical problems of elimination of high paying employment (Hemphill 2004, 62). Outsourcing affects company morale and evokes strong feelings, also among surviving employees. Management must explain the rationale of the outsourcing and changed career paths constantly so that the reasons and meanings of outsourcing are understood throughout the company. The new goals of the organization, the changed roles of the employees, the new expectations towards behavior, skills, know-how, and priorities of the corporation should be discussed openly. (Embleton & Wright 1998, 103-104.)
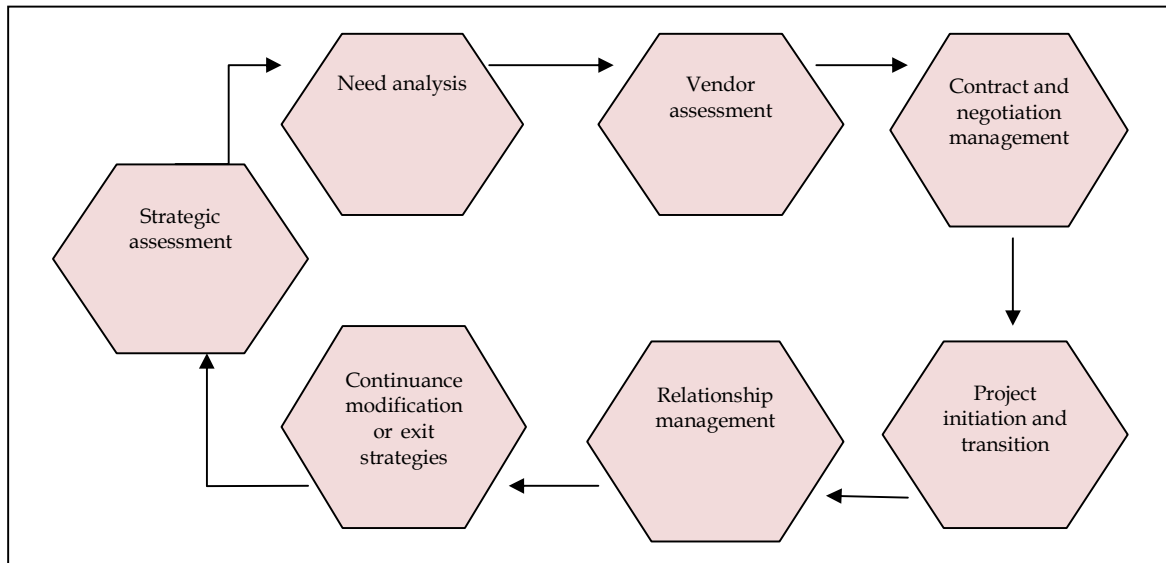
FIGURE 2 The outsourcing life-cycle (Power, Desouza, & Bonifazi 2006, 32)

ASP, SaaS and hosting solutions are one possibility to outsource some parts of the processes. If a company does not want to establish a service center or outsource some of their financial administration processes, leasing the systems is a careful start. Furthermore, if the company has already a successful service center and there are still some processes that could be centralized more but it is not necessary sensible to centralize those to a service center, using the leasing-solutions in some parts of the system would be a useful possibility. The company does not have to invest in hardware or software but they can use them on the Internet while system provider takes care of the maintenance of the systems. (Kearney 2000, 36-37.)

3.4.3 Challenges in Outsourcing

One of the most important things in executing an outsourcing process is to plan carefully and clarify all options before the actual process can be started. That is even more crucial when it comes to offshore outsourcing. Many organizations rush with the decision and forget to think long-term. It is important to choose the jobs that actually benefit from the outsourcing. When considering outsourcing, companies should divide processes into three categories: core processes that should stay in-house, critical processes that should be bought from the most reliable and best-in-class vendors, and commodity processes that can be outsourced. It is not always easy to classify processes unambiguously, and therefore, the crucial mistakes are often revealed after it is too late to make any changes. (Aron & Singh 2005, 135-136.)

When planning offshore outsourcing, it is always important to be aware of the situation in the new country and build the communication channels between the different units carefully (Pollitt 2005, 7). The situation in the destination country should be stable enough so that there will not be political risks or macro-environmental problems such as unstable government, currency devaluation or political unrest. In addition, choosing a reliable partner is a significant decision so that the trade secrets will be safe and there is no threat of counterfeit products in markets after sharing the classified information with the new partner. The issues concerning property rights such as patents or copyrights should be considered carefully both from the legal and financial point of view. All the risks and worst-case analysis should be taken into account when considering outsourcing. (Hemphill 2004, 63.)

Sometimes public reaction towards a company´s announcement of offshore outsourcing can be so negative that it influences brand integrity and the company´s reputation (Pollitt 2005, 7). For example, when a company has marketed its products throughout years as a domestic and reliable, offshore outsourcing can detract the effectiveness of many years´ marketing.

4 EMPIRICAL STUDY

4.1 Starting Point for a Study

The data for the empirical part of the research was collected through interviews in April 2010 and May 2010. Companies interviewed were chosen on the grounds of size so that they represent different fields of business. Six of the companies are listed on the Helsinki Stocks Exchange and one is a family-owned company. The turnover of the companies range between 150 – 385 million euro. There were seven interviews with eight persons that represent the financial administration departments in the companies. The interviewees were mainly Chief Financial Officers (CFO) or Chief Controllers. All the interviews were recorded and further made as a transcript.

The questions (appendix 2) were sent to the interviewees beforehand so that they could prepare for the interview. The method being theme interview, the themes that were dealt with in the interviews were divided in three sections: basic information, processes and future/trends. The themes were adhered freely and further questions were made if necessary. The questions in the first section dealt with the company information, the situation in the financial administration in that particular moment, and the systems and software that were used in the company. The second part concentrated on eliciting the two different processes: purchase-to-pay and order-to-cash. The purpose of the third part was to reveal the future scenarios of the company´s financial administration and chart the opinions concerning the service centers and outsourcing. The interviews lasted from 45 minutes up to 1 hour 45 minutes and the language used in the interviews was Finnish. Interviewees answered in the questions from the point of view of their own unit and other units that belonged to their operating range. The general information that is collected to the table (appendix 1) includes the information concerning the certain company or companies in Finland and the foreign subsidiaries are not included to these figures.

In the next chapters the answers of the interviews are gone through and analyzed. As defining the companies by name is not essential, the references to companies are made with letters A, B, C, D, E, F, and G. The analysis is made through compiling information under the different themes and finding similarities and differences between the answers. As the research method is qualitative, these answers are a very important part of the study.

4.2 Introduction of the Companies

All the companies interviewed were doing trade as business-to-business

transactions and none of them offered products or services to private persons directly but through distributors, other partners or companies. Two of the companies mentioned that as the customers were usually one-man businesses or housing corporations, the business could be described as something between the business-to-business and business-to-consumer trade rather than as a traditional business-to-business trade. When the customers are small actors, the systems and demands are very different compared to the needs of the large customers. There are better resources to invest on developments in the larger companies; however, the small enterprises can adapt their actions quickly. These are the challenges that bring the versatility and force companies to find the suitable ways to organize the processes to meet the different demands of the financial administration.

Companies used English as an official language but some interviewees pointed out that Finnish is as important as English in taking care of the financial administration tasks. Two of the enterprises did not have an official language; they used the language that was suitable for the situation or for the document. In the official documents enterprises used mainly English and some of them Finnish, depending on the purpose of the document. In everyday life in the finance departments all the companies used Finnish with the national units and English with foreign units or subsidiaries. However, two of the companies mentioned that with some subsidiaries they had to use the local languages as the knowledge of English is not on a high level everywhere.

All the companies had subsidiary companies around the world. Some of the subsidiaries were small service or sales departments with only a few people working there and others were large factories that had their own organization from manufacturing to marketing. That creates a wide operational environment for a group that must organize their financial administration to meet the demands in different circumstances. In some branches the local service and product sale were more important than in other branches and some of the companies had acquired other companies in order to support their business and gain markets in different parts of their world. These challenges shape the decisions made in organizing the financial administration. Four of the companies interviewed had organized their finance, holding and investment issues under the holding company that is listed on the stock exchange. Furthermore, in that case manufacturing and other business areas are performed in the subsidiaries. That is a strategic decision that centralizes the management to the holding company as the actual manufacturing work is done elsewhere.

The companies have usually centralized their financial administration processes nationally in Finland. Five of the companies have more than one manufacturing facility, subsidiary or other facility in Finland, in which case they told that the financial administration was centralized. One of the companies had only one major production plant in Finland and because of that the financial administration department operates naturally centralized beside the plant. One of

the companies interviewed had organized their financial administration completely decentralized as they had one subsidiary in Finland and others abroad and all had their own finance departments. Furthermore, according to all the companies, the financial administration was organized decentralized in the foreign subsidiaries.

However, only two of the five companies used the word 'service center' or 'national service center' when talking about their centralized financial administration processes in Finland. Usually the enterprises had just drifted into nationally centralized and elsewhere decentralized system as the acquisitions and organizational changes had reshaped the companies´ structure. Compared to the larger companies, these enterprises had not paid attention to changing the organizational structure but the structure was shaped naturally and the process will continue in the future. The functions are still the leading factor of the organization and the processes are organized through the functions, at least in the financial administration and other necessary functions that support the actual business. One of the companies mentioned that even if their financial administration is nationally centralized, a service center sounds too fancy because they had so few functions in Finland. Furthermore, company B describes the process of centralizing the financial administration processes into a service center as follows:

"*This service center is basically a service center because the functions of the company are so scattered all over the country, so that there just isn´t any staff in financial administration in every unit*"

In addition, when the management of the company does not work process-oriented and the changes in the processes happen as a consequence of the external compulsion (for example, changes in the legislation), rationalization of the functions merely by reducing the units is not enough. Companies have to make major changes to their management system (and even to organizational culture) before the organization would be ready for the change. Company B considers the amount of their units:

"*If we really wanted, we could reduce the amount of units. But it does not necessary simplify the processes considerably*"

Four of the companies use the same ERP system or production control system in the group. The bookkeeping systems are different in six cases because of the differences in the legislation in different countries; for example Russia and China were experienced as challenging countries when it comes to bookkeeping. However, reporting systems are usually coherent in the group in order to make a group reporting and consolidation easier. Companies have different ways to ease

the consolidation process, even though the processes are not congruent in the group, Company A:

> *"We have this kind of group account and the purpose is that every company (in the group) has an account in the same bank. Then, for example the remittances between the parental company and subsidiaries, we have purchases and sales between each other, they would be transferred in a day and there wouldn't be breaks for example when the month changes"*

Company D has built their system so that they are making the interim accounts of the group monthly:

> *"It is probably the thing that we do the same routines every month. It has become a familiar habit to work that way and through that we understand each other and know what we want and what we do. And the information is made transparent, to the subsidiaries, too. They have a possibility to see how other subsidiaries are doing and compare it to their own situation… Not online, but every month at a time in practice. We put the companies in the same line and there are diagrams and graphs and due that transparency… The base is that we are using the same bookkeeping system in the group and the reports are uniform in the same system so that there aren't any strange recreations then"*

Company F communicates with the subsidiaries at least every week:

> *"We have quite much interface with our subsidiaries, accounts payable and receivable have to be balanced and such things. And then the reporting, we discuss the issue if there is something different and otherwise, too. We take the forecasts every month and go through them. And of course we report to the subsidiaries how we have presented the figures in the group so that the companies know what are the figures the management is using"*

Usually the companies were pleased with the way they had organized their financial administration processes. They pointed out that the combination of centralized and decentralized system works well as they have professionals of local accounting systems everywhere. The centralization of the financial administration processes globally to one service center was seen very difficult because of the differences between the legislations in the different countries. Furthermore, it was even seen as impossible to centralize the know-how to one place.

Efficiency and versatility were mentioned in the context of financial administration departments. Some of the companies were forced to cut the personnel in the financial department or furlough the employees for some time in consequence of depression. These could be described as reactive changes that are

accepted as being a necessity, since the attention is focused on staff reductions. In another situation, merely the rationalization of the processes without any redundancies would invoke strong feelings, but as the changes in the organization and the staff are connected to process changes, the change as a whole consists of many different parts and the resistance is directed towards the redundancies, not so much on the process changes. Furthermore, these redundancies and furloughs have both a negative and a positive influence on working in the finance departments; it has increased the hastiness and made the departments vulnerable as there were not so many substitutes to everyone anymore. Anyhow, it has also forced the finance departments to make their processes more effective and teach the personnel versatility. Company G delineates the problem of redundancy:

"We have had redundancies and lay-offs so our group has shrunk. There were about 16 persons working in financial administration at its best, now there are six and a half of us. We were forced to unite the functions and now if there are sick leaves during the reporting time, we are immediately behind the schedule"

Some of the companies interviewed do not assort the tasks clearly into financial and management accounting anymore which is a prevalent and growing trend nowadays. The systems of financial administration are developed more towards the united information producing that serve the needs of both, the financial accounting and the management accounting. Three of the companies declared that they aspire to register the data of financial accounting so that it can be utilized in the management accounting. Company F describes their system as follows:

"We cannot divide the personnel (to financial and management accounting), there are more people who work in both sides. We try to invest in versatility and our systems are built so that they produce data for both purposes at the same time"

Company G describes their system:

"Our bookkeeping, it´s already completely management accounting, it is so united. Our bookkeepers have to be able to do management accounting as these are not differentiated from each other."

Enterprises had harmonized only few financial administration processes because of the coherent ERP systems or other systems. Bookkeeping software solutions are usually different in foreign subsidiaries because every country has the different legislation and regulations concerning the bookkeeping. According to the companies, that makes a coherent system difficult to execute. Only one company is using the same bookkeeping system in the whole group. The

documentation of the processes were not seen so important and the reasons to document the processes were typically ensued on the quality controls or going public. Updating the documents was seen important if they were used as instructions to carry out the job in practice. In other words, the practical reasons and demands from other fields of the business enforce the companies to document the financial administration processes. None of the companies considered the documentation of financial administration processes strategically important or as a separate task that required special attention. Nonetheless, four of the companies admitted that the documentation should be in a better shape and noted that there will be some improvements in the future concerning the documentation. Company B has not paid attention to harmonization and documentation, even though they use the same ERP system in the group:

"The using of SAP is so different in the units, some use it as bookkeeping software, some others as a ERP system, so the system is harmonized through that a bit. But we haven´t determinedly aimed to harmonization, there are just local processes that are documented poorly"

Three of the companies discussed that the branch they operate requires different aspect to the accounting and there are not for example the traditional, simple orders that can be taken into system as such. It makes the utilization of the common systems impossible so that the whole branch needs a customized system. Also the integration to the other systems, for example bookkeeping systems, is harder and certain systems that would otherwise be suitable for the company are therefore excluded. Furthermore, the large amount of foreign customers prevents the use of electronic sales invoices as the systems are not so developed abroad as they are in Finland. Companies agreed on that there is no point of investing to the systems that are used only partly.

4.3 The Financial Administration Processes

The second part of the theme interview concentrated on revealing the state of the financial administration processes in the companies interviewed. Because of the limited time in the interviews, there were two processes that were gone through more carefully: purchase-to-pay and order-to-cash. These processes were chosen because they represent the wide cross-section of the important processes of the companies. In addition, these processes reflect the level of the digitalization.

All of the companies organize their purchase-to-pay process rather equally. Usually every single order that is related to manufacturing is not approved separately but the purchases are made according to annual contract or budget. That accelerates the real process and emphasizes the meaning of planning and

making the budgets. Some of the enterprises use production forecasts as a permission to do a purchase in order to hold the stocks and the costs in an optimal level. Furthermore, the purchases that are related to administrative tasks are checked and approved by the invoice as they are not as repetitive and simple as invoices concerning the raw materials. In addition, the purchases that belong to fixed assets or other greater investments are usually approved more carefully. Company A uses annual contracts with the raw material suppliers:

"This kind of annual contract that is approved for a whole year at a time. Then the purchases are just sent home according to that contract. There are a few of these so called manual orders, on a paper, but usually with the raw materials and the supplies, there is an automatic order that is approved in the system and then the acceptor of the purchase invoices just allocates the order with the invoice. If they match, there is no need to circulate the invoice"

In some branches, the purchases are mainly services or work performances, which changes the purchase-to-pay process as the approval of the order has to be done when the project is ready and checked. Company E describes their purchase-to-pay process:

"In our company, we sort of approve the work performances. We may use a subcontractor and then, when the project is ready, it is inspected and approved and after that, the invoice is paid."

With invoices related to administrative tasks, the companies are not as systematic; there is no reception for the administrative goods and services, and the invoices are usually circulated. The companies delineate the purchases of administrative tasks as follows, Company F:

"We do it (the reception) for raw materials, spare parts, and tools and the kinds of things of which we must be able to know what we have. Otherwise not."

Company C:

"We do the reception only for the materials that are used in the manufacturing, we don´t do the reception for pens or such. We have a so called "person in charge" for every purchase to whom the invoices are circulated. All the administrative tasks related invoices are circulated, even though they are based on a contract."

All of the companies have some kind of system for circulating the electronic invoices, the software solutions used in companies were Opus Capita or Basware. Six of the enterprises are handling the invoices completely digitally either in the ERP system or in the electronic invoicing system. Usually the raw material and

other invoices related to manufacturing are uploaded directly to the ERP system and others are handled in the electronic invoicing system. The invoices that come by mail are scanned either by the company or by the operator. One of the companies uses the electronic system for the invoices that are related to administrative tasks, and invoices that concern raw materials or other productional tasks were paper invoices with manual processing and circulation. However, this company had also considered changing the system completely electronic and was just doing the research concerning the matter.

Four of the enterprises scan the invoices to system themselves and a company scans most of the invoices by oneself, unless there is a rush in which case the scanning is farmed out to the subcontractor. One has outsourced the whole scanning process and one is exploring the options whether to do the scanning in-house or buy it outside. Company E has outsourced their scanning process to Itella:

"It is a bit cheaper than if you do it yourself. And it works pretty well, too. There are no interruptions or sick leaves or so to take care of. It is such a routine task that there is no point to do it yourself when someone else does it cheaper."

The main reason to do the scanning in-house was the low amount of the invoices. Companies felt that in order to outsource the scanning process, there should be more volume in the invoices. Otherwise the outsourcing was not seen profitable, even though scanning was seen as a good example of a suitable process that can be outsourced in theory. All of the companies try to increase the amount of e-invoices in order to reduce the scanning costs and work, although there are no standardized ways of actions to interact with suppliers and customers. Usually the bulletin concerning the e-invoices was seen as a good way. Company C describes the situation in their enterprise:

"If we proceeded with this (electronic accounting), the whole point is that they (the invoices) would come in an electronic format whereupon the checking is easy. But there is no hurry because there aren´t so many e-invoices coming yet. Hopefully the amount of those will increase and then we will try to increase the amount case by case"

The amount of purchase invoices varied in between 10 000 – 100 000 pieces per year. Electronic invoices covered 19 - 80 % of the whole invoicing, depending on the company. Many said that in the previous year the amount of invoices had been declined because of the recession.

In payment transactions the companies used either the systems by Opus Capita or Basware. Four of the enterprises settle up the invoices every workday, others one to three times a week. Invoices are typically paid in groups, only two companies explicated that if necessary the invoices can be paid also individually.

Usually the subsidiaries take care of their payment transactions by themselves. However, Company E describes the system of their payments transactions with the subsidiaries as follow:

"They take care of the payments traffic in Russia and Estonia by themselves, but then there is for example Luxemburg which we manage from Finland, because there isn´t a finance department there, in this kind of intermediate company. It is easy to manage it here and the payments traffic stays in our hands"

In conclusion, there are some differences between the companies how they have organized their purchase-to-pay processes. Usually companies have at least two different ways to process the invoices depending on the nature of the invoice; the invoices related to manufacturing are treated differently than those related to the administrative tasks. The purchases related to manufacturing are usually iterative and cyclic, and the prices were easier to control, whereas invoices concerning the administrative tasks are often irregular with variable prices. However, all the companies pay attention to different options and are looking for new options whenever needed. Electronic accounting has brought new challenges to all of them. In addition, the changing legislation in bookkeeping, the demands concerning the listed companies and international convergence through European Union have brought something new to think about to all of these companies. Also, the enterprises mentioned SEPA (Single Euro Payments Area) as one of the reforms that influences the companies' financial administration processes in the near future.

The greatest differences between the companies can be seen in the order-to-cash process. As mentioned earlier, in some branches it is impossible to do such a traditional order; there are contract agreements or deals that require wide negotiations for an agreement. Three of the companies interviewed do not have any of the orders in an electronic form because of the nature of the branch. Company E describes their products:

"We don't have any standard products so that you could order or buy anything through an electronic system. They are contracts or deals that are negotiated and every one of them is individual."

However, in those companies that accepted electronic orders, the amount of electronic orders is quite substantial; usually over 50 percent of the orders come through electronic channels. In one of the enterprises, the majority of the orders come from inter-companies, which eases the process; as they have the same ERP system, the order is entered to the system only once and it is then available for every part of the group. Two of the companies use EDI transmission in the sales orders.

Two of the companies send all their invoices in electronic form, and three of the enterprises do so with most of them. The last two companies are equipped to send electronic invoices but have not introduced the system because of the customers or low amount of invoices. When the customers are mainly abroad or otherwise small actors, most of the invoices have to be converted into paper invoices or e-mails anyway. However, one of these enterprises uses an Internet banking system for electronic invoicing because they have only a couple of suppliers that require e-invoices. Two companies use EDI transmission in invoicing, and three of them use an operator that forwards the invoices. However, even if the process is fully electronic, it might require a little manual work at some point, Company B:

"There are a few exceptions in which we charge the group companies just before the end of a month. We have to print the invoice out and fax it or e-mail it, so that the other one really awakes and notices that the invoice is coming and the bits aren't just left somewhere waiting"

The incoming payments are usually bank transfers with reference numbers. However, foreign payments cause manual work in some enterprises. Company F describes their system:

"Some come with a reference number but our customers are mainly abroad and the reference numbers don´t work in every place. Of course there is some work with those but usually the clients pay for example once a week so that they (the payments) don't come in dribs and drabs. Then there comes a some kind of specification by fax or somehow and there are the details if there is something that has to be checked"

Company G:

"Customers may pay in quite many ways. That isn't unusual that someone pays to our subsidiary even though the money should come to us. So it is very variegated, usually with the payments there is a need for some clarifications"

4.4 The Future of the Financial Administration

The third part of the study is concentrated on the future scenarios of the financial administration processes in the companies. Questions were related to development plans in the financial administration and the companies' opinions towards the shared service centers and outsourcing.

In the beginning of the third part the companies were asked to evaluate their state of financial administration processes compared to the prevalent state of financial administration processes in Finland and in the world. In general, the

companies thought that their financial administration processes represent the average state. Company D weighs up the pros and cons of their system:

"Many things are organized very progressively here; reporting and monthly routines go very well and smoothly, and that doesn't happen in every company. But then again, there are these things, accounts payable and receivable and so, that are not the most automated ones here. We are like there in between"

In addition, the companies considered the situation and the restrictions that disturb their development processes, Company G:

"We are delighted if we get some tips for improving our processes, but unfortunately when we try to go for it, they usually don't work in practice. That has restricted the enthusiasm, but anyway, we try to be open for reformations… When we have operated in the same way for a long time, the routines should be challenged every once in a while. If we just could do things differently"

The companies pointed out that as they are listed companies, the pressure coming from legislation and regulations concerning the listed companies forces enterprises to do continuous improvements in the financial administration and reporting. In addition, the companies considered their organizations and functions so small that there are not so many resources to be used in the development of the functions. Also, there is no need to invest on better systems that cannot be utilized as a whole. Company E:

"They (processes of financial administration) are in quite a good shape but they aren't as advanced as in the larger groups or abroad, where they have more money and time to be spent in the development and (processes) are developed as far as possible. If our revenue is about half a billion Euros, it isn't so hard to draw everything together, even if every process isn't developed so far"

Company F evaluates their financial administration of a high level:

"I think taking care of our financial administration is truly progressive. Of course we are quite a small company, so that there could be something that we could rationalize, if we were a bit larger company. Then we could use for example SAP as a system and centralizing the payments traffic would be really easy."

The comparison between Finland and other countries evoked many opinions. The finance departments and development of the processes in Finland were seen as progressive and efficient compared to certain countries for example in Southern Europe or Middle East. However, companies evaluated that there still are some countries that are ahead of Finland in organizing the financial administration

processes. In addition, outsourcing was considered as more common abroad. Furthermore, the advanced banking system with reference numbers and automation was seen as a major benefit for Finland but the lack of control in handling the liquid assets was seen as a deficiency. Company B:

"Finland has been, together with the other Nordic countries, probably quite ahead of others but the point of view has been here that there is no point in controlling these things because no one steals anyway… In many other countries they don´t want, and it is not even possible, to have so low controls as we have here. It might be one of the reasons why they haven´t digitized all of the processes nearly as same speed as here"

It was seen important to be aware of what happens in other companies and in the field of financial administration. However, the trends as such do not often affect on organizing the financial administration processes in these companies, even though some trends might influence the development. Company A seeks for an inspiration:

"You can get some tips for your own work and you just can't live in a barrel… You can get help somewhere if someone is using the same system and then you can be like 'tell us how it's working' "

"And then we communicate with the ERP system users, M3, so that we could extract more of our system and get some tips. If we have some modules in use here, others can ask how it is working and how we are using it and vice versa. That´s how we try to press out as much as possible from our system"

In some branches, the financial administration processes and the systems that are used among the actors in the branch can be negotiated with the competitors, Company E:

"If we are introducing a new system, it´s okay to go visit Competitor A or Competitor B or someone else if they have the same system in use, to see how does it work there. After all, these (the financial administration systems) aren´t classified systems even though we are competitors with each other"

Besides the trends, the organization of the processes is influenced by many other features. A company mentioned that customers demand certain level in business and that has affected the organization of the systems and accelerated some improvements. Furthermore, system suppliers are regarded as an important source when enterprises are seeking for new solutions and improvements. However, the system suppliers were also seen as too eager and too biased in order to be the only source for large changes as they often do not care enough of the practical perspective of the amendments. In addition, training days, seminars and

other events were regarded as necessary and also as a useful channel to exchange ideas with colleagues. Magazines and books were also mentioned as means of searching for information about new solutions.

One company discussed the meaning of different generations; elder generations are used to routines and manual work phases, whereas the younger ones require automated actions and simplified processes that are developed as far as possible, Company B:

"In many Finnish companies the employees start to grow old. There are many cases in which 50 and 60 years old ladies and gentlemen consent doing the things in a certain way, those being usually pretty manual. They are after all very precise and they do it very well. But when this person quits her or his job, you just can't find anyone, a younger person, to do it in the same way because they just can´t be motivated that kind of way of working… Sadly, it is still very common in firms to do things like that nowadays. These things should be eliminated."

In conclusion, the companies emphasized that the most important thing in following the trends of the world is to deliberate if the way of action is suitable for their own enterprise and for its purposes. Enterprises must stay updated for the developments in the business. Company D clarifies the meaning of trends and the approach for problem-solving methods:

"It is not important to follow trends; the main thing is that we stay in touch with the world. And also, the thing is what serves our company best"

"If you fully trust an outsider, it might easily happen that the tail is wagging the dog. The field of the problems has to be understood, because if you don't know the problem, it is hard to seek a solution for it"

Mainly, the future plans concerning the developments were related to ERP systems and software solutions; five of the companies are aiming at rationalizing the functions, digitizing the processes more and introducing new software solutions concerning for example bookkeeping system, fixed assets accounting, consolidation, reporting or some other smaller field of the financial administration. Two of the companies are going to update their ERP system to a newer version or acquire a whole new system, depending on the costs and advantages of the different options. In addition, the better level of harmonization and documentation was mentioned as a target during the next years, however these were not seen as important as other development projects; they were described as eternal projects or continuous improvements that happen beside other work or projects. Furthermore, these could be described as proactive changes as there are not any outside threats that force to make changes. Company B plans to execute an ERP project and beside that improve the documentation:

"Often that kind of implementation project, an ERP project, is the reason why you have to document things. That is a great improvement there"

Some of the companies have just gone through major ERP system projects or other software customizing so that they are still adjusting to the new system. Company E criticizes the need to update the versions too frequently:

"Every time a new version is available we do the research if we should take the new version or change the system completely. It feels that the time between the version updates just shortens all the time. After all, that is the business for the software suppliers, so they want to change the systems, improve them and sell a lot of products"

None of the companies had detailed scenarios concerning global harmonization. Company C plans to harmonize the bookkeeping system in the group:

"It will be an issue at some point but I don´t know the exact year yet. But I think it will be in the near future. With all the subsidiaries if we just manage to succeed in it. The benefit is that we could observe their systems easier, and then finally the operations models would be similar in the whole group… It would be more controlled, the whole system"

Furthermore, the companies highlighted that there can be only one major development project at a time and that there should be enough time to do the whole project properly, from the beginning to the end. However, the development project might have an impact on other smaller targets of the development as the new system requires changes in the processes. Every project should benefit the whole organization, and the changes and especially the consequences of them should be considered carefully from different points of view already beforehand. The decisions are not always easy, Company E:

"We could probably reduce the manual phases in our work more. It reduces the work load and it makes the work more sensible. Nobody wants to do manual typing if the data can be transferred through links or through electronic systems. Even if it would mean that we have to dismiss one person but as a whole it would improve the quality of the work"

In addition, one of the enterprises discussed the reasons that lead to a need for a change, Company D:

"In the future it can create pressure if the business grows. Then we should decide if we continue to build up our present system or if we try to think about another

ways to do it. Because there have been rough times behind us and there have been some adjustments because of that, the organization isn´t probably so strong anymore"

4.5 Centralization and Shared Service Centers in Practice

As mentioned earlier, three of the companies have national services centers. Furthermore, two of the enterprises have organized their financial administration processes nationally centralized and one has only one factory in Finland. One uses a decentralized system everywhere, even though they had considered the centralized system, too. However, as the subsidiaries were just small offices that had only few people working there, the bookkeeping and financial administration were decided to be left as they were, so that there are local professionals in every unit and subsidiary. Company D describes their way of working:

"Of course we could review our way of working, we have so many subsidiaries and we manage our business through subsidiaries. It could be asked if this is the best and most clever way to do these things but in this subsidiary world this is a good way. If we changed the structure then it should be considered if some other way would be better. So, it has to come from the business, the need of a change."

The four reasons that in the most cases lead establishing a service center were mentioned in the interviews in some form: cost savings, more efficient transaction services, standardization of the processes and improvement of the customer service. Companies declared that the good facets of a nationally centralized system are a compact and flexible team of professionals that co-operate with each other and produce better quality than they would do individually. In addition, the flexible system brings benefit to job rotation and finding substitutes during sick leaves or other absences. Furthermore, the problems with language and the features of the local systems were seen as major challenges when considering the centralization of all of the group's financial administration processes to one place. The decentralized system abroad was seen as the cheapest and the easiest way to organize and handle the processes. Company F emphasizes the meaning of reliable work force:

"Of course we pay attention to that… who is doing the work in the companies in the different countries so that there are good chief bookkeepers and CFOs to whom we can trust on. It works quite well, and at the same time, they take care of the relations with the local authorities, which is an important part of the work of the chief bookkeepers in some countries."

"I myself do the interviews with the possible candidates because of the fact that it has to be ensured that they listen what we told them to do, even though we live here,

in tiny Finland. It might feel a bit weird to someone to do that, but then you can see it from the person if the communication is easy with him/her"

The companies that have national service centers claimed that they usually had just drifted into using the term 'service center' as the organization has developed to that direction. The ones who did not use the term but had the nationally centralized system did not see it necessary to introduce the term because the financial administration operations were seen so small and a national service center would not describe the system well enough or would not bring any additional value to financial operations. In addition, when making the changes concerning the organization, the practical reasons affected the changes quite often. In some cases they may have been even more important than strategic reasons or logical solutions. Company C delineates the use of the term "service center":

"Actually we have a kind of service center here because we do the paperwork of the parent company here, too. But they are much smaller, these processes. So there is no need to do that (use the term service center)"

Company B has a service center and the processes of the group have been transferred there step by step. However, the practical matters are the most important; the transfer is made if that is not too complicated and cause major costs:

"In Finland, the things can be taken care of in one place. However, when thinking of Finland, they use only one system in the service center nowadays. We have this subgroup whose operations will be transferred little by little to the center. We started the transfer with the calculations of salaries because we had the same system in use by chance so that was the easiest part of it. But when it comes to ERP, they have a different system there so we thought that we wouldn't transfer these activities to the service center because then the people in the service center must use two different systems and the advantages (of service center) would be lost."

"The idea of a service center is, in my opinion, that there is the know-how that just isn´t worthwhile of keeping in different places. Then the most reasonable thing is to centralize the know-how to one place. And then there are some routines, if the volume is large, they are suitable for centralizing. In these situations, centralizing gives benefits"

Company G has a service center but the financial administration of the group has been transferred away from the service center:

"Because the group has grown globally, so the transfer was making the things more equal. Then the practical thing; our top management is located in the South and that´s why it (the financial administration of the group) has moved there… It was because of the replacements in staff. So there isn't any business related reason"

As the world-wide service centers were seen difficult to execute, some of the companies have been reflecting upon a service center that would cover some parts of the world. Company B is keen to have more information of the functionality of a broader service center even though it would require large efforts before their own processes would be simple enough even to consider the alternative:

"It would be really interesting (to have a world-wide service center) because the people who know the least of the financial administration processes are always the most eager ones asking if we could transfer all these processes to Malaysia. I would love to do that, it is a really nice place to visit, a wonderful place actually and it would probably work very well. But I have to admit that I'm not quite sure how to do it in practice… It is really interesting but of course, nothing can be done unless the processes are documented well and really standardized and we don't have that. So, after that it could be possible and very interesting. It isn't an absolute value to do it ourselves, if the thing is that it could be outsourced, centralized or digitized and if there are benefits that are gained through these things. But with our structure, when thinking of our reporting, there are about 20 units that are individually responsible for their profit, so the practices are completely different. It wouldn't happen easily if we tried to transfer all these to one place or outsource them. And in spite of all, we are so used to that there is this service center in the upstairs of the largest factory where we can go with a paper in our hand and ask if we could do this like that or say that here is something wrong with this. So you can't automate something that isn't standardized first"

Furthermore, Company G had tried to establish a European-wide shared service center in Finland but because of the difficulties and large costs they had to pull back the project after two years:

"We had the consultant company examining here how we could make our financial administration processes more effective and this (European shared service center) was a result from it and we were supposed to put more enterprises there, too. (But not all of them?) No, we have a factory in Italy that was never connected to this, we cannot get the reporting or the information out of those kind of companies "

"We took here (to the service center) Germany, France, UK and Holland and accounts payables and receivables, bookkeeping and so on. Some of the companies worked well when the communication and information between us was in order, but it was, I don't know, maybe we should have done the run-up more carefully also in those companies. After all, the bookkeeping, it was really difficult to do here because you just can't be familiar with the legislations in different countries. And it is just a waste of resources, in my opinion (to keep up with the foreign legislation). And then in accounts payable in here, for example France and UK, their customers do the payments completely disorganized; they pay by checks and whatever. And then you try to figure it out and you just don't have the bank

statement from which you can look up the things but an Excel sheet or whatever, you name it. It is yet again a waste of resources. It is just more effective to do it locally. Also, the cultures are so different, the practices of payments and so on. They might have agreed on some arrangements with the transfers, balance the debts among themselves."

Furthermore, Company G delineates the problems in connecting the financial administration processes to core business and produce information that would support the business in every part of the group. Even though the group had the same systems in use, the information became too generic and the reporting did not fulfill the needs. When problems grew too large, the company decided to pull back the project and restore the financial administration decentralized. The decentralized system is working well:

"There is one person who can take care of the whole system locally, bookkeeping and accounts payable and receivable, and probably besides that a lot of other stuff, too. And they are familiar with the things and persons, everything is near. So with our volume that is not so large, it is probably more efficient this way"

In addition, Company G deliberates the situation in the world:

"I don't know what is the trend at the moment, at least there aren't so many new service centers established anymore and if there are, the things that are worth of uniting and which are the ways to do it right will be carefully delineated"

When considering the challenges of service centers or outsourcing, the companies predicted that there might be problems in noticing the mistakes when there is not a very clear connection between the core business and the financial administration processes. The better every department understands the core business, the more they can be involved in the whole business and serve the clients better. Company G believes that the volume is a key factor in making the service center profitable:

"Probably then the service centers would work if there was enough volume, if huge amounts of some standard products are bought and enormous amounts are sold. But as the business just isn't so straightforward, it is important that everyone in the company understands and can intervene in things when needed"

4.6 Outsourcing in Practice

Usually enterprises estimated that employees in the financial administration had to know something about the business or at least of the organization in order to do their job properly. In some branches knowing the core business is vital.

Company A operates in a field where the business and the financial administration processes cannot be distinguished from each other:

> *"We have to be aware all the time, for example of products, what comes here, just because of the taxes, we calculate the excise taxes here… So that requires special know-how"*

Three of the companies have outsourced some of their processes: Company G has outsourced the calculation of salaries, Company E and Company B their scanning entirely or partly. Furthermore, the debt collection was also outsourced and some of the companies did not even consider that as outsourcing, Company D:

> *"One thing that is outsourced is the debt collection, I just realized that. And it works pretty well, actually"*

In general, enterprises regarded the outsourcing as a good solution when the task is a routine and there is enough volume in it. Another aspect concerning the outsourcing was that if the task is very minor, it is no worth doing it oneself, or when there is not enough proficiency in the company to take care the task, it should be outsourced. However, companies were not eager to outsource their financial administration processes at the moment because they regarded their volumes too little and processes too scattered. In addition, two of the companies regarded their processes as a continuum that cannot be divided in pieces without contributing and disturbing the whole process.

Enterprises concluded that the outsourcing must emanate from the business and there should be a real need for changing the concept before the outsourcing would come in question. Processes should be simplified and documented well so that it is easy to arrange which ones belong to the outsourcing company and which stay in-house. There can be different needs and strategies behind the outsourcing but the main thing is that outsourcing must support the business and the strategy of the company. Company D is marketing their products as a Finnish quality work and contemplates the outsourcing as a strategy decision:

> *"It depends of the firm's philosophy what they are searching for. If the company wants to operate as a leader, then the principle is that the decision-making is the only one that is kept and the rest happens through networking"*

Furthermore, the companies did not believe that outsourcing would necessary reduce the costs because the companies that produce outsourcing services are making profit of it, too. In addition, the companies did not see clearly what benefits outsourcing would bring to them and what would be the actual benefit to seek after to that particular company, Company B:

"In my opinion, these companies that are marketing outsourcing services, they have failed in presenting the benefits of outsourcing. They should bring out the benefits that can be attained with it and not only that usual: 'that job is a nuisance, give it to us and then it will be easier for you.' Because actually it doesn't work like that. For example, if we have outsourced our calculation of salaries and then the salaries are a mess and there are angry people and a lot of clearing to be done."

"Outsourcing is still a bit new issue here and there are still a lot of developments to be done so that they can bring out the concrete benefits to us… Reaching the benefits requires that there should be a lot of standard transactions, and if the company thinks 'but we don't have them', then there just isn't any sense in outsourcing things"

Processes that are suitable for outsourcing were described as simple routine tasks. Scanning the invoices, debt collection, accounts receivable, telephone exchange, the calculation of salaries and the checking of the purchase invoices were mentioned as the processes that would be outsourced if they were simplified enough. Companies mentioned that scanning is a good example for outsourcing a routine process that requires resources that are more profitable to be bought from a company that is concentrated on producing the scanning services than to be hired. Then the scale advantages reduce the costs and make the service cheaper.

One of the companies has outsourced their calculation of salaries. The target of the outsourcing is to attain cost savings and reliability. However, the company changed the supplier recently because the costs were not decreased with the previous supplier. Company G:

"The problem might have been there that we didn't document the process as well as we should have done because we were used to having our own salary office here and it worked so differently then. There were some things that weren't included in the fixed costs and they were always invoiced separately which increased the price"

Furthermore, the calculation of salaries was seen as a vulnerable part of the company. That is why it would benefit from the outsourcing. Wages must be calculated in time regardless of the circumstances. Usually in these medium-sized companies, there were one or two employees doing the calculation of salaries in the units and if something unexpected happened to them, the whole process would be delayed. With outsourcing, the work of finding the substitutes and keeping the process fluent is transferred to a third party and the risk of delay becomes smaller.

When asking the willingness to outsource some of their processes at the moment, companies had some ideas of how to rationalize their functions, but the execution was seen too difficult. Enterprises estimated that the outsourcing itself would require too much effort in order to be profitable. In addition, the

outsourcing is always a sensible subject to be discussed in public because outsourcing usually means also the adjustments in the staff and probably even discharging some of the employees.

The tasks related to management accounting were mentioned as a part of the financial administration processes that cannot easily be outsourced or transferred to a service center. These processes require plenty of information of the business and the ones working in management accounting must communicate a lot with the other departments, especially with the management. Knowing the business properly is the key factor in producing the necessary information for different needs. Companies claimed that the higher the position is, the more difficult it is to be outsourced or transferred to a service center.

Outsourcing the financial administration processes abroad, offshore outsourcing, is not a current issue to the companies interviewed. Language, different legislation, culture differences and other practical problems were mentioned when asking if choosing the country is important in outsourcing the processes. Company E thinks that the language is the main problem:

"It's actually the language, how people can handle with language that matters. I think the physical distances, except in delivering the goods, have lost their meaning when there are e-mails and phones and other things that aren't dependent on the distances. It doesn't matter, then."

Some of the companies had the majority of the customers in Finland so that the offshore outsourcing does not serve the customers. However, companies concluded that if they had to choose a country to consider as an outsourcing option, it would be located near Finland, like for example Estonia, or some other country in which the companies already have some activities. The change was seen easier when the working culture and morale issues are similar to those of Finland, so that there are not too many differences between the countries. Company A has not considered offshore outsourcing but assumes that the outsourcing would happen in Finland or nearby:

"In every country, the most of the customers are there, in the same country. It would feel really strange if the accounts receivable would be in India or something like that, it isn't fitting to my head. After all, it should be in Finland. There has to be the knowledge of the local legislation and regulations, it would be really difficult otherwise. Maybe, of course there is Estonia where we have a subsidiary, it could be put there, but I don't know, maybe it would be a bit cheaper there. But that's for sure that at least not in the Middle East."

The reasons that would lead companies to consider offshore outsourcing are the increase of the costs and the volume. Furthermore, the reliability was seen as

an important aspect when choosing the outsourcing partner as the offshore outsourcing itself was seen as a challenging operation that cannot be gone through without help from outside. However, at the moment the companies estimated their financial administration processes efficient and well-working, so there are not any major changes needed in these enterprises. Company F examines the options concerning the outsourcing of different fields of the business every now and then:

"We go through the options once in a while, from diverse points of view usually. We search for guidance from the service providers and then also from other experts. We have sparred with different parties and then a part of the job has naturally been moved to the country that has the lower costs. With that we have attained cost benefits and so we don´t have so many functions in Finland anymore"

When asking how outsourcing would influence the quality and the transparency of the information, the companies answered in various ways. Two of the companies thought that the outsourcing should not influence the quality and the transparency of the information at all; the processes that could be outsourced are routines that have strict procedures that are agreed with the outsourcing partner, so there are not any surprises with the quality or the transparency. Two of the enterprises reflected that outsourcing the processes in the present situation would deteriorate the quality and the transparency, because the functions are not transparent enough to be outsourced or outsourcing would require too much effort in order to be profitable to the company. An enterprise supposed that the transparency would be better but quality lower as the investments and challenges in the beginning require large efforts and adjustments for the processes to become transparent. A company emphasized the meaning of choosing a reliable partner; if the partner is chosen well, the company benefits from outsourcing in many ways, including gaining better quality and transparency that cannot be divided from each other. But if the partner is not reliable or expectations are too high, the whole process might fail and cause a loss. A company brought out that the ways of actions have to be changed in the company, and that the quality has to be defined so that it stays in a certain accepted level. Also, both parties have to agree on keeping the quality in that level. However, the quality might still deteriorate when the unnoticeable work that is involved in the in-house processes is not added to the outsourced process anymore.

The companies that were interviewed regarded themselves as average medium-sized enterprises that do not benefit from the outsourcing as much as larger or smaller companies. The enterprises presented that when outsourcing financial administration processes, smaller companies search for expertise and a way to concentrate on core business, and larger companies aspire after scale advantages with the large volumes. Company A believes that smaller companies benefit most from the outsourcing and the structure of the company has a

significant meaning in resulting to outsource certain fields:

"It is easier for the smaller ones, when there aren't so much of these special things and they (the processes) are simpler…And of course, how the structure of the company and other things are organized there, it depends on that very much. And how deep the knowledge is in there and which systems are in use and so on"

Companies mentioned that the rationalization is a key factor in decreasing the financial administration costs in the future. The systems and software solutions should be utilized better and manual work should be reduced as much as possible. In addition, increasing the automation and digitalization would rationalize the processes and reduce the costs. Company E believes that there are ways to reduce costs in the future but some of the functions cannot be rationalized:

"I think that this kind of costs that are related to simple functions can be reduced. Competition among the suppliers will tighten and the ways of action will become stable, and then the work is not groping anymore, we know what we are doing. On the other hand, with these more demanding tasks, IFRS reporting and other stuff, it sort of demands more attention and makes the work harder when they change much, and it is impossible to regularize them into a routine task. They go in two different directions"

None of the companies believed that outsourcing would reduce their financial administration costs at the moment. On the contrary, Company B believes that the new trends increase costs and that there are other things that should be worried about:

"I don't think that, all of these trends of development, service centers, centralizing, and even the digitalization… Ok, even if they are pretty advanced in Finland… They will actually increase the costs. It is just, with our basis, we do the job with small staff and inexpensive costs. If anything, the challenge is that there are people retiring and we should be worried about how to get the job done (without them)... It is more about the fact that we should be able to serve better but we just can't do that with the resources we have now."

On the contrary, Company E condenses the benefits of outsourcing:

"After all, it saves money but then there is also the fact that it makes your own work easier"

In conclusion, the opinions concerning outsourcing some of the processes or some parts of the processes were mainly positive. However, outsourcing the entire finance department or outsourcing offshore were experienced too difficult or otherwise unsuitable for these companies at the moment. Three of the companies

have already outsourced some of their processes and two have examined the alternatives. When outsourcing the processes nationally, the process is not especially difficult to execute; most of the workload is related to in-house work: making the processes visible and simple enough in order to outsource them.

When asking how the interviewees would organize their companies' financial administration processes if they had a chance to start over, four of them answered that they would organize it almost the same way as it has been done already; some of the processes centralized and others decentralized. One of the enterprises would consider outsourcing some of the processes but not everything. Two interviewees mentioned that they would centralize and outsource the functions more and one would consider the organization structure again and base the decisions to that.

5 DISCUSSION AND CONCLUSIONS

Organizing the financial administration processes is a necessity for every company. Decreasing the costs and rationalization of the processes are an important part of the companies' every-day life. Even though the companies that were interviewed in this research operate in different branches, the issues concerning the financial administration processes did not differ very much from each other. Centralization and outsourcing are matters that awake feelings and discussion.

The companies are aware of the possibilities they have for organizing their financial administration processes. However, the possibilities are not clear and appealing enough to medium-sized enterprises that cannot compete with the largest companies in Finland in the volume or in the level of standardization, at least not yet. These enterprises follow what happens in the accounting world and what is going on in other companies, and take influences, even though everything is not always suitable for the company as such. Unbiased information of different alternatives in organizing the financial administration processes and customized service concerning for example the outsourcing would be vital in increasing the eagerness to outsource and centralize more among these companies. The difficulty of finding unbiased information was shown in the previous studies that were made concerning the outsourcing and centralizing, too.

According to Granlund (2010, 8), there are not enough research in the field of using ERP systems in practice. It is important to understand that how companies use their systems in order to perceive the actual utilization of resources. This study brings perspective to this point of view, too. Review of certain processes of financial administration together with basic information and scenarios of the future expands the viewpoint and helps finding out the practical aspect.

The changed role of the accountants and other professionals working in the financial administration has challenged the companies to stay in touch with the development. It is hard for management to keep up with the routines, search for new possibilities to organize processes, and manage to develop the functions constantly. When the resources are low, routines take the most of the time and development is left in the background. Processes are easily left as they are because there is not enough time, willingness or know-how to concentrate on them.

Digitalization has already become a part of enterprises' everyday life. All the enterprises interviewed have digitized most of their financial administration processes or at least planned to do that in the near future. The technology has developed so that the smaller companies can digitize their processes with lower costs. That gives medium-sized companies opportunity to benefit from their systems more when their suppliers and customers change over to the electronic systems. With foreign suppliers and customers the trend is not as rapid but the changes in the legislation, for example SEPA developments in the European Union,

hopefully standardize the processes and bring the companies closer to each other in the future. The leasing systems, ASP, SaaS and hosting, did not come up in the interviews; they might be still distant and unfamiliar matters to accounting professionals that are used to own the systems and the technology as a solid part of their processes.

However, in these companies, there are still phases of the processes that require manual work, even if the process is digitized in theory. Finding the way to reduce the manual work in between the phases is one of the key factors in order to make the processes more effective. Automation and better utilization of the systems help with the rationalization, and some of the work will be naturally rationalized when there are people retiring and new staff trained for the work.

The quality of the processes was evaluated good among the companies. However, usually the interviewees could only estimate the situation in their own unit as their subsidiaries operated decentralized and the processes were not fully harmonized with other units or subsidiaries. Therefore, it is hard to evaluate the overall quality of the group's financial administration processes, even though the quality in that particular unit is experienced good. Usually, one has to pay special attention also to the routines once in a while in order to evaluate the meaning of every phase of the process. It is important to be aware of the development possibilities in everyday life, so that the development can be seen as a part of a routine, not only as a compulsory task that complicates the actual job. The meaning of the staff came up in the interviews: companies evaluated that the main reason for the good quality was the proficiency of the staff. Even though the harmonization and documentation were not on a good level in the companies, the settled practices and the level of the reporting were seen as major benefits in making the processes efficient.

In addition, companies evaluated the current situation; systems and practices work well but it is hard to estimate how some changes in the operational environment (for example fast grow or decline in the turnover) would influence the quality in practice. In the year 2010, the companies were still insecure and vulnerable because of the recession. During the last years most of the changes were executed in order to reduce costs when the sales and profits were not on a high level anymore. In other words, the change has been a compulsory solution to keep the business alive, which has required for example redundancies and rationalization. That has led to a situation in which the change is confronted sceptically as the employees are afraid of losing their job. That might be one aspect that influences the eagerness to make the changes.

Furthermore, making the changes in the processes is not always easy. The companies had to learn some things the hard way before they found the suitable way to organize their financial administration processes. Some of the companies were more eager to try something new; others preferred to make only the inevitable changes to existing systems. During the last few years the pressure to

reduce costs has affected the enterprises also in this way; rationalization of the functions has enforced the enterprises to reduce staff and seek after more effective processes. That has brought out both positive and negative changes: the functions were rationalized as the staff became smaller but there were not so much time anymore to focus on developing the processes as the routines took most of the time. That is reflected to the eagerness to try something new, too; the majority of the developments that were planned to be executed in the companies in the near future concerned the systems and software solutions. The changes in the organization structure did not come up in the interviews when asking the planned developments in the financial administration.

Following the long-term plans concerning for example the harmonization or rationalization requires large efforts. Simplifying the amount of units or changing the ERP system is not enough when the processes remain scattered. If a company wants to be more process-oriented someday, the structure of the organization should be re-evaluated. Furthermore, in order to bring out the latent cost effects in the point of view of the processes, the processes should be reviewed critically in every part of the enterprise. Harmonization is profitable in a long term and that would bring the cost savings in many ways and in the different parts of the business; for example, one ERP system with harmonized processes in the units might reduce the IT costs as the updates and new versions are needed only for the one system.

However, organizational changes or major reforms concerning the systems are always risky and failure might have an influence on the whole business for a long time. Therefore a strict planning process is vital and risks should be examined carefully already beforehand. Even if a company is not willing to establish a service center or outsource the processes, harmonization would bring benefits and help making the updates in the systems and software easier. In addition, the control of the whole system would be efficient.

The primary target of this study was to find out in which ways medium-sized companies have organized their financial administration processes. Secondary target was to find out if there still are demands for centralization and outsourcing among these companies. The companies have organized their financial administration processes in quite similar ways: nationally centralized and abroad decentralized, only one company had a completely decentralized system. When comparing this study to Itella's study (2009), the results are parallel; centralization was a popular trend among larger companies and decentralization was still a remarkable option, too. According to the companies, the benefits of this system were functionality and cost savings which were the main benefits that came up in the literature, too. In addition, one major benefit of decentralized system is to have professionals of local accounting systems everywhere.

Furthermore, a few of the companies have outsourced some of their financial administration processes nationally in Finland. Not a single one of them has

considered the offshore outsourcing in earnest. The language and the cultural differences were seen as the largest problems when thinking of establishing a worldwide service center or outsourcing offshore. The benefits concerning the harmonization of processes and systems did not come up in the interviews.

When a company has a service center or has outsourced some of their processes, their eagerness to centralize or outsource more was larger. Although one of the enterprises had had bad experiences of centralizing certain processes, their view towards centralizing and outsourcing was still positive. Naturally, the companies that have outsourced some of their processes were more conscious of the possibilities concerning their own needs when it comes to centralization and outsourcing. These companies have also examined the options more carefully and they have already changed their processes because of outsourcing. The enterprises that have not centralized or outsourced their processes were usually more careful and skeptical towards the benefits of outsourcing; the beginning of outsourcing was seen too difficult to execute or there were not enough resources to execute it effectively.

In addition, the outsourcing does not always support the business or the values of the company, which has an effect on the opinions. Two of the companies that have not outsourced any of the financial administration processes have still examined the alternatives concerning the outsourcing. One of them finds their volumes too little and other considered the project too expensive. These are the main reasons that decelerate the willingness to outsource in other companies as well. Furthermore, concentrating on different things influences the opinions on centralization or outsourcing; using and keeping the unified system updated in the group takes time so that other projects cannot be taken into consideration.

When thinking of evolution of the organization models in the past (centralization, decentralization, service centers and outsourcing), and comparing it to the companies interviewed, the trajectory is not simple. The companies interviewed had features of all of the systems as some of the processes are organized centralized, decentralized and some of the companies have established a service center. That shows that the changes are slow. Organization has shaped during the years because of different reasons and these reasons contribute to decision-making. Past is something that every company bears and reflects the decisions against it.

Even though some of the companies have ideas of the ways they could rationalize and develop their financial administration processes, the problem is that there are not enough time, resources or skills to put them into practice. Furthermore, when the information produced by the consultants is experienced too biased, there are not so many alternatives that are focused on the needs of that particular company and who could thus provide proper information. In addition, some of the developments that would benefit the financial administration processes were not serving the company's main purposes and that is why a few

compromises had to be made.

Moreover, the meaning of the reactive and proactive control of the change was clear for the companies. SEPA requirements, that can be described as reactive changes, were accepted to and included in the development plans during the previous few years. In contrary, the issues concerning for example outsourcing, documentation and harmonization were seen as eternal projects, in other words proactive changes, that can be taken care of beside the other work eventually.

Companies are always trying to gain profit and new customers in order to grow larger. If a company wants to grow, the structural changes are inevitable. Although outsourcing or service centers are a trend phenomenon that has gained success during the last years among certain companies, harmonization and documentation - that are essential in order to go through a successful strategic change - are related to all kinds of enterprises. Which are the most suitable, practical and profitable ways to organize the processes? This is a question that every company should ask every now and then. A critical review concerning the processes helps organizations to evaluate their competitiveness and potential to develop their actions further.

The change should not be considered as a threat. Even though changes are risky and time consuming, they are necessary. The changes should be considered as a strategic key that helps organizations to develop. However, the change is not a simple solution to all problems; continuous seeking for change can be as unprofitable as stability without any improvements. Furthermore, the change concerning only the practical matters is not enough; in the long term, a company should perform a critical review concerning strategic issues and focus on finding the essential material, and cut out the unnecessary work. In addition, managing the change should be taken into account as equally important as making the change; a poorly managed change will not succeed or at least it will be costing extra. If the management is properly taken care of, even the poor decisions can be analyzed and turned the loss into victory in order to learn something from the failure.

As the study of Hyvönen, Järvinen, Oulasvirta and Pellinen (2011) shows, it is important to have institutional entrepreneurs that lead the change and convince people to support it. It might be good to have these kind entrepreneurs in private sector, too. That would help the medium-sized company to understand the meaning of service center and outsourcing if they could get the guidance from an institutional entrepreneur that had gone through the establishment of service center and outsourcing in same kind of operational environment. Studying the institutional entrepreneurship in the private sector would be an interesting topic for further study, too.

However, because there are people making the decisions, some of the solutions concerning the processes include also emotional reasons. Even if rational reasons would justify transferring everything to a service center at once, the

emotional pressure keeps the system as it is because people are so used to certain routines. If emotional reasons support the strategy of the company, it might even be a good thing to not to change a thing, but the decision-making should not be influenced too much. Every decision should be observed as unbiased as possible from the point of view of the whole company.

The companies interviewed experienced the service centers too far away from the actual business. In the case when the processes are not standardized and the interfaces between the actual business and supporting activities are not clear, service center or outsourcing cannot work. It was hard for the companies to evaluate a situation in which all the processes would be harmonized and standardized because the workload leading to that situation is so large. In addition, these companies did not probably have enough knowledge for establishing for example a worldwide service center, which makes the evaluation of the hypothetical situation even harder. The service centers and outsourcing could be described as a tip of the iceberg as the process leading to that requires a lot of time and resources before the organization is ready to establish a service center or outsource anything. If this process is not planned and executed properly, the risk of failure is large, as the company does not recognize their own strengths and weaknesses as well as they should. Furthermore, service centers and outsourcing might not even be the right solution for everyone; there are many other possibilities to consider before the suitable path for every company is clear enough.

The subject of organizing the financial administration processes is always current. Further research is needed to examine the subject more; medium-sized companies are an interesting target. Further study could be executed as a survey in order to collect more general information of medium-sized enterprises and to draw some more universally applicable conclusions. Furthermore, to help this kind of companies to get familiar with the outsourcing and process-oriented thinking, the practical case studies concerning the whole process of outsourcing the financial administration processes and the problems related to different phases would help medium-sized organizations to understand - and possibly even to start and go through - the challenging changes that are risky and require a lot from the company.

None of the companies interviewed has harmonized their systems worldwide and does not update their documentation of the processes regularly. A conclusion or at least a hypothesis could be that this is the trend also among other companies of the same size as well. This would be a good start to do a further study in order to collect more general information of the companies. It would be interesting to know which are the factors that lead companies to harmonize, centralize and outsource processes worldwide and what is the turning point, for example in the size of the company, that makes an enterprise to take the risk to develop the business into that direction.

Hopefully companies will seize the opportunity to use leasing services in the IT solutions more in the future. Changing some of their fixed IT costs into variable by using the ASP, SaaS and hosting services would be a useful way to gain the newest technology and proficiency without making any large investments. However, in this study none of the companies did mention any of these solutions, so there is still a long way to go before the companies are ready for these changes.

The interpreting and describing qualitative research method was a suitable choice for this kind of study. As companies representing this size are not researched much when it comes to financial administration processes, this study brings something new to the field. Service centers and especially outsourcing are related to companies of all sizes, as large companies seek for scale-advantages and smaller ones for expertise in supporting the business. This study fulfills its purposes to introduce the situation in medium-sized companies.

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APPENDICES

Appendix 1

	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Turnover 2009 (million euro)	244	148	197	147	385	202	152
ERP system, Project Control System	M3	SAP	Keybox	IFS	CMPro	Wise	SAP
Modules used	Sales, Finance, Manufacturing, Product Control, Stock Control, Purchasing	Sales & Distribution, Financial Accounting, Materials Management, Production Planning					
Bookkeeping system (if not integrated in ERP)			Merit				Intime
Management accounting System	M3, Basware	Excel, Qlikview		Cognos		Cognos	Excel
Reporting System	Business Objects	Qlikview		Cognos	Hyperion	Cognos	Excel
Fixed Assets Accounting System	Kombi			Economa		Kasperi	TehoData
E-invoice System	Opus Capita	Basware	Opus Capita	Basware	Basware	Basware	Basware
Payments Traffic System	Opus Capita	Analyste	Opus Capita	Opus Capita	Opus Capita	Opus Capita	Analyste
Consolidation System		Basware Group Consolidation		Cognos Consolidation	Hyperion	Cognos	
Travel Expense Report System		Voyager					M2
Calculation of Salaries							outsourced
Amount of Purchase Invoices per year	14 000	12 000	30 000	20 000 -30 000	100 000	10 000 - 20 000	25 000 - 50 000
Percentage of Electronic Purchase Invoices	35 %	50 %	50 % (of administrative invoices)	20 %	15 %	80 %	19 -25 %
Percentage of Electronic Orders	60 %	85 %	most of the orders	0 %	no orders	90 %	0 %
Percentage of Electronic Sales Invoices	Most of the invoices	100 %	100 %	spare part invoices electronic, others manual	not so many invoices per year, only a few electronic invoices	80 %	0 %

	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Amount of employees in the financial administration (in Finland)	14	~ 10 in the SC 1-2 in the units (MA)	10	15	15	~ 10	~ 9,5
Employees in Management Accounting	2-3	1-2	1-2	2-2,5	5	Cannot be divided	~ 3
Financial Administration System	Decentralized	Centralized to service center in Finland, abroad decentralized	Centralized in Finland (no service center), abroad decentralized	Decentralized	Centralized to service center in Finland, abroad decentralized	Centralized in Finland (no service center), abroad decentralized	Centralized in Finland, abroad decentralized
Purchases	Annual orders, purchases accepted in the system beforehand	Accepted afterwards with the invoice	Raw material invoices manual, administrative related e-invoices, accepted beforehand	Orders accepted through production forecast beforehand, invoices manual, investments accepted separately	Purchases work performances, accepted afterwards, other purchases accepted within the purchase limits	Raw materials accepted through production forecasts, others within the purchase limits	Accepted beforehand through budget or production forecast, investments accepted separately beforehand
Reception of the Goods	Most of the goods received, only some of the administrative purchases not	Only raw materials, the administrative purchases not	Only raw materials, the administrative purchases not	Only raw materials, the administrative purchases not	All goods	Only raw materials, the administrative purchases not	Only raw materials, the administrative purchases not

|	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Scanning of the Purchase Invoices	All to Opus Capita, scanned in the company	All to eOffice or SAP, scanned in the company or by a subcontractor	Administrative invoices to Opus Capita, others paper invoices that handled manually, scanning options under construction	Administrative invoices to Basware, others in IFS, scanned in the company	All to Basware, scanned by Itella	Administrative invoices to Basware, others in Wise (EDI), scanned in the company	All to Basware, scanned in the company
Payment of the Purchase Onvoices	Every day	Every day	3 times per week	Every day	Every day, can be paid also separately	2 times per week	Once a week, can be paid also separately
Activities in different countries	Finland, Estonia, Latvia, Lithuania, Belarus	Finland, Sweden, Norway, Denmark, Poland, Holland, Belgium, Germany, England, France, USA, Canada, China, Japan, Malaysia	Finland, China, Estonia, Hungary	Finland, Sweden, Norway, France, England, USA, Brazil, Russia, Hongkong, China, Uruguay	Finland, Estonia, Latvia, Lithuania, Russia, Cyprus, Luxembourg, Holland	Finland, Brazil, China, Mexico, Poland, Estonia, Russia	Finland, China, Brazil, Italy

Appendix 2

HAASTATTELULOMAKE

Yleistä

1. Mikä on yrityksenne toiminta-ala? Myyttekö tuotteita, palveluita vai molempia? Onko toimintanne pääosin yritysten välistä kauppaa (B2B) vai yrityksen ja kuluttajan (B2C) välistä kauppaa? Onko yrityksellänne omaa tuotantolaitosta/tuotantolaitoksia?

2. Mikä on yrityksenne virallinen kieli?

3. Miten yrityksenne taloushallinto on järjestetty? Kuinka paljon yrityksessänne on henkilökuntaa taloushallinnon tehtävissä?

   a.) *Globaali palvelukeskus tai kansallinen/alueellinen palvelukeskus?*
   - Onko sisäinen laskenta osana palvelukeskusta?
   - Onko konsernilaskenta osana palvelukeskusta?
   - Paljonko palvelukeskuksessa on henkilökuntaa?

   b.) *Hajautettu? Millä tavalla?*

4. Onko yrityksessänne yhtenäiset/harmonisoidut taloushallinnon prosessit? Jos on, mitkä prosessit? Onko prosessit dokumentoitu?

5. Mitä taloushallinnon toiminnanohjausjärjestelmiä on yrityksellänne käytössä? Esim.

   a.) SAP?
   - Mitä moduleita on käytössä? (eli onko esimerkiksi myynti ja materiaalihallinto integroitu?)

   b.) Hyperion?
   c.) Basware?
   d.) Muita järjestelmiä?

Kysymykset esimerkkiprosesseista

6. **Prosessi 1: Purchase to pay**
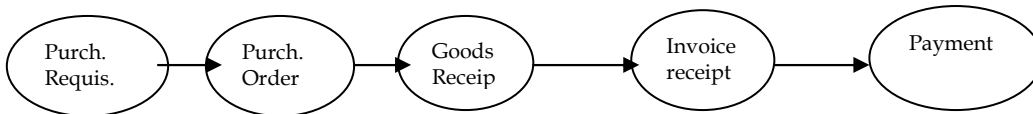
a.) Hyväksytäänkö osto etukäteen? Jos hyväksytään, tehdäänkö se järjestelmässä vai paperilla?

b.) Tehdäänkö kaikille tavaroille vastaanotto?

c.) Perustuuko laskunkirjaus tavaranvastaanottoon?

d.) Onko käytössä ostolaskujen sähköinen hyväksyntä-/kierrätysjärjestelmä? Jos on, mikä (Basware, SAP workflow, jne.)? Jos ei ole, miten laskut hyväksytään?

e.) Käytetäänkö ulkoista operaattoria ja miten (esim. Itella)?

f.) Miten paperilaskut käsitellään? Ei skannata, skannataan sisäisesti vai ulkoisesti?

g.) Mikä on e-laskutuksen prosenttiosuus kaikista ostolaskuista?

h.) Mikä on ostolaskujen lukumäärä vuodessa?

i.) Kuinka maksuliikenne on järjestetty? Hoidetaanko maksut yksittäis- vai joukkokäsittelyllä? Miten kommunikointi yrityksen ja pankin välillä on hoidettu? Mikä pankkiohjelma on käytössä?

7. **Prosessi 2: Order to cash**
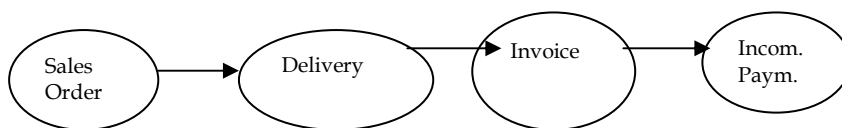
a.) Mikä on sähköisten myyntitilausten prosenttiosuus kokonaistilauksista?

b.) Lähetetäänkö myyntilaskut sähköisesti? Käytetäänkö ulkoista operaattoria ja miten (esim. Itella)?

c.) Kuinka sisääntuleva maksuliikenne on järjestetty? Miten kommunikointi yrityksen ja pankin välillä on hoidettu?

Tulevaisuus/trendit

8. Miten kuvailisitte yrityksenne taloushallintoa verrattuna taloushallinnon yleiseen tilaan Suomessa/maailmalla?

9. Onko tärkeää seurata taloushallinnon järjestelyissä tapahtuvia trendejä muissa yrityksissä? Vaikuttavatko ne taloushallinnon järjestämiseen omassa yrityksessänne?

10. Onko yrityksessänne suunnitteilla taloushallinnon kehityshankkeita? Millaisia?

11. Vaihtoehtona palvelukeskus?

   a.) Jos yrityksessänne **ei ole** taloushallinnon palvelukeskusta, onko palvelukeskuksen perustamista harkittu? Olisiko se lähtökohtaisesti yrityksen sisäinen vai ulkoinen? Vai siten, että osa prosesseista hoidetaan sisäisesti ja osa ulkoisesti?

   b.) Jos yrityksessänne **on** palvelukeskus, millä tavalla ja miksi yrityksenne päätyi perustamaan palvelukeskuksen? Mitkä ovat palvelukeskuksen vahvuudet verrattuna muihin taloushallinnon organisointitapoihin?

12. Vaihtoehtona ulkoistaminen?

   a.) Näettekö mahdollisena, että jokin/jotkin prosessit voitaisiin ulkoistaa? Mitä ulkoistaminen mielestänne vaatii yritykseltä?

   b.) Mikä taloushallinnon prosessi mielestänne sopii parhaiten ulkoistettavaksi?

   c.) Jos taloushallinto ulkoistetaan, onko maan/maanosan valinta oleellinen asia? Mitä mieltä olette offshore-ulkoistamisesta? Mikä maa olisi sopivin offshore-ulkoistamiseen (esimerkiksi Intia, Kiina vai Viro)?

   d.) Miten ulkoistaminen vaikuttaisi yrityksen talousinformaation läpinäkyvyyteen ja laatuun?

   e.) Luuletteko, että taloushallinnon kustannuksia voidaan lähitulevaisuudessa laskea? Millä tavoin? Laskeeko taloushallinnon ulkoistaminen mielestänne kustannuksia?