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The challenge of managing support functions in a complex organization

- A case study of how NCC manages their shared service center

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Abstract

A challenge large complex organizations are facing today is how to become more efficient. By having a shared service center (SSC) and thus concentrating the support functions within the organization, the producing units can instead focus on their core business. The purpose of this paper is to explore how to manage support functions in a decentralized organization. This will be investigated by studying what control types are used to manage a SSC. The control types will be followed by studying how the MCS reveal and manage tensions that have arise from the integration and coordination of activities. To explore this we have made an in-depth case of the SSC within the building company NCC. The MCS is mapped by using the framework of Merchant and Van der Stede (2012) that specifies result-, action-, personnel- and culture control. Further by using the framework by Busco et al. (2008) the following tensions are studied: centralization vs. decentralization of decision-making, convergence vs. differentiation of practices and vertical and lateral relationships.

By mapping the MCS it was found that results control is more prominent on a higher hierarchical level while action-, personnel- and cultural control are more used on an operational level. By studying the MCS for managing tensions, one finding regarding tensions is that a highly centralized SSC lead to dissatisfied customers. However with well functioning forums and meetings where customers are involved in the decision making process helps to manage the tension between centralization and decentralization. Another finding is that the level of convergence and differentiation is managed by SLA. By having a strong cultural control with personal relationships, the SLA can be outperformed and therefore is not enough to steer employees regarding convergence. A third finding is that employees can also be confused by having somewhat contradictory forces of control with efficient processes pointing at convergence and customer focus pointing more at differentiation. Here managers have a role to steer the employees in the right direction.

Keywords: shared service center, support functions, management control system, tensions, and complex organizations

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1 Introduction

In the 1990s, the rising global competition intensified the managers' challenges. It created a need to improve the organization's performance and to find more efficient ways to attain a competitive advantage (Baines and Langfield-Smith, 2003). In order for companies to survive in a competitive environment, it is crucial to always strive for improvement. Thus it is important for companies to focus on cost cutting, efficiency and effectiveness in order to survive and maintain their profitability (Wenderoth, 2011). Within the field of strategic management, understanding competitive advantage is a main focus area (Porter, 1985; Porter 1998).

The high competition on the market forces companies to increase their understanding of its strengths and weaknesses while improving their competence (Yeniyurt, 2003). The increasing complexity results in an increased need for companies to focus on its specialization. That companies understand that they cannot be world class in all their activities has resulted in a greater focus on core competence (Pagnoncelli, 1993; Sharpe, 1997). In order to utilize the expert competence and increase the focus on the core business within the organization, companies can adopt the shared service idea (Dibbern et al., 2004; Ulbrich, 2006).

A shared service center (SSC) can be defined as a separate unit within the organization where existing functions are concentrated and provided to the operational units within the organization (Janssen and Joha, 2006). The implementation of a SSC avoids duplications of functions since the different business units do not need to have their own support functions. Examples of support functions that commonly are placed in a SSC are IT-services, back-office processes and human resource functions (Wang and Wang, 2007).

When creating an SSC the company integrates and coordinates the services into a unit within the already existing organization. Integration and coordination issues are, because of its complexity, central in the research of global organizations (GO) (see for example Martinez and Jarillo, 1989). These issues are for example studied by Busco et al. (2008) who investigate how the units can be integrated to achieve global unity and at the same time allowing for local adaption. The process of integration and coordination of business units can in turn be characterized by several tensions: centralization vs. decentralization of decision-making, convergence vs. differentiation of practices and vertical vs. lateral relations (Busco et al., 2008). A SSC has for example centralizing elements with the advantage of increasing the efficiency at the same time as it also has the advantage of decentralization through customer focus (Triplett and Schuemann, 2000).

When studying the tensions, Busco et al. (2008) argue that the tensions can be managed through performance management systems (PMS). PMS communicates an organization's key objectives and can be seen as a foundational part of management control systems (MCS) (See for example Otley, 1999). Literature

focuses on studying the design of MCS to satisfy the whole organization, as well as allowing for local adaptation (see for example Barlett and Ghosal 1986, Dent 1996). To our knowledge, the empirical studies relating to how to manage a SSC is scarce. We therefore see the potential in exploring how to manage a SSC by investigating their use of a MCS. Since the creations of a SSC involve the integration of business units, we expect tensions to be present within the SSC. Therefore we extend our research by also investigating how the MCS in the SSC can reveal and manage tensions. This leads us to the following overarching question and sub questions:

Q: How to manage coordination of support functions in a decentralized organization?

Q₁: What control types are used to manage a SSC?

Q₂: How can the MCS reveal and manage tensions?

Scope

We will operationalize our research question by studying the SSC in NCC, which is a construction and property development company. The company is a highly complex and decentralized organization in the Nordic region. Further, the company has a SSC for internal use that started in a small scale in 2001. Our purpose of this study is to investigate how the SSC is managed and how MCS reveal and manage tensions created by coordination of the functions. In order to gain thorough understanding of how support functions are organized in their SSC, we have conducted a qualitative study with 21 semi-structured interviews, covering both employees working in the SSC and customers to the SSC. The interviewed employees within the SSC are represented through all different hierarchical levels.

Outline

The paper consists of five main sections and will proceed as follows. The next section will cover the previous literature within the area. This in order for the reader to gain a better understanding of our research. The previous research section will concern SSC specific literature, tensions presented by Busco et al. (2008) and finally also the Merchant and Van der Stede's (2012) framework that will be used for studying the MCS.

The introduction section will be followed by the methodology, which discusses the reasons for choosing the case company NCC. The methodology section will also consider which implications the chosen methodical approach has on the quality of the study.

Thereafter the empirical section will present empirical data. First we will present a general introduction to our company. The empirical section will mainly be based on the material gathered during the interviews and thus focusing on the case company's SSC unit and customers to the SSC. The latter part is structured after the organizational structure of the SSC and then we have added the customer perspective.

The empirical findings will be followed by the analysis where we will elaborate on our chosen theoretical frameworks by Merchant and Van der Stede (2012) and Busco et al. (2008). Merchant and Van der Stede (2012) will help us mapping the MCS of the SSC while Busco et al. (2008) will guide us in the different tensions arising from coordination of functions.

The final section, conclusion, will summarize the conclusions.

2 Previous research: SSC and tensions from coordination

The following section will present previous research closely related to our research topic. This is done in order to guide the reader and to present what research has been performed within the studied area. The section is divided into three main areas. The first part considers the SSC literature, which in turn is divided into the three areas: why create a SSC, implementation and managing a SSC (See Figure 1).

Exploring the SSC literature lead to the identification of conflicting forces like centralization vs. decentralization decision making, standardization vs. differentiation of practices and vertical vs. lateral relations. Thus, after the SSC section, will present the framework by Busco et al. (2008) who discuss the tensions created by integration in global organizations. In order to see how the SSC in our case company manages the tensions outlined by Busco et al. (2008), we will firstly map the MCS in our case company. We do this in order to investigate whether the tensions are managed by their MCS.

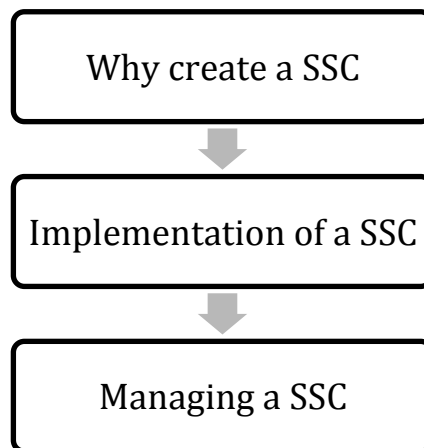


Figure 1. Mapping of previous research literature within SSC field

2.1 Shared service centers: centralization of support functions

There are often discussions whether companies should use a decentralized or centralized structure. The idea of SSC combines the advantages of both these structures, while it avoids their drawbacks (Bergeron, 2003; Janssen and Joha, 2004; Janssen and Joha, 2006; Ulbrich, 2010). This comes from that the SSC combines the leverage and efficiency of centralization with the greater customer focus from the decentralization (Triplett and Schuemann, 2000). Furthermore, a

centralized structure results in avoidance of duplication of activities, while decentralization simultaneously contribute to remaining the responsibility of the local business (Janssen and Joha 2006).

2.1.1 Why create a SSC: main reason to achieve cost savings

Several studies within the SSC field have investigated the reasons for introducing a SSC. A number of studies argue that cost reduction is the main driver (Davis, 2005; Niehaves and Krause, 2010; Schultz and Brenner, 2010). Additionally, Niehaves and Krause (2010) state that this is the only motive and if other motives exist, they only play a subordinated role. Redman et al. (2007) agree with cost reduction as an important motive, but argue that the need of organizational change is the main factor influencing the creation of a SSC. Furthermore, Janssen and Joha (2006) also agree with e.g. Niehaves and Krause (2010) with cost reduction as a motive. However, in contrast to these authors, Janssen and Joha (2006) also found that other motives are also important. They have also mentioned the increase in productivity, synergies, higher service levels and standardization of processes.

When studying motives for the introduction of shared services, Reilly (2000) found that there were especially three drivers. Like the previous mentioned authors, Reilly (2000) also found reduction of costs as a driver. This cost reduction could be achieved by cutting the number of staff, increasing efficiency and reducing accommodation charges. Apart from the cost reduction he also identified the improvement of quality, which could be linked to Janssen and Joha (2006) who argued in favor for the motive of higher service levels. According to Reilly (2000), the service could be improved by for instance using better processes and being aware of the best external and internal practices. The third and last driver presented was the organizational change, which in turn can be divided into four parts. These organizational reasons for change came from better organizational learning, achieving higher structural flexibility, delegation of responsibility and repositioning in order to become more strategic. However, the main driver differed between organizations (Reilly, 2000).

To summarize, all the authors agreed that reduction of costs is a motive for the introduction of SSC. Nevertheless, it was different opinion of whether it is the main driver or not. Another relatively frequent mentioned motive is improvement of quality.

2.1.2 Implementation of a SSC: consider soft factors

Implementing a SSC is an extensive organizational change and thereby several articles about SSC have particularly focused on change management issues. Janssen and Joha (2006, p. 104) express that: "The introduction of a SSC is a critical decision on a strategic level. It implies a long-term decision with significant complexity and risks." Due to the complexity there are several factors to consider in the implementation phase. Therefore researchers have aimed at finding important factors to consider in order obtaining full benefit of cost reduction and information sharing. Wenderoth (2011) highlight the importance of change management. He performed a survey followed by a regression based on critical success factors of a SSC mentioned in all areas of the SSC literature. The most important factor came out to be change management, which is

connected to the implementation phase. Therefore the implementation phase could be seen as critical for the outcome of the SSC.

Within the implementation phase, several researchers have emphasized the importance of soft factors (see for example Bangemann, 2005; Janssen and Joha, 2004; Ulbrich, 2006; Walsh and McGregor, 2008). Soft factors emphasize people and culture rather than structure and processes. Ulbrich (2010) concluded that process, people, and policies had a mutual impact and influence on the adoption of the shared-services idea. Also changing of policies is important in order to facilitate change. He continued to argue that people often like the thought of change but when it comes to changing themselves they are not as positive any more, even if it is in the best interest for the organization as a whole.

Ulbrich (2006) presents six lessons from business process reengineering (BPR)¹ that can be helpful for the implementation of shared services:

1. *Management has to be committed to the changes* (see also for example Bangemann, 2005; Cecil, 2000; Walsh and McGregor, 2008). Without the support from top management the implementation will be more difficult and more time consuming.
2. Many projects failed because of the resistance in the organization and therefore it is important to *anchor the changes in the organization*. There is a need to assure that all affected employees are considered (see also Walsh and McGregor 2008).
3. Even though it can be tempting to have extraordinary goals, it is important to have *realistic expectations* of the projects. To have reasonable expectations will also enhance the employees' motivation (see also Cecil, 2000).
4. To have *focus on relevance* and *not only on performance*. Do not create automation of process without thinking of how they can be changed or adapted to better fit in with the organizations needs.
5. Furthermore, you should *not have too much focus on technology* and overestimate its effect. Technology is only a small part of the change project and it should support the organization and not be a central issue (see also Bangemann, 2005).
6. Finally, all companies are different and there is not one solution fits all. Therefore you should *not follow the literature blindly* but instead adjust the concept to the company's preconditions.

Walsh and McGregor (2008) have identified factors contributing to the implementation success by studying what other researchers have found and then grouped them together. In line with Ulbrich (2006), these authors also found the importance of top management support. Furthermore, they also found that one should focus on determining which services should be included and to ensure effective governance arrangement. They also saw the advantages of creating a new culture when implementing an SSC. Apart from the previously

¹ BPR "is a methodological collective term for activities that intend to achieve organizational change by process orientation, namely, by radically reengineering an organization's existing collective and regulative knowledge" (Ulbrich, 2006). BPR and SSC both focus on processes and are customer-oriented when doing change activities (Ulbrich, 2006).

mentioned factors, Bangemann (2005) also found that it is important to recruit appropriate employees and to communicate the project goals.

The decision to implement a SSC requires a redesign of the organization. Wang and Wang (2007) have designed a shared service model for mapping the challenges organizations are facing when deciding to implement shared services. The model is built on five recognized organizational design theories, looked at from a shared service perspective in order to see what best fits. They came up with the following requirements to be the characteristics of shared services: *strategy of shared services, collaborative partnership network design, optimal service process design, and policy and regulation design*. Further, Wang and Wang (2007) argue that organizational design is a continuous process.

2.1.3 Managing a SSC involves a focus on costs

Once the SSC has been implemented, it is important for the company to maintain continuous improvement and to work with how to manage the SSC. In this part we will present the literature view regarding how to manage a SSC. The increased number of SSCs has resulted in a growing concern of its management (Janssen and Joha, 2004). Davis (2005) is one of the authors who have examined how to manage a SSC (See table 1). He argued that the directors of the center have two main purposes for the SSC's on-going operations. Firstly, the SSC should continue to be aligned with the company's strategic needs. Secondly, it should also serve its customers. Furthermore, Davis (2005) also presented the importance of service level agreement (SLA), which is a written contract that specified the service the SSC provide it customers, its cost and how it will be measured. Furthermore, he also emphasized the importance to focus on costs when managing the operations. To request feedback from the customers is also mentioned and its information can be used for improving processes and reducing cost. Companies can also provide incentives to lower these costs by linking the SSC's performance metrics to the staff's compensation.

<ul style="list-style-type: none">(i) Align the SSC with the strategic needs of the MNC(ii) Research internal customer needs(iii) Sign service level agreements (SLAs) with subsidiaries(iv) Charge back fully-loaded costs to subsidiaries(v) Fund and self-sustain the SSC through internal charges(vi) Obtain internal customer feedback(vii) Continuously improve processes and lower their costs(viii) Tie SSC compensation to measured improvements in performance

Table 1. Managing the operations of a SSC. Source: Davis (2005)

Moreover, the SSC literature argued for the importance of cost management in order to become successful (See for example Muras et al., 2000; Triplett and Schuemann, 2000). It is important to understand what factors resulted in costs in the operations, how much the customers paid for the service and how much it is compared to others (Triplett and Schuemann, 2000; Walsh and McGregor, 2008). In order for SSCs to answer these questions and become successful, they should use activity-based management (ABM) (Triplett and Schuemann, 2000). In order to develop the activity-based framework, companies should go through

three phases. The first phase, *initial model building effort*, included the actions of identifying the activities, the time spend on them, their link to the costs and customers' opinion about the services provided. This will give the company the opportunity to recognize "which services, for which customers, required us to perform which activities" (Triplett and Schuemann, 2000, p. 43). Step two, *customer education and service level review process*, implied that when the model is build, the SSC could use the gathered information to communicate with their customers. Another important factor for the SSC's operations is the use of SLA, which should be used in the basis for discussions with the customers (Davis, 2005; Triplett and Schuemann, 2000; Walsh and McGregor, 2008). Finally, the third phase with *on-going maintenance and use of the framework* is related to the three key factors for the on-going process. In order to reduce costs, it is important to focus on continuous improvement. Through benchmarking, comparison with external SSCs can generate new ideas for improvement. The SSC should also focus on maintaining the SLA and periodically review these service agreements. However, to apply it is very resource- and time consuming and it can also be considerably complex. Thus, the framework is recommended to use after two to four years of operations when the SSC has reached stability (Triplett and Schuemann, 2000).

Walsh and McGregor (2008) also argued for the need of good monitoring systems and performance management since it will give the opportunity for continuous improvements by the possibility to adopt best practice. They further argued for the importance of for example accountability issues. When a unit handed over the activities to a shared service organization, it did not mean that the management of the unit abdicated from the responsibilities. They still have responsibility in form of managing the relationship with the shared service partner.

Ulrich (1995) emphasized that the focus of shared services should be on process rather than function. He also stressed the focus on teamwork instead of the individual work. He mentioned measures of importance for the success of shared services. The *customer value* can be evaluated by different indicators of customer satisfaction, which can be gathered by surveys, interviews, focus groups, and data from managers about the quality of the work. Forst (1997) highlighted the need for managers to be aware of how satisfied their customers are and what features the customers found most important. With the move to shared services, the customers did not know what services would need to be provided. In order to accelerate the education process, the article suggested interaction in management groups instead of individual customers. This will enable the customers to have a dialogue and together produce answers about what services they need. In accordance with for example Triplett and Schuemann (2000), Ulrich (1995) also mentioned the importance of reducing costs and the reduction of cycle time.

2.1.4 Summary of SSC previous research

Figure 3 below summarizes the findings from this section of presented SSC literature. The most frequently mentioned motive for creating a SSC is cost reduction followed by quality. For the implementation phase it was found that

change management and especially focus on soft factors should be emphasized. Also support from top management was seen as a central aspect. When managing an SSC it was identified that it is important for managers to have a cost focus and to sign a SLA with the customers. Furthermore, the improvement of processes was also frequently mentioned together with the focus on customers. This paper investigates how a SSC is managed and thus we will emphasize the managing aspects a bit extra. The cost reduction and the need of good processes were also emphasized in the other parts of the SSC literature.

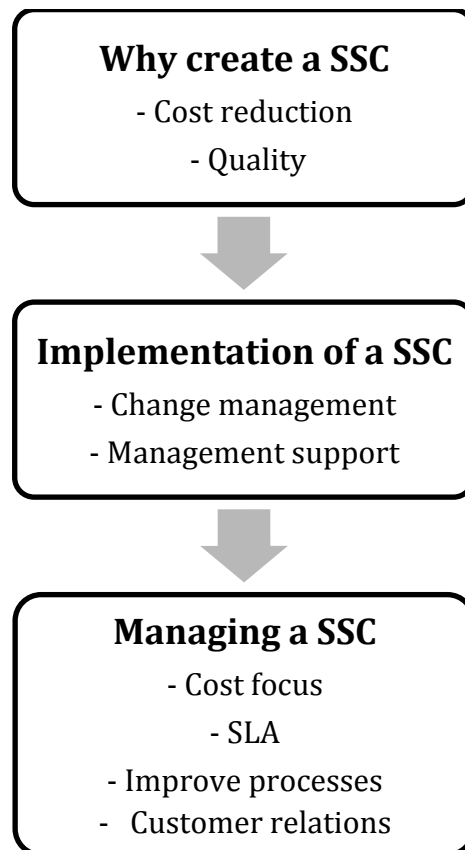


Figure 2. Summary of previous research findings within the chosen fields of SSC literature

As mentioned previously, SSC involves both the features of centralization and decentralization. It enables to get the efficiency of centralization and the customer focus from a decentralized structure. Furthermore, the literature raised the opportunity for SSCs to standardize their processes, which also could be linked to the improvement of processes. As mentioned it is also important with the top management's involvement and the SSC's focus on its relationships with its customers. Busto et al. (2008) mentioned these features in their paper and presented the tensions of centralization vs. decentralization decision-making, convergence vs. differentiation of practices and vertical vs. lateral relations. Since we can see indications of these forces in the SSC we found it interesting to look deeper into the presence of these tensions. Thus, we will below present the framework by Busco et al. (2008) and their view of tensions.

2.2 Frameworks

2.2.1 Applying Busco

Global organizations are described as being complex and heterogenic (Busco et al., 2008). According to research literature, these characteristics have resulted in focus on coordination and integration. These issues have become even more critical due to increased geographical spread, nationality and size of global organizations (Busco et al., 2008; Roth and Kostova, 2003). Multinational companies must “respond to a complex set of factors such as the diverse nationalities of employees, floating exchange rates, geographically imposed problems of communication and so forth” (Chang and Taylor, 1999, p. 521-542).

Devinney et al. (2000) mentioned that global organizations face the challenge of adapting to both local processes and global strategies. There is a significant part of the multinational corporation literature that touched upon the subject of tensions. Busco et al. have in their paper focused on the three tensions, which have been individually identified in literature. Several authors have studied the tensions of vertical vs. lateral relations (Van der Meer-Kooistra and Scapens, 2008), convergence vs. differentiation of practices (Busco et al., 2006) and centralization vs. decentralization of decision-making (Quattrone and Hopper, 2005) individually.

A large part of the research on tensions related to how to resolve tensions (Busco et al., 2008; Roth and Kostova, 2003). However, Busco et al. (2008) argued “instead of treating them [tensions] as paradoxes, which needs to be resolved, we argue that they are inevitable and have to be managed through processes of integration within GOs” (Busco et al., 2008, p. 105). The paper studied Nestlé Waters and explored how performance management systems (PMS) can help in managing the tensions arising from integration of business units in a multinational company (MNC). PMS is defined as practices that support planning-, decision-making- and control processes. Further, integration was described as effective collaboration among the entities, which is needed for local adaption, flexibility and differentiation and at the same time achieve global unity of effort. The three tensions centralization vs. decentralization of decision making, convergence vs. differentiation of practices and vertical vs. lateral relations presented by Busco et al.’s (2008) will be described in more detail below.

Centralization vs. decentralization of authority: understanding local needs

Busco et al (2008) defined the centralization vs. decentralization as the degree of authority of decision-making that is delegated to the peripheries (subsidiaries) from center (headquarter). In other words, it is related to the delegation of task responsibility to the roles within the organization and also how order is created. Furthermore they argued that decentralization is needed for adaption to local conditions and coordination while centralization is necessary for the organization to leverage its competitive advantage. It has traditionally been assumed that the level of decentralization and centralization can be decided upon in advance of action. Quattrone and Hopper (2005)

analyzed the dilemma of centralization vs. decentralization of decision-making and role of PMS in managing this tension. Compared to the traditional view, Quattrone and Hopper (2005) argued that this is not a correct way of presenting how order and hierarchy are achieved. They mentioned that power relations are complex and that its development can result in the emergence of multiple centers of power. This is reliant on how distance is created between the subsidiaries and headquarters. Distance can in turn be represented in form of space and time.

Convergence vs. differentiation: adapting to local practices

In a global organization, there are conflicts between practices of culturally diverse groups since the varying cultural and individual backgrounds will effect the perception and reaction of certain issues (Kilduff, 1992). The conflicts can be problematic in form of increased communication costs, coordination, and interference with efficient knowledge transfer (Chow et al., 1999). There is a need of convergence of common practices that enables knowledge transfer and communication in order to achieve coordination. By negotiations in the various units or by transferring the practices of the parent to the subsidiaries, convergence can be created (Busco et al., 2008). Busco et al. (2006) mentioned that there might also be a need of having local practices because of different business and national culture. The article presented the issue of convergence vs. differentiation of practices. By studying the integration of an Italian company into global General Electric, they explored how PMS can be used in order to integrate local practices and cultures in a global organization. They found that important local features persisted, at the same time, as there was convergence since it was complemented by global elements like language of measurement and accountability (Busco et al., 2006).

Convergence indicated that there was an increasing similarity of practices across national boundaries. By standardization and integration, organizations can have higher cost savings. However, through differentiation, the cultural differences affecting the local procedures would be preserved. Busco et al. (2008) argued that there is a need for convergence and divergence to cooperate in order to support both local processes and global strategies. "The tensions between the local environments in which subsidiaries operate and the relational context within the global organizations are likely to require both convergence and differentiation of management practices" (Busco et al., 2008, p. 106).

Vertical vs. lateral relations: enabling of information sharing

The vertical and lateral relations concerned the relationships between headquarter and subsidiary and the relationships between subsidiaries. The level of control applied by headquarters over the subsidiaries (vertical relation), is often seen as a key integrating mechanism (Busco et al., 2008). A clear superior-subordinate relation characterized the vertical relationship and is defined by the degree of centralization vs. decentralization of decision-making. The relational context between the parent and the subsidiaries is important, since it will affect the subsidiaries' perception and interpretation of the home country's pressure (Roth and Kostova, 2002).

These vertical relations between headquarter and subsidiaries are combined with the lateral relations between subsidiaries. Because of the spread of authority and power, there is an increased importance of these lateral relationships but there can be a risk with relying on others when there is no direct control (Busco et al., 2008). Van der Meer-Kooistra and Scapens (2008) focused on the lateral relationships between parties that are independent and, in a hierarchical sense, relatively equal and works under complex conditions. Autonomy cannot be fully unrestrained in lateral relations but the minimal structure should give the lateral parties the possibility to share information, exchange knowledge and act in a flexible way. The authors mentioned a need of having both firmness and flexibility and thus have a balance between structure and autonomy. They also stated that the absence of formal authority in lateral relationships creates informal control mechanisms in terms of trust and knowledge sharing (Van der Meer-Kooistra and Scapens, 2008). Dent (1987) argued that lateral relations can lead to communication between the units and this will in turn assist in the sharing of ideas, knowledge and resources. Well-functioning lateral relations can have a beneficial influence on the transfer of knowledge and the relations can foster the sharing of ideas, knowledge and resources. According to Tsai (2002), the willingness of sharing knowledge with each other can also be decreased by the control exercised by the headquarter. There is often a need to promote lateral relations through agreements and internal structures (Coad and Cullen, 2006).

Furthermore, Busco et al. (2008) argued that organizations with strong relations between headquarters and subsidiaries would have information flows that are primarily driven vertically. Furthermore, the coordination within these organizations is accomplished through mediation of headquarter. When lateral ties are not encouraged, subunits can be less willing to laterally share information. However, there is more direct contact among subunits in decentralized organization with more spread of authority and power and where the information flow is not entirely through headquarters (Busco et al., 2008). It is important to consider both the lateral relations among the units and the vertical relationships between the center and the units in order to understand the process of integration in a global organization (Busco et al., 2008).

Summary tensions

As mentioned previously, a SSC has features of these contradicting forces. It is characterized by the efficiency of centralization and the customer focus of decentralization. The standardization within SSC could increase the efficiency of the processes. Furthermore, the support from top management and the relationship with the customers could be connected to the vertical and lateral relationship. The managing of the tensions centralization vs. decentralization decision-making, convergence vs. differentiation of practices and vertical vs. lateral relations in a SSC will be discussed based on Busco et al. (2008). In order to study how these tensions are revealed and managed there is a need to map the MCS of the SSC according to Merchant and Van der Stede's (2012) four control areas. These control areas will now be presented in more detail.

2.2.2 Management Control system

There is a wide range of definitions of what a MCS is (see for example Chenhall, 2003; Merchant and Van der Stede, 2012; Otley and Berry, 1980; Simons, 1995a). The definition this study will use is according to Merchant & Van der Stede (2012, p. 6) classification:

“Management control includes all the devices or system managers use to ensure that the behaviors and decisions of their employees are consistent with the organization’s objectives and strategies”

Merchant and Van der Stede (2012) has a narrow view, which is focused on management control of peoples behaviors compared to for example Chenhall (2003) who included more strategic control in addition to behavioral control. “Sometimes employees act in their own personal interest at the expense of their organization’s interest” (Merchant and Van der Stede, 2012, p.10). This could be explained by that they are unwilling or unable to perform the task. Therefore control mechanisms have to be in place in order to guide the employees and to avoid these problems. According to Merchant and Van der Stede (2012) there are three main causes why there should be management control: lack of direction, motivational problems and personal limitations.

2.2.3 Merchant’s MCS: four perspectives on control

Merchant and Van der Stede (2012) presented four areas of control, which focused on result (results control), actions (action control) and finally the employees norms and values (personnel and cultural control) (see figure 2).

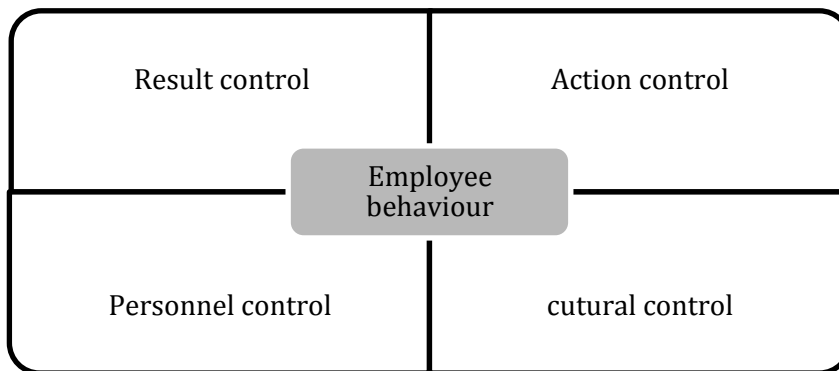


Figure 3. Overview Merchant and Van der Stede’s (2012) control areas.

Results control

According to Merchant and Van der Stede (2012), results control is about affecting the outcome of the employees’ actions. It is an indirect form of control since it is not concerned about the actions or decisions taken. Furthermore they argued that the most efficient way to influence people is often regarded as pay-for-performance. This is also the most common form of *results control* since it includes a reward for generating good result (Merchant and Van der Stede, 2012). In order to best motivate, the organizations should use performance targets in combination with monetary rewards (Bonner and Sprinkle, 2002). However, to design this can be difficult since the goals needed to be moderate in order to be efficient (Bonner and Sprinkle, 2002). Furthermore, the rewards can

also be non-monetary (Bonner and Sprinkle, 2002; Merchant and Van der Stede, 2012). It can for example be job security, promotions, autonomy, plum assignments, and recognition. Results control can also include punishment if the employees fail to achieve the desired goals (Merchant and Van der Stede, 2012). One effect of results control is the creating of *meritocracies*, which means the talented and hard working employees are most rewarded instead of the length of employment. The results control suits best when the desired results can be clearly defined and is within the employee's control. Results controls are most prominent in positions with decision authority involved (Merchant and Van der Stede, 2012).

Results control can be used in different ways to overcome all three problems that a MCS would like to address. Lack of direction can be addressed by clear objectives so employees know what is expected from them. Motivational comes from a desire to perform the objective and to get the reward. Finally, the presence of performance-based rewards often draws attention to employees knowing their limitations (Merchant and Van der Stede, 2012).

Action control

Action control is a direct form of control and included to ensure the employees are taking actions in the best for the company. There are four basic types of action control (Merchant and Van der Stede, 2012):

1) Behavioral constraints

This is about constraining the employees to not take undesirable actions and it consisted of both physical and administratively constraints. The physical constraints could exist in the form of passwords, locks and limited access to areas. The administratively constraints on the other hand could be a limit of decision-making or separation of duties and is often used for the internal control Merchant. Middle managers could play an important role in internal control such as separation of duties (Simons, 1995b).

2) Preaction review

This type of control referred to that a reviewer has to accept a certain task before it can be finalized (Merchant, 2012). It could include for example approval of capital budget (Reis and Picard, 2002).

3) Action accountability

Action accountability is about the employees being responsible for their own actions (Merchant and Van der Stede, 2012). The actions taken will be improved if the employee is responsible for its actions (Robert, 1991). This type of control requires that the accepted and unaccepted actions are defined, communicated, observed and rewarded or punished (Merchant and Van der Stede, 2012).

4) Redundancy

This type of control referred to having more employees than necessary for a certain task or at least having backups available.

Effectiveness of action control is greatest when there is knowledge of what is (un)desired actions and when there is a possibility to certify that these actions (do not) occur. Merchant and Van der Stede's (2012) action control is complemented by interactive control that is one of Simons's (1995a) levers of control. The interactive processes have the purpose to discuss the action plans

(Mundy, 2010) and it includes promoting and provoking discussion to facilitate learning (Simons, 1995a). In order for this control system to work, it is important that the parties have regular face-to-face contact (Simons, 1995a). Frow et al. (2005) in turn mentioned that face-to-face meetings could facilitate discussion and problem solving. It is important to use interactive control in the whole organization and not only on a management level (Simons, 1995a).

Due to the difficulty to use action control perfectly, it is often complemented with personnel and cultural control. This is emphasized by a number of researchers (see for example Glamholtz, 1983). Glamholtz (1983) pinpointed the importance of linking the different control areas in order to achieve desired outcome, while a lack of linking can lead to contradictive directives.

Personnel control and Cultural control

There are three reasons for having personnel control: clarifying expectations, ensuring that the employees have the capabilities and resources needed to perform well and to make sure employees get more motivated and feel committed. According to Merchant and Van der Stede (2012), personnel control is based on the assumption that most employees want to control and motivate them. This control area involves for example selection of employees in the recruitment process (Merchant and Van der Stede, 2012). Another central element of personnel control is training in order to keep up the motivation. Furthermore, in the recruitment process the people who have appropriate training are employed (Abernethy and Brownell, 1997). Another element is to have a job design allowing hard working and well performing employees to be able to develop and get promoted (Merchant and Van der Stede, 2012).

The final control area is cultural control, which involved the influence group norms and values have on employees. These shared values and norms effected the employees' actions and thoughts (Flamholtz et al., 1985). The strongest control is within groups who share social or emotional ties (Merchant, 2012). Cultural control can consist of for example code of conduct, group rewards, employee rotation, tone at the top and social arrangements (Merchant and Van der Stede, 2012). Jansen et al. (2009) concluded that different cultures could have different opinions on both preferences and design of incentive systems. Simons (1995b) talked about belief systems, which is in line with what Merchant and Van der Stede's (2012) cultural control. Simons (1995a) said that normally the belief system is designed broad in order to appeal all different positions within a company. Belief systems could also help employees finding creativity and thus develop value in new ways.

Personnel and cultural control can as a combo achieve the objectives of a MCS. Lack of direction is counteracted with for example hiring skilled employees or by providing training. A strong culture or recruitment of motivated employees can overcome motivational problems. And personal limitations can be minimized by for example training or by getting the right tools needed. (Merchant and Van der Stede, 2012)

A strong culture and personnel control can be more efficient than results control and action control and at the same time it often costs less. But there can be a disadvantage with a strong culture if the organization needs to undergo changes. In order to steer by only personnel and cultural control, the employees have to know what is expected from them and whether the expectations are achievable. To have access to all necessities needed from the organizations systems and structure and are by themselves motivated. This is rarely the case and thus actions control or results controls are also needed. (Merchant and Van der Stede, 2012)

2.3 Contribution to knowledge

To the best of our knowledge, there are mainly normative studies within the SSC literature of how to manage a SSC. This study aims to add to knowledge how it is done in practice.

Traditionally, studies have focused on how to resolve and removed tensions and therefore Busco et al. (2008) contributed by looking at how to manage tensions which has not been studied in the same extent. Further, Busco et al. (2008) added about the role of PMS in managing the tensions in the integration of business units within global organizations. We therefore aim at using Busco et al.'s (2008) framework to further investigate how a management control system can reveal and manage tensions.

3 Methodology: case study

In this section we will present the methodology used in this thesis and also motivate the reasons for choosing it. This is important since it gives the reader the means to evaluate the validity and reliability of the study. The section will start with a discussion about the research approach. It will be followed up with the selection of our case company NCC. We have studied their SSC from different perspectives in order to grasp a wider picture. Thereafter our research process will be explained and discussed. Finally we will discuss the data collection and the general quality of our research study.

3.1 Research approach: exploration through an in-depth case study

In order to fulfill the purpose of this thesis, we have chosen to adopt a qualitative single in-depth case study. Organizational operations are affected by social constructions and by using a qualitative approach will take the reality of organizational life into account (Parker, 2012). We have chosen to do a case study since the three conditions for this research method are fulfilled. Firstly the research question is based on "how" or "why". Secondly, the investigators do not have control over the events and thirdly, the investigators focus on a contemporary phenomenon in a real-life situation (Yin, 2009). This study aims to explore *how* a complex organization *manages* their support functions. Based on this explanatory context and the importance of social construction in a SSC, it appears appropriate to use a case study as research method.

Furthermore, we have chosen a case study in form of an in-depth study. This since it is argued that performing an in-depth case study is appropriate for

understanding the interaction between the phenomenon and its context (Dubois and Gadde, 2002). We have also chosen to do one single study rather than focusing on several cases. This choice is also supported by the argument of Dubois and Gadde (2002). They argued that the natural choice would be to do a single case study and go deeper into the case when research is directed to the analysis of “a number of interdependent variables in complex structures” (Dubois and Gadde, 2002, p. 558). This corresponds to our study and it would be appropriate to do a single in-depth case study in order to understand the complex organization.

3.2 Systematic combining: unexpected but related issues

Systematic combining refers to that the case study process might not be a linear process (Dubois and Gadde, 2002). The reason is that the research process handles interrelatedness among elements. As a result the findings could result in the discovery of related but unexpected issues. These issues could be subject for a redirection of the theoretical framework, which corresponds with this study. We have, during the interview period, reviewed the questions and developed them further to cover new interesting issues. Thereby we have adjusted the focus during the interviews to the new data. For example, we started by mapping the management control system within the SSC and found that there are several challenges in the management control system related to tensions in a MNC, which would be interesting to study in more detail. Therefore we extended our literature study to also include tensions.

3.3 Selection of case: a complex and decentralized organization

Our case company NCC operates within the building industry and mainly in Sweden, Norway, Finland and Denmark² (Annual report 2011). Even though the company is present in relatively few countries it still has a high level of complexity (Manager NBS). To operate across markets and nations results in challenges, which is more diverse than a domestic firm. The author argues that a MNC is an entity that is important for academic studies (Egelhoff, 1991). The organization has operations in several countries however it has its majority of operations in Sweden (Annual report 2011). With the organization’s highly decentralization, differences in businesses between the business areas and for example the language difficulties that follow the geographical spread, the organization still has a high complexity that could be recognized in a more geographically spread organization.

In the previous research it was found that the research mainly reflects the reasons for creating SSC and the process for implementing it. In order to study the managing of a SSC there is a need that the SSC has been established and already experienced the implementation process. NCC started their SSC in 2001 and started the incorporation of the other Nordic companies in 2006. The organization is thus believed to have gone through the main implementation phase. After this, new challenges arise regarding the managing of the new operations.

² Other countries they are present in with lower revenues are Germany, S:t Petersburg and the Baltic states. (Annual report 2011, p.14)

We have chosen a framework of Merchant and Van der Stede's (2012) for mapping the existing management control system. This is done in order to investigate how different tensions created by coordination in a global organization are handled by the SSC. For the latter we will use Busco et al.'s (2008) three dimensions of tensions.

3.4 Data collection: mainly semi-structured interviews

3.4.1 Semi structured interviews

We have in our study used interviews as the main data source, which is supported by Qu and Dumay (2011) who mentioned that interviews is the most essential method of collecting qualitative data. We have conducted 21 semi-structured deep-interviews where one of these interviews was part of the pre-study. This interview was held with the Manager of General accounting (GA) in the SSC. The pre-study interview was performed with the purpose of gathering information and to get an understanding of the organization and the SSC before starting with the rest of the interviews.

Furthermore, we have in line with Eisenhardt and Graebner (2007) conducted interviews with organizational actors from different hierarchical levels and functional areas. This approach is used in order to view the phenomena from diverse perspectives. We have conducted interviews within NCC's SSC, which is called NCC business services (NBS). The 21 interviews included the Managers of NBS, Business Control and Strategy, communication and NBS Support. All Managers for the three producing units GA, Accounts payable (AP) and Accounts receivable (AR) were interviewed as well as the Manager of the support unit Business development (BD). In order to get a deeper understanding of the business we focused on two of the units within NBS for further interviews with operational employees. The choice of concentrating on GA and AP was made based on the differences between the units regarding complexity of processes, organizational structure and form of services provided.

Within AP and GA we in addition to the manager of the unit, also interviewed four operating staff within GA and three within AP, where two respectively one were subunit leader. Apart from staff within NBS we also interviewed two³ from the NBS board and five customers. In order to get a wider perspective, all business areas were represented by the customers.

The first selection of interviewees was based on discussions with our main contact person in NBS. Other selections were made based on the contacts from interviews and our suggestions based on interviews and organizational schedule.

The interviews conducted were semi-structured and the prepared interview-templates were not strictly followed but more used as a checklist. The interview questions were based on management control literature and SSC literature. In line with Qu and Dumay (2011), the interview guide consisted of broad themes in order to direct the conversation towards the most interesting issues. The

³ The manager of NBS is also a representative in NBS board.

empirical findings were discussed after each interview and if needed, the interview templates or area of focus were adjusted. The interviews lasted between 1 to 1.5 hours and we continually asked questions like “could you elaborate on that” in order to get richer information. All the interviews were held face-to-face and this made it possible for us to observe body language and facial expression. These were analyzed together with the information. To meet face-to-face also made it easier to establish an environment of trust, which according to Qu and Dumay (2011) is important in order to get the interviewee to talk freely. The interviews were recorded at the same time as one of us took notes. All interviewees gave their consent to the recording and it was clearly explained that it was only for our own purpose and use.

In addition to the structured interviews we also had, in line with Fidel (1984), conversations in a more informal environment, such as lunch after the interview. This gave us the opportunity to gain information under a more causal conversation.

3.4.2 Direct observations, physical artifacts and documents

It is important to also use other sources of data (Eisenhardt and Graebner, 2007; Yin, 2009) in addition to interviews and casual conversations. The interviews were complemented with information from other sources such as observations, physical artifacts and documents. With the permission of moving freely in the premises of NBS between the interviews, we have been able to observe the behavior of the staff like for example conversations at the coffee machine. Other examples of observations are pictures and messages placed on the walls, which helps us understand the answers from the interviews.

We were also given access to internal documents like for example KPI report, instructions for the manager of NBS, superusers, customer council and guidelines for NBS board. Furthermore, we have also used publicly available information in form of press releases, annual reports and other information from the company’s official website.

3.5 Data analysis

The analysis of the data has its foundation in the six practices recommended by Miles and Huberman (1994): (i) code notes from interviews and observations, (ii) write down reflections continuously, (iii) search after patterns and discrepancies in the data, (iv) isolate patterns, commonalities and differences to facilitate further data collection (v) elaborate on generalizations found in the data, and (vi) confront these generalizations with established knowledge, i.e theories. In order to further guide us in the data collection, the data has continuously been reviewed. By discussed the gained information there was an opportunity to adjust the interview questions or area of focus. After the interviews were transcribed, we coded the data based on management control literature. Our frameworks established the base for how the analysis is structured. When we had completed the coding, the findings were discussed in order to establish whether there were contradictory findings or if there were in line with theory.

3.6 Quality of the study to enhance transparency

In this section we assist the reader in evaluating the quality of the study by addressing the validity and reliability. Validity can be divided into construct validity and external validity (Yin, 2009).

3.6.1 Construct validity

Construct validity refers to identifying the correct measures for the phenomenon that is studied (Yin, 2009). Three tactics are recommended in order to increase the construct validity in the case study: (i) use multiple source of evidence, (ii) establish chain of evidence and (iii) have key informants review draft of case study report.

The first tactic of multiple sources is relevant in the collection of data and as mentioned previously we have used several sources of information. The main source is formal interviews but these have been complemented with internal and external documents, direct observations and occasionally also more informal communications. The data has also been gathered from interviewing people in different NBS units, business units and hierarchical levels. The second tactic refers to that the reader should be able to follow how the empirics result in the findings that are provided in the study. In order to guide the reader in how the conclusions are reached, we have in the thesis clearly referred to the used sources of data. The third tactic of having key informants reviewing draft of the case study report has been treated through discussions with our academic tutor. These discussions have concerned for example the choice of research area, research question and relevant previous research as well as empirical findings and final conclusions. Furthermore, interview questions, interesting issues and empirical findings have been reviewed and discussed with representative from NBS.

3.6.2 External validity

The external validity refers to the level of which the study can be generalizable (Merriam, 1994). The problem of this external validity has been a great barrier for undertaking single case studies (Eisenhardt, 1989). Yin (2009) distinguished between statistical generalization and analytical generalization where it is argued that only the last one is connected with case studies. In this analytical generalization, the researcher is aiming to generalize a set of results to a broader theory. Based on this argument, the external validity will in our study increase with the use of the theoretical model.

3.6.3 Reliability

The objective of reliability is to assure that if the study would be repeated by another researcher and followed the same procedures the same findings and conclusions would be reached (Yin, 2009). With this in mind we have during the process documented our actions and notes. We have saved the original interview templates and also the revised interview questions for every interviewee. The recordings, transcriptions and notes of interviews, observations and discussions are well documented and saved.

Reliability aims to minimize the biasness and errors in the study (Yin, 2009). Fidel (1984) support this statement by arguing that observer bias is the main

problem with observation. This since case studies are less controlled compared to other research methods. The first source of potential observer biasness consists of different hypothesis, perceptions or theories that the observer brings into the field. With these as foundation there is a risk that the observer only see the things that fit into this perception but we argue that this source of biasness is scarcely in our study. Even though we have had theories in the background we have aimed for being open minded for findings outside the theory. Furthermore we have continuously asked the interviewee for clarifications and elaborations in order to assure that we do not twist the answers to our benefit. Since the interview questions are based on management control literature and SSC literature we have also asked whether there is any important area we have not mentioned. A second source of biasness is the background and previous experience of the observer (Fidel, 1984). To have personal opinions of SSC from real-life experience can affect the biasness of the observation. Since no one of the researchers of this case study has any previous real-life experience of SSC, this is not seen to create bias in this study.

4 Empirics: a decentralized and complex organization

NCC AB is one of the largest building companies in the Nordic region. The group has businesses in the Nordic region, Germany, Estonia, Latvia and S:t Petersburg and consist of three businesses: industry, construction and development. There are four business areas within the organization. NCC Roads includes asphalt, pavement and road services. The second business area NCC Construction builds for example houses, offices, industry facilities, and roads. NCC Housing includes the development and selling of permanent houses and NCC Property Development (PD) is responsible for the development and sales of commercial buildings. (NCC Annual Report, 2011)

4.1 History: the SSC was created in 2001

Before NBS was created, each business area had their separate financial department. NBS was established in 2001 in Stockholm, Sweden, and several of the employees from the business areas were transferred to NBS. Examples of motives behind the establishment were to save money, increase efficiency and reduce the number of systems in use. All the Swedish companies were included in NBS and in 2006 it expanded to Norway and thereafter also Denmark and Finland. Because of the challenge to integrate foreign countries, the employees argue that these latter years should be seen as the actual start of NBS. "It takes time to develop a SSC in a large organization. The best implementation is not one solution for all organizations. It depends on the organization, what culture it is and so on" (Former chairman NBS board).

Today all the business areas (Construction, Housing, Roads, and PD) within NCC are customers to NBS. The building industry, and also NCC, is extremely decentralized. "Each construction site is king and each company is a kingdom. War is created when you start to move things around. It is typical for this industry and it is shown in the culture" (Manager AR). It is thereby a big challenge to centralize and standardize within the organization. "The development has taken longer time than I thought but maybe it does not matter since the most important is the end result" (Former chairman NBS board). At the

start of the current NBS manager in 2010, NBS was in a bad shape because of previous focus on hard facts where the people were forgotten. Therefore there have been many significant changes during the last years.

4.2 NBS organizational structure

As can be seen in figure 4, NBS is divided into the four units AP, AR, GA and BD. All together around 90 employees work in NBS. The first three deliver services to other departments within the NCC group. BD on the other hand serves as a supporting unit working with improvement and coordination of the systems used by NBS. There are four Nordic countries included in NBS but these are integrated to different extents. For example NCC Roads and NCC PD in Finland only have their AP and AR processes in NBS, but the plan is that they should be fully incorporate in 2015. However, because of the problem to find Finnish-speaking employees with economic background, it is uncertain whether these employees will be physically located in Finland or with the rest of the NBS staff in Stockholm. "It is important that Finland is included in the processes and that it is controlled by NBS. However, you can physically be placed anywhere" (Manager business control and strategy). Everyone does not agree and one operating employee thinks it is easier to be under the same roof, especially if you have projects together.

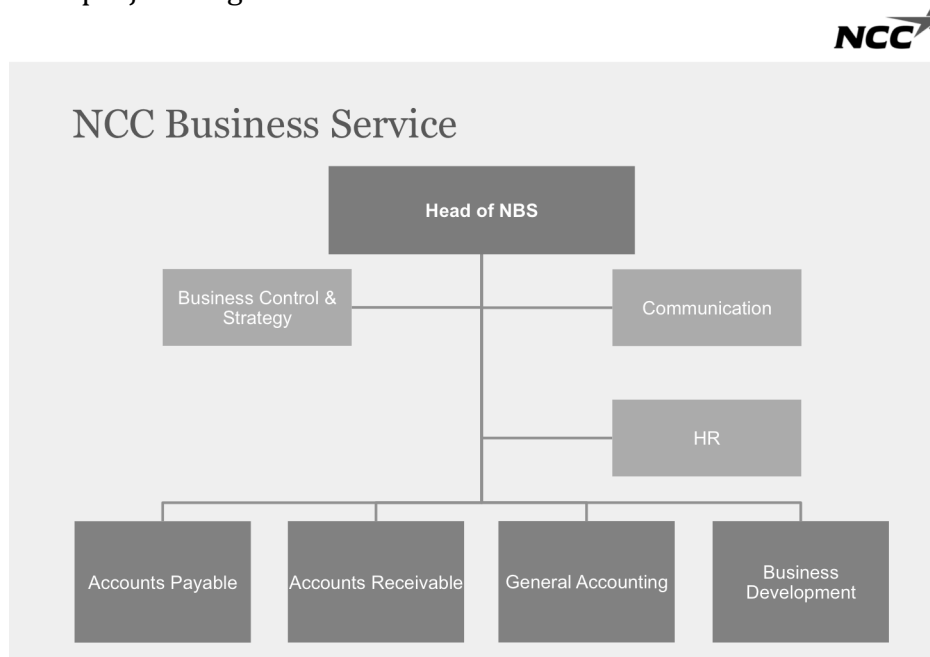


Figure 4. Organizational structure of NBS

As can be seen in figure 4, there are also other more individual managers within NBS. The Manager for communication is responsible for the communication within NBS and between NBS and the rest of the group. The business control and strategy manager is for example involved in updating SLA, assure the agreements with suppliers are followed, improvements of processes and also keeping track on the economics; NBS is evaluated on a cost budget. There is also a person from HR who handles the recruitments. Finally, the Manager of NBS is responsible for the SSC and works with for example planning the operations and decides upon prioritizations.

NBS board is the highest decision making body within NBS and should make sure that NBS is heading in the right direction. During NBS board meeting, they should for example accept NBS's budget, raise deviations from budgets, actions with large economic significance like SLA, larger development projects and processes changes. The strategic plan of NCC and NBS's vision should be discussed during at least one of the meetings. There is a need to have a forum that discusses strategic questions and addresses questions regarding how to make NBS cheaper and more efficient. In some cases, the NBS board will take orders from NCC top management. "The main tasks of the board are to handle strategic questions and to make sure NBS develops in line with the Group strategy" (Former chairman NBS board). NBS board consists of the NBS manager, representatives from the four business areas (customers) and one from NCC economic group function. The presence of the customers is according to the NBS Manager beneficial, as they get more involved in the business. The NCC group CFO, is part of the top management, and is in turn manager to the NBS manager.

There is also a NBS Management group, consisting of NBS Manager, unit managers and the individual manager positions within NBS. The unit managers then act as a link between the NBS Management group and their unit. The NBS Management group for example discusses NBS's strategy, which is based on NCC's strategy. Further, they decide on main focus areas for NBS, which should be prioritized and broken down in activities. It is important to only focus on three to five activities at the time since otherwise there will be too many directions.

4.3 NBS mission and strategy

"NBS's mission is to develop and deliver administrative services within economy to the NCC group with the right quality to as low cost as possible" (Manager GA). Previously the mission was 100% quality, but this was not optimal since the additional cost was higher than the value of the additional quality. "We do not explicitly focus on costs and my employees probably do not believe I have good control of them either, except from my economist [business strategy and development manager]. I focus on activities I know will lower the cost instead of focusing directly on cost items" (NBS manager). Further, as mentioned above, the strategy of NBS is divided into three focus areas: *one NCC, customer focus* and *efficient processes*.

4.3.1 Focus areas: *one NCC, customer focus and efficient processes*

One NCC implies that each employee should consider the best solution for the NCC group. However, there is still a long way to go. "We have to keep in mind what is best for NCC. Even if a business system is cheaper and better for one unit, a decision should be taken based on what is best for the group as a whole" (Operating employee GA). All hierarchical levels are in some way aware of the concept *one NCC*. "To me it is in one way, while for the employees further down it means something else" (Manager NBS). It can be noticed that the employees are aware of the concept. Furthermore, the concept is also a part of the interior décor at NBS. Nevertheless, it can be difficult to get employees and customers to act in a beneficial way. Therefore support from a higher hierarchical level outside NBS helps. "NCC is a very decentralized organization with kingdoms that do not want to work with a centralized function. But with *one NCC* comes a

pressure from NCC Group” (Manager AR). The concept comes from the CEO who preaches that everyone is a part of the same company.

Customer focus was not mentioned to the same extent as *one NCC* during the interviews. “It is important with customer focus but everyone is not on board. The customers should be satisfied and NBS should be their first choice even though the customers do not have a choice” (Operating employee GA). It is difficult when the employees are used to work in a certain way, without customer focus, and this needs to be changed. One of the operating employees believes that there has not been a difference in the customer focus. The Support manager explains that the importance of customer focus cannot be emphasized enough. “You always have to think of that they are customers. If they are dissatisfied within another unit than your own, then it does not work with blaming the other unit. We have to apologize and say that we will try to do better next time. You have to be kind, service minded and proactive” (Operating employee GA).

NCC strives to have the cheapest and most efficient way to perform support services. The third focus area is more *efficient process* indicating the processes should be standardized and elimination of waste should be considered. The concept is about working in a smart way, to have internal control and to be proactive. During the last year NBS has worked hard with this and improved it markedly by reducing the reporting time and employees’ overtime.

4.4 NBS production units: AP, AR and GA

4.4.1 Accounts Payable

“AP’s mission is to handle and update NCC’s account payables with a focus on quality and efficiency” (Manager AP). Within AP, there are three subunits. The largest of the three subunits handles the invoice processing and reminders, the second subunit is responsible for accounts payable and debt collection and the third manages foreign invoices. The support works for the whole NBS but is organizationally placed within AP. Previously the unit was organized based on customers meaning the employees worked with all the processes for the same company. However, today it is organized after processes, which in other words mean that employees instead work with a part of the AP process for all companies. “For example, one of the subunits works with handling the invoices and are thus not involved in the activities after, like it was before” (Subunit leader AP).

AP yearly handles approximately 1,4 million invoices from the four Nordic⁴ suppliers. Invoices are sent by mail or e-mail from the suppliers directly to the scanning supplier. This is preferred but still some customers send the invoices to NBS that needs to forward them to the scanning supplier. The invoices are automatically delivered from the scanning supplier to the systems in NBS. About 15% of the invoices stops in the system and are handled manually. An invoice can be stopped if it is wrong or if it fulfills a stop condition. A stop condition is something that needs an extra check, which can be for example a new supplier,

⁴ Sweden, Norway, Denmark and Finland

requirement to control tax or that VAT is not fully deductible. The workload is affected by the customer's cycles as for example Roads and Construction has less work during the winter and the peak season is after the summer. AP has contact with the other units in NBS. They can for example get internal invoices from AR, contact GA regarding the quarterly financial statements and BD when necessary.

In AP the employees need an upper secondary school degree in economics. There is a challenge to find employees with both economic and language knowledge and there have been discussions about whether to only focus on language knowledge. NBS tried this by hiring a Danish-speaking employee without economic knowledge. "This since then you are on good hands with the customer. However, there was a lot of work because you needed to educate the person so in the end it was almost plus minus zero" (Manager AP).

Goals and KPIs

The NBS Management group decides the goals for AP based on NCC's strategy. The goals are in turn broken down to the operational level in order to create a red thread through NCC and NBS. Both Managers and operating employees find that the goals have a relation to the NCC Group. However, the subunit leader in AP emphasizes that it is more difficult to set goals compared to a selling organization. One example of an overall goal for the unit is that an invoice should not be in the same position for more than two days. "The invoice needs to be paid in time. Otherwise the payment can be delayed and fees are created" (Subunit leader AP). Employees on all levels have individual goals, which are decided at co-worker meetings in February between the individual and its closets manager. "I believe the employees should participate in setting the goals so they get more committed and motivated" (Manager NBS). Everyone has goals based on both NBS and the individual position. The operating employees in AP explain that there are more soft goals than pure financial goals and you do not consider the goals on a daily basis.

The goals are followed up at co-worker meetings. "If the goals are fulfilled there might be seen in the salary but nothing major. Your manager of course appreciates when the goals are reached" (Operating employee AP). One of the Subunit leaders in AP says that if something is not working, then it is discussed with this person. Although goals exist, the most important is not to fulfill them. "To me the most important is not to achieve objective but to show that you have tried and prioritized the goals. It is about involvement and development of the employees. It does not have to be objectives which drives development forward, it can be about the general well-being of the employees as well" (Manager NBS). On an operating level you do not have to have goals that drives the development, but on a higher hierarchal level it is important that they are connected to the strategy. On the operational level they could have goals like cleaning your desk for the overall well-being.

The Manager of NBS and the Manager of control and strategy produce KPIs. There are external as well as internal KPIs where and some are tied to SLA. "The KPIs should reflect the SLA since it is what the customer has signed and thus what they are interested in" (Manager business control and strategy). There are

KPIs for NBS as a whole, for the Manager of AP and the Subunit leaders (See Table 2). For example, there are KPIs for costs and one Subunit leader states that cost is a large focus within AP.

NBS (All units)	Unit manager AP	Subunit leader AP
Costs	Follow-up	Deviations
Support (answer 48 hours)	Support	Age determination of old invoices
Mapping of processes	Work descriptions	
Time thieves	Resource planning	
Education	Process mapping	
Finland		
Economy System		

Table 2. Example of KPI areas for NBS and AP

It varies how often the KPIs are followed up, some on a quarterly basis and other monthly. “I am not sure when we follow up the KPIs, it is rather newly introduced. If we cannot measure the KPI we should be able to judge if it is red, yellow or green. It does not always have to be a number as a KPI” (Manager AP). Mainly red and yellow ones are discussed during management group meetings. Nothing happens if the KPIs are fulfilled or not reached.

Motivation

One of the subunit leaders within AP tries to work with motivation on a daily basis. “I try to motivate by giving positive feedback in form face-to-face communication, e-mail or small incentives in order to make the day better” (Subunit leader). To increase the motivation, one of the subunit leaders has a plan to increase the job rotation. It could for example be rotation between the people responsible for certain business areas or companies in the same country. Another idea is to quarterly rotate between units, “however, we are definitely not there yet” (Subunit leader AP). Today employees are working relatively isolated, for example if you are in the Swedish group you only work with the Swedish companies. Nevertheless, there is a flexibility making it possible to help each other, which has been facilitated by common work descriptions. Because of the need of language knowledge in the support, mainly Swedish and Norwegian teams are involved. “I know there has been ideas [about job rotation] but I have not seen it. I can think of having it and thereby get a better understanding of what the others are doing” (Operational employee AP). Job rotation can be motivating in AP, however one employee says that you have to take responsibility for you own motivation. If the back-up system is not enough during some periods, it is possible to bring in students. “When there are high volumes and everyone is working, you can bring in students. [...] If we work in that way we can save money” (Manager NBS).

“There are different parts of motivation, for example Human capital index (HKI) surveys. This includes questions about your manager, work environment, values and challenging tasks” (Manager business control and strategy). “For those who have been in the same position for 15 years, their responsibility areas are shrinking which may lead to a lower grade. If you want a change and do other

tasks you have to take responsibility for it yourself. If you do not say anything you will be forgotten, which may result in low grades. It goes hand in hand" (Operating employee AP). When there are low grades it is discussed in groups and everyone can come up with suggestions for improvements. Moreover, there are several possibilities to try new positions within the organization. "If we need people for a new position we often look within the company. So if you want to sit in another chair, it is possible" (Operating employee AP). Example of employees who have changed position is the Manager of AP who previously was a subunit leader in AP.

There is also a part time position called superuser. "A superuser is a person who knows a little bit more, has a little more authority and overview over how to work in the different groups and processes" (Subunit leader AP). A superuser is someone the own organization can turn to when there are questions. Additionally, the superuser should work with development of the processes, be a mentor for the new employees and be responsible for education within the unit. The assignment of being a superuser should take on average 20%. Everyone is not certain of what it means to be a superuser. "It is a bit unclear what they do. [If you have a question] you do not specifically ask them, you can ask anyone" (Operating employee AP). Furthermore, superusers from different units are (AP, AR, GA) gathered in development meetings.

Communication

"AP has unit meetings once a month. I like it to be a dialogue since I do not like to just stand and talk for the whole meeting. Also, the different subunit leaders usually talk as well so it becomes a variation in voices and you get to know what the different subunits do" (Manager AP). The manager of AP can bring up subjects and questions from the Management group meetings. The leader of the largest subunit in AP has meetings every second week where the whole subunit is present and every second month there is meetings with the employees per country, where Finland with only one employee is included in Sweden. There is also more regular contact during the days and weeks but: "We have noticed that the people working in AP get stressed by having meetings. So it is much better with short collections in the room since then they still know what is going on and it gives a better cohesion" (Manager AP).

Processes and standardization

The processes should be as standardized as possible. "We are working on getting NBS to work more after process thinking. This in order to create standardization and it is done by working with routine descriptions. Otherwise employees make up their own way of doing their work and then there will be large differences" (Manager NBS). There are several businesses and NBS should work as similar as possible in the economic processes. "In an utopian world, we would do exactly the same to all our customers in all situations. However, that is not possible since there are different rules and laws in the different countries. Thus there is a need to make adjustments and adapt to the customers' wishes" (Subunit leader AP). What an operating employee thinks about the encouragement of new ideas: "We can come up with improvements and many do but it could be more. It is easy to

come up with something when we have a lot to do and then managers do not have time for it”.

One process that could be improved is the sending of invoices. AP tries to get more invoices by e-mail but in Sweden almost 90% is send through regular mail. “I do not understand why they send invoices by mail since it is costly with stamps, envelopes and extra time for printing and posting it. In addition, it takes three days before it reaches the scanning company. By Internet it only takes a few hours before it is in our system” (Operating employee AP). AP is currently mapping their processes in order to increase their efficiency. This means documenting all processes and routines to get a view of the processes, roles and responsibilities within AP and what you do in each step. “The mapping is about finding time thieves and best practice of how to work” (Manager business control and strategy). AP has come a long way with standardization “AP is trying to think about *one NCC* and how we can do things similar and help each other so NCC group reaches a good result” (Manager AP). “A SSC should save money, it is supposed to be cheaper than to have a separate economic units in each business area. It is not possible to have too many special solutions” (Operating employee AP). But sometimes there is resistance since the customers do not want to change their working routines. However, the standardization is believed to give more advantages than disadvantages.

There is an 80/20 rule indicating that there should be standardization but it is allowed to be some differentiation as well. “AP might have come a bit longer since they have not been affected so much of reorganizations like GA with more *efficient processes*” (Operating employee AP). In certain areas this rule might be reached while in others it is rather 20% standardized and 80% adjustments. There is for example a long list of exceptions for the Danish invoices because Denmark is not as strict as the Sweden with details on the invoices. This is due to different country regulations, Sweden has more strict regulations and Denmark should adapt to them since NBS is in Sweden. “Denmark is a bit special. It can be a little floating with the invoices, it is not so important for them, an invoice can be a piece of handwritten paper” (Operating employee AP). Denmark does not realize the importance of exemplifying for example VAT or organizational number on an invoice. If there is an invoice without VAT specified, the auditor will react. But some of the invoices have to be accepted although it does not reach up to the standards. This since NBS cannot demand these adjustments from the customers. “Electric companies can send inadequate invoices where the project numbers are not included but needed. But if we do not pay them they will shut down the electricity and then a million constructions will stop and we cannot risk that. We work with getting the organization to understand these problems” (Operating employee AP).

Prices

The prices within AP are based on the number of invoices and the customer has to pay extra if the invoice is stopped somewhere in the system. “If anything is incorrect then it stops somewhere in the process and the customer than has to pay extra” (Customer).

4.4.2 Accounts Receivable

The structure of AR is similar to AP meaning that employees are working with the same process for all countries. Furthermore AR is divided into the subunits accounts receivable and payments. “AR’s task is to handle the NCC group’s payments, keep the accounts receivable updated and assist with efficient requirements management. The mission is right quality at the lowest possible cost” (Manager AR). AR has lower workload during the spring and then they focus more on developments, changes and education. The greatest challenge within AR is, like in AP, to have employees with both language and economic knowledge. Sometimes those who work with numbers do not want to work with customer contact and to have complemented employees is expensive.

Goals and KPIs

The goals for AR are like AP based on the focus areas and are broken down to an individual level. “Sometimes the goals are reached. If they is not reached it can be evaluated whether it should be continued to work with it next year or if the project should be closed” (Manager AR). KPIs are decided in the same way as for AP. Examples of KPI areas can be seen in Table 3. Because of lack of knowledge for the consequences, some invoices are incorrectly sent to debt of collection and this withdrawal is an example of a KPI. It is going to be more focus on KPIs and emphasis will be on analysis of *why* things happen and it should also be related to what is best for NCC. “To develop new KPIs is an area of development. It is something I do not have the time for now and therefore it will be addressed the later instead” (Manager AR).

Unit manager AR	Subunit leader AR
Process development against business area	Withdraw from debt collection
Work descriptions	Manual payments
Resource planning	Stopped payments
Time thieves	

Table 3. Example of KPI areas AR

Motivation

“Many do not know what motivates them. It depends on what kind of individuals they are” (Manager AR). There are for example co-worker meetings and much time spent on preparing, carry through and follow up these meetings. At these meetings you can discuss if you want to work more, less or change direction. In AR there is job rotation in form of that you can expand your knowledge and experience. For example, if you have worked with Swedish companies you can move on and work with Norwegian, Danish or Finnish companies. AR is more focused on having a back-up system if someone is sick. Furthermore, it is important with daily feedback but it takes a lot of time. The Manager of AR often ask for feedback but there is no one who can come up with anything to say. “In the end it also is the individuals that should motivate themselves” (Manager AR). Developing possibilities in NCC and the position superuser are the same as in AP.

Processes and standardization

Just like AP, this unit also strives for the 80/20 standardization-rule. AR is today standardized, but it could be even better. It is possible for employees to give suggestions of improvements related to for example systems or other time saving changes. "To come with suggestions is encouraged. We should write change requests where you describe the problem, solution and potential cost saving. You need to think of a new solution instead of just complaining about the current practice" (Manager AR).

Communication

Within AR there are meetings for the unit and the subunits. The employees should also get the information through their intranet. The repetition of information is emphasized as important, however there is not always time for it. During the meetings in the subunits, there should be discussions regarding practical things. "Verbal communication should not be underestimated. Many are very good with numbers but have difficulties with letters and to read things. Based on the employees, there is too little verbal information" (Manager AR).

Prices

AR has the same structure as AP and the customer is charged based on the number of invoices.

4.4.3 General Accounting

GA differs from the other units since it is structured after business areas and is divided into the subunits Construction/Roads, Housing/PD and Specialists. Thereby, the employees are working with all the processes for one or more companies apart from processes like for example VAT which is handled separately: "We do this in order to minimize the differences between the customers within the same team [...] it should be the same within the same business area" (Manager NBS). Because of the more advanced work-tasks, there is a need for employees to have a university degree within business and administration. Each subunit sends their result to the NCC group controlling and consolidation. The quarterly statements make the work more cyclical than in AR and AP.

Goals and KPIs

Like the other units, the goals in GA are connected with the strategy of NBS and are decided upon in the management group meetings. The goals are also broken down to an individual level and these are discussed during co-worker meetings. Because of the high workload in the beginning of the year, GA has their co-worker meetings in November/December. The goal setting in GA is a challenge. "It can be difficult to set the goals if you do not know the strategy" (Operating employee GA). Furthermore, the leaders in the subunits need to know their own goals before they can set the goals for the staff below them. Sometimes the goals are not set until the beginning of spring. "I tried to give suggestions for the goals for 2013 during the co-worker meeting, but it was too early" (Operating employee GA). One of the Subunit leaders thinks the process of setting goals should be done earlier or that the period should be from May to May instead of January to January. This since otherwise you cannot work towards your goals during the first months since you do not have goals. However, another subunit

leader do not see it as a problem. “It is so much to do at the beginning of the year, so after the first quarter you can start working with the goals. In May you can start working with other things. No one misses the goals even though they are not set in January” (Subunit leader GA).

The KPIs are established in the same way as the other units and examples of these KPI areas are stated in Table 4 below. A goal can for example be to reach a certain level of NKI. The goals are evaluated in connection to salary discussions and if the goals are not met you might not get the little extra in salary.

Unit manager GA	Subunit leader GA
Mapping processes	Back-posting
Work descriptions	Additions in reporting
Time plan for closing of the books	

Table 4. Example of KPIs GA

An operating employee in GA does not notice a cost focus and says that it is easier to measure costs in AP and AR. A subunit leader in GA explains that it is no cost pressure but NBS does not scrimp with the resources. “They said a while ago that we should have more education but I do not know if it is a good idea. Some courses are pricy but not really good” (Operating employee GA).

Motivation

The operating employee explains that the Manager of GA motivates them. Furthermore, they explain that NCC has good employee benefits, which motivates you to stay within the company. The freedom in the work, customer contact and the varying tasks within GA are also a motivation and the employee explains that it would be worse if it were monotonous tasks. Like in the other units, GA also has HKI. Some of the employees within GA think that each employee is responsible for his or her own motivation. The subunit leader gets feedback through meetings with the Manager of GA and the operating employees find it motivating with feedback from the customers.

The operating employees in GA do not want to work with job rotation. Since their work is very specific, it is difficult to rotate. “You learn more and more about the business area you work with. There will also be more work with forecast and budgets, which is fun and then you want to concentrate on that” (Operating employee GA). “[Job rotation] is more for AP and AR since they have more standardized processes and less varying tasks” (Operating employee GA). Although they do not have job rotation, they have back-ups in order to be able to help each other. The Subunit leader tries to emphasize the importance of asking for or offering help, depending on how much you have to do. But it is not a natural way of working in GA and it is explained that GA has not come far with helping each other. There is a willingness to have control over your own tasks, which creates a form of safety. One of the subunit leaders does not understand this resistance. “I think it is interesting to do things I have not done before and to see how they work. Maybe they do something smart that I have not understood. I think I can learn much from it” (Subunit leader GA). One operating employee

explains that the employees work independent, but that there are discussions with each other about how to solve problems. “It is not like you do someone else’s work tasks, but you discuss with each other” (Operating employee GA).

Processes and Standardization

GA has worked hard with the project *efficient reporting*, which is a project initiated by top management. Employees in NBS have had the opportunity to participate in workshops and come up with improvements together with customers and consultants. As a result of the project, there is no need to have too many details and rounding of numbers can be okay as long as there is no regulatory requirement for it. Also, some activities can be postponed or eliminated. With efficient reporting the time for reporting has become shorter and shorter, as a result of increased efficiency and quality improvement.

GA also tries to standardize after the 80/20 rule even though it is a big challenge and many are skeptical. “It must be efficient to standardize and it cannot be absurd” (Manager GA). “It is not as easy to standardize the work in GA as it is in AP since the companies are very different” (Operating employee GA). The accounting rules also differs between the business areas and an employee expresses that it is not very standardized today because of the many different processes. Before the project of efficient reporting, it was difficult to get the customers to understand the importance of efficiency and standardization. With support from the top management it has become easier. “There is an increased understanding in what is important in the reporting. Previously NBS did not understand that the staffs in the business areas were waiting for them. By adjusting the process they became more efficient and could solve it” (Customer).

If a customer wants an exception from the standardization, the NBS Manager should make the decision and not the operating employees. “You can be weak if someone comes to you and asks if you can do an exception. It could be that sometimes you should not deny it either, since it will always be need for exceptions. But I would like it to be difficult to get. This to make sure it is important things and not just because of laziness” (Manager NBS). If it is critical for the business, it is no problem with an adjustment. But the customers should not just be able to make a phone call and get what they want. One of the customers says that the most exceptions are accepted. An example of an exception can be that Roads needs a declaration for VAT related to the mining business. Roads do not want to do it since they do not think they have the knowledge and NBS do not want to do it since no one else has it. Furthermore, the customers explain that if there are smaller things, there is no need to talk to the manager of GA. “You are rewarded if you take own initiative. We want them to take own decisions within some limits. It is encouraged to come with ideas and to realize them” (Subunit leader GA). However, an operating employee in GA does not agree and says: “I must be honest and say that it was encouraged more previously and it is not the same freedom [...] there are many who do not dare to come with initiatives, there are very few who come up with own ideas. It is very important that the reception of the ideas is good” (Operating employee GA).

Communication

Every quarter there is a meeting with the whole unit and the Manager of GA has meetings with the three other subunit leaders every second week. Between these meetings there are also individual meetings with each subunit leader. The manager of GA also goes around and talks to the employees since there is a need to communicate things several times and it is not possible to write down everything. The subunit leader explains that there are subunit meetings and also daily communications. "My group does not want weekly meetings, so we only have it when it is reporting times so we keep track on deadlines and so we can help each other if necessary" (Subunit leader GA). The regularity of meetings in subunits differs.

Prices

The price for GA's services are based on a tariff and the customer explains that they pay per hour. However, it is difficult for the employees to divide the time between the customers. "There is a time system, which is trusted that it is correct, but it is not. You work with many things each day and it is not possible to separate to which company the time belongs" (Operating employee GA). For some business areas it does not matter if the cost goes to the parent company or the subsidiary. The costs are put on the parent company and then it is up to the parent to divide it further. "The manager of AR thinks that the costs are relatively low, at least for AP and AR. AP is low in the costs per invoice and AR is in middle. It is not easy products that are sold so it is not easy to standardize invoicing when you sell everything from carport to city malls. It is a challenge" (Manager AR).

4.5 Support functions

4.5.1 Business development

BD is a group of nine people, which was founded in 2010. "NBS needed a group for prioritization and coordination of project and initiatives in order to avoid sub optimization" (BD Manager). BD has projects regarding process support, system support and process review. "We work with business development, more or less all the process development. If there is something in the systems you would like to change you should come to BD and we will evaluate and prioritize. Everything does not become a project and is more of a change request for a new function in a system or so, and change requests comes from both NBS and from customers" (BD Manager). Also customers can help with improvement since it benefits them if NBS is efficient. "I will handle the bigger projects and a newly recruited subunit leader will deal with smaller requests and projects and also the contact with IT" (BD manager). BD has a pot of money for all developing activities. "If it is a very time consuming project where we put a lot of extra resources in, then we create a separate account which is invoiced to the purchasing business area" (BD Manager). BD is responsible for improvements, but there are some difficulties. "We do not have any clear routines with continuous improvement. But, we will have a workshop soon and go through that. We do not have a lean method or anything similar and are far from that today" (BD manager).

Each NBS unit is supposed to create a request list to BD, stating suggestions for improvements. This list works best in AP, while the Managers in AR and GA usually talk directly to BD. "You cannot imagine how many projects are going on

all the time, in NBS we are the spiders in the net” (Manager BD). BD is responsible for the prioritization and they do not have a priority list from top management. Instead when deciding, they look whether it is a legal requirement and at the saving possibilities for NBS. All projects do not need to decrease costs but can instead improve the quality or security. Some smaller projects are not worth calculating before exercising them. BD can on their own decide on smaller projects while larger ones need to have acceptance from NBS management group. If customers will be affected, it has to be considered in the customer council. Also when the projects are more complex and costly, NBS board will be involved.

There are over 40 different systems but there are attempts to reduced them. There could be fewer systems but they are better linked now so it is okay” (Operating employee AP). “NBS is also working with limiting the access within the different systems. “I raised the question of restrictions in the systems on a manager team meeting, since I do not think everybody should have access to all systems” (Manager AP). “We have more system restrictions now and that is good, so I know no one else can go in to the system and change something” (Operating employee AP). There is also limited access to the economic systems for the customers and thus they need to contact NBS to get information. “You are handicapped if you cannot go in to the systems yourself. It can be difficult to get the information needed when working evenings or weekends” (Customer). Furthermore, the customer would like to be more educated in NBS’s economy system. “There is a need for more education, all parties would benefit from that. Now you learn from your colleagues instead” (Customer). However, all customers do not agree with the need for education. Furthermore, BD finds that it would be preferable if all systems were in the same language.

4.5.2 Communication: repetition is the mother of learning

The manger of NBS has information meetings four to five times a year and then the whole NBS is gathered. During these meetings NCC’s core values are mediated. The NBS manager tries to use face-to-face communication as much as possible and sometimes also walks around and talks to the employees. The Communication manager has the main responsibility for the communication and has goals to increase NCC’s knowledge about NBS and to spread the importance of higher quality and more efficient processes. “It is a challenge to make sure that people out in the organization knows what NBS is, everyone should know that when it comes to economics you should turn to NBS” (NBS manager). “There is a focus this year on NBS becoming more visible” (Operating employee GA). The aim is to find channels that align customer expectation and NBS services. NBS have for example started with a newsletter for NBS. Because of the language differences, there is a need to translate these documents into each Nordic language.

Communication channels

It is still relatively divided between the units and employees stick to their own unit. Within the units the staff pushes things over to each other. It is important for the staff to feel like one united unit, especially since everybody within NBS should act like one NBS toward the customers. Communication is seen as an important feature at NBS. “I am hooked on communication and prefer personal

meetings as long as it is possible, especially when it comes to arguments. If personal meetings are not possible, then it should be taken over the phone. No arguments should be taken over emails since it is easy to hide behind a screen" (NBS manager). There are more employees emphasizing the importance of personal meetings. However, many find communication difficult. "I think we often misinterpret each other. Different people have different views on what was said during the meeting" (Subunit leader GA). News about NBS is published at NCC intranet, in order for everyone to get the same information (Manager communication). The use of the intranet varies. "Those who are economists in the business areas use the NBS pages on the intranet, but not the project leaders. It can be used for downloading different templates or getting information. It is far from used everyday but there is a need to visit the intranet" (Customer).

There is currently a rebuilding of facilities, which will result in an increase in the number of open-plan offices. The main motives are cost savings and lack of facilities. The managers have previously had own offices, but the NBS Manager does not see a need for separate rooms and is happy to lead by example. The employees have been positive about the open-plan offices, but states that there are others who do not agree. "I really like to have an open-plan office since it gives a huge information exchange. We have a big room that is airy and I hear everything. I work well at the same time, but all people might not do that. It is good since then we can easily gather everybody" (Operating employee GA). Furthermore, open-plan offices also facilitate cooperation but negative features like bad air, temperature and the use of radios have been mentioned.

4.5.3 NBS support

In order to increase the quality of the support and to gain more customer focus, NBS have newly recruited a new manager responsible for NBS support. As the NBS support manager expresses it: "NBS realized that they do not have customer focus". NBS support handles the questions from the customers. All the units have support but instead of having a separate support unit, all operating employees have support shifts. Everybody has phone- and email support, and you work in pairs with about 16 sessions every month á 1,5-2,5 hours. To be more efficient the employees stay at their desks during their support sessions in order to work with other tasks if there is time.

It is explained that it is difficult to find information about the NBS support and the information is also outdated. This results in customers having a negative attitude before they have contacted NBS support. Many customers have questions about how to operate the systems and these questions could be minimized through FAQ (frequently asked questions) on the homepage. However, the customers do not believe this would help since people prefer to ask questions by phone or e-mail.

AP and AR have the same support number but the errands are sorted during the call by making different choices. GA's employees are responsible for their own companies and therefore they can sometimes have more direct contact with the customers. The support is divided after language where Denmark and Finland have their own native support staff, while Norway and Sweden share. The

different business areas have demands on specific language knowledge. A Danish customer wants to talk to someone who understands Danish. Also in AP and AR the customers sometimes call directly to a person they know can answer their question. NBS strives to get all calls through the support and if calls are made directly to the employees they should refer the customer to call the support. However, this could become difficult since it can be flattering for the NBS employees to get praise from the customers. But the employees are getting much better at referring to the support.

Regarding the e-mails, there is a first- and second line where GA is excluded from the former. The staff in the first line sorts the e-mails to the different units and countries, while second line answers the e-mails. According to SLA, an errand should be answered within 48 hours. In the e-mail support in GA, some subunits have scheduled support and whereas those with less errands has not and then everybody collect e-mails sporadic. The customers are not aware of that the answering time in the support is 48 hours even though it is stated in the autoreply. "I do not have contact with AR or AP frequently but I believe 24 hours response time is reasonable" (Customer). Another customer explains that the long answering time is a problem and it can lead to the customer contacting the NBS employees directly instead. "You cannot wait in 24 hours to get an answer from the support. During that time the business areas' customers are waiting and it is not possible to have it in that way" (Customer). The support has a four hours answering time for urgent errands but the Support manager questions whether four hours really is urgent.

Improvements and resistance

The customers think the staffs in the support need more education and competence. "Depending on who is in the support you get different quality and answers to questions and this is not good" (Customer). In addition, the customer believes that NBS should be more proactive. Instead of saying something is wrong they should suggest how it could be improved next time to avoid the same problem. Furthermore, Finnish customers think it is a flaw that there are not enough Finnish speaking employees in the support. "Most customers in Finland probably contact the accounting department in Finland if they have questions. This is a problem NBS is aware of" (Customer). "The people out in the organization do not feel that they have a contact in NBS. They would like a personal contact instead of the support" (Customer).

There is some resistance within NBS regarding the support since everyone do not want to have support shifts and it takes time from their other work tasks. "1/3 thinks it is scary to be in the support. 1/3 does not want to be in the support because they think their job is to work with economics and not with customers. I argue that it is linked. [...] The fear of making mistakes makes us nervous. It is okay to not know everything. As a customer you do not expect the support to know everything. It is a lot about the reply" (NBS support manager).

4.5.4 Service Level Agreement (SLA)

SLA includes the NBS responsibilities toward the customers. "You cannot go in to details since that would mean that you would have to write too much. Instead it has to be on a level so you understand whose responsibility it is, the delivery

responsibility and delivery times" (Manager business control and strategy). A real SSC should handle parts that are transaction heavy. "SSC should work like in a factory while the controlling and other things are still in the business areas. NBS is experts on accounting and it is not always they know the business" (Manager business control and strategy).

The SLA is primarily designed by the Business control and strategy manager and the NBS Manager. Each process and also the customers can give input on the SLA. A customer's view of the establishing of the SLA: "The SLA has been designed centrally by NBS together with the customers. NBS writes a draft of SLA and then it is discussed in customer council. It is an extensive document and no one read it regularly". "It is good to have instructions since then everybody knows what they should do" (Former chairman NBS board). Most of the employees state that they know what is in the SLA and if they have any issues with knowing they can always ask their manager. "I have worked for a long time so I know what is in the SLA. It is more when you are new, then you follow them more blindly [...] also, within GA we have a lot of development possibilities with the SLAs. But it is much easier if we first standardize the processes and then have a SLA" (Manager GA). Another employee within GA agrees: "The SLA are not that good, people are working on updating them now" (Operating employee GA). Furthermore a subunit leader says: "We have changed focus after the latest version so it should be updated in GA" (Subunit leader GA). The dissatisfaction about the SLA is mostly within GA since they have changed their way of working in significant ways since the latest version of the SLA was established. "I think AR and AP have come a longer way with their SLAs. They involved the customers and afterwards they became better" (Manager GA). Although there are some issues with the SLA, the management thinks it is important that the SLA is followed.

Violation of the SLA

Sometimes the customer would like to have more service(s) than what is included in SLA. "If the customer wants NBS to do more than SLA, we will look at it. If the customers have a lot to do, of course we help them even if the customer normally should do it" (Subunit leader GA). "You do your own judgment if you need to consult your manager or decide yourself to make exceptions. [...] You need to make sure the customer is not using you and you need to tell them in a appropriate way" (Operating employee GA). "It is important with the customer contact and sometimes you cannot say no" (Operating employee GA). Another employee within AP thinks it is not up to him/her to decide: "I ask my closest boss if it is okay" (Operating employee AP).

The customers view about doing more than SLA says: "You do not follow SLA strictly. Sometimes NBS deliver more services than what SLA says, it is different between the employees in NBS. Some are very good and do more than SLA says" (Customer). Another customer says: "You do not look for details in SLA. Things need to be done at a certain time no matter what SLA says. It might not be possible to regulate everything in a SLA" (Customer). A third customer thinks that NBS sometimes could do more. "Now I have forced them to do things" (Customer). Another customer thinks: "It is difficult to get exceptions" (Customer). But a general view is that if there are small things the customers

would like to change then they talk to the staff in NBS. If there are bigger questions you have to talk to the managers, but it rarely happens. Most of the time, the operating employees in NBS decide.

4.5.5 Customer forum and meetings

Customer council

“Customer council is a forum to coordinate and prioritize process development in a Nordic perspective for the purpose of getting united and efficient processes” (Internal document). The members are representatives from NCC business areas, the BD Manager and the System Administration manager from IT Sweden. The forum acts as an advisory to NBS management group. The meetings are held every quarter and the idea behind Customer council is to coordinate and to avoid sub optimization. “Currently they are running system development but what they actually should do is the process development. We are heading that way. It comes suggestions from the customer into the customer council and then the thought is to come up with a solution that everyone can agree with. So the customers should be a part of the development process. The manager of BD is responsible for customer council” (AP manager). Questions considered during the meetings should concern several customers and if there are any disagreements between NBS management group and customer council, the board will make the final decision (Internal document). “Previously, the processes were customer specific but we try to avoid that now and it is getting better. We have more of group thinking and tries to think what is best for NCC” (Manager BD).

The customers’ general opinion about customer council is generally good and they think it is good to have a forum where everybody meets. “What is good with customer council is that we learn form each other. That is what you want to use a customer forum for. Different units and processes can be compared and if it works for one it might work for the rest as well” (Customer). Another customer says: “It is good to have customer council since the business areas often have the same view of things. It is a way of learning since the systems are tricky” (Customer). The forum is seen as good for stating demands as well: “It is a good forum for us to set demands on NBS. If you for example have a demand that affects the other business areas you bring it up in the customer council” (Customer).

Customer meetings

If only one customer is affected then the questions will be discussed under customer meetings instead. It is customer meetings four times a year and then there is a meeting with the NBS manager along with one responsible employee from each of the units GA, AP and AR. A customer explains: “Then we say our opinion about the ongoing processes” (Customer).

Delivery team meetings

We also have delivery team meetings where for example AP can have common customer meetings with all the customers from Denmark. There is a need to start getting the business areas within the same country to work more together. “If there is something that is less good, it is discussed and followed up” (Customer). At these meetings you look at country specific characteristics. Also at these

meetings, statistics are shown about the SLA, what is expected of NBS, how different issues are under progress and so on. This will open up communication and customers can take help from each other and start to find a network within their own country within the same office. "It is fun because in this meetings they can sit down with a country and then let the customers do the talking. It is also an opportunity for the customers to learn from each other. In Denmark, NBS had a really good delivery team meeting with a lot of synergies" (Manager AP). The current Manager of NBS initiated the delivery team meetings and after the success in Denmark, NBS decided to keep it.

NKI

NKI is an index of customer satisfaction and is measured by a template that is sent out by e-mail to the customers once a year. It includes perceptions of NBS from the customers' point of view. You answer on a scale and it takes 10-15 minutes to complete. NKI measures are presented for each business area in total and not specified per country. It is the customers themselves telling whom to send the NKI to since NBS does not know exactly which customers that have NBS contact. One problem with the NKI is low answering frequency (about one third) but it is getting better. Today it can be sent to those who only have contact with NBS once every quarter and maybe these should not get the survey. This will be addressed in the near future. The customers assume that NBS takes improvement actions based on the result from NKI. Although, they do not really know since when the result was presented the last time, they did not have time to look at the areas with low ratings (Customer). According to NBS, they normally do not take actions based on the result from NKI. The ratings are never really low, however there are always things to improve. Actions rarely exists but one newly action was a recruitment of a NBS support manager.

NKI is presented during customer meetings. The result is shown compared to the other business areas and also the development through the year. One customer says: "GA always gets a high grade since they are really good [...] those who have direct contact with NBS probably set a high grade" (Customer). There are generally lower ratings from other countries than Sweden. One theory according to NBS is that we are not as similar in the Nordics as we might think. It can be in the nature that for example people from Denmark are more careful in giving high grades. Another possible explanation is that it can be dependent upon when the countries are included in to NBS. Because of the natural structure of a SSC, the customers are generally less satisfied with NBS in the beginning, since the jobs in the business areas are reduced and instead placed within the SSC. However, the customers will gradually become more satisfied.

4.5.6 Relation Customer - NBS

From NBS side the view of the relationships is the following: "When working with customers, it is a lot about relationships. As long as you give them respect they will treat you back with respect. You should dare to show your weaknesses. When we can admit that we do mistakes, they can do the same" (Manager NBS). "The customer have expressed a need for education, they have problem with the systems NBS use and have to frequently call about queries regarding the system" (Subunit leader AP). The operating staffs explain that NBS has begun to cooperate more with the customers. "NBS has gone back and forth regarding

how to work. Previously it was more divided work and today we should work together with the customers, which is more fun according to the operating staff" (Operating employee GA).

Several customers believe NBS is good since then they can focus on their core business and do more analysis. But there are also customers stating that the quality should be better. There is more than one customer highlighting that GA is good. "Those in GA are very professional and driven people" (Customer). Also "In AP and AR you have no idea who works there, apart for some people. Overall they are doing a good job but they do not know the business of the business areas. The staff in NBS can come with stupid questions or they make stupid decisions and for example change invoices or project numbers" (Customer). Another customer focuses on the roles: "NSB overall works in a good way, the one thing that is unclear and where the customer can feel frustrated are about roles so we know what we can expect. But otherwise it has become more customer focused" (Customer). A third customer finds that the roles and responsibilities are overall clear between NBS and the business areas. One customer thinks that there is unclear roles, but is not sure if it has to do with SLA. It might be connected to when NBS was established.

Compared to before, the processes are more standardized. As a customer said: "Before NBS you worked separately and reinvented the wheel. The idea with NBS is very good and we have come far in standardization, maybe a bit too far" (Customer). Not all countries think creating a SSC was a good idea and have therefore still kept their own personnel. "They think it is very tough that we have centralized support functions. Sweden is very satisfied which is not surprising since it is not so much different from before since the physical distance is non-existent" (Operating employee GA).

Customers' perception of prices

A customer within Sweden do not put too much thought on the prices. The customer do not know whether the cost would be much lower or higher if the business areas would have done it them selves. But it should be more efficient in NBS. One customer says that Denmark thinks that the cost has increased with NBS. Also Norway thinks that the costs regarding the services of AP and AR have increased. NBS do more things for Sweden compared to the other countries and this is also shown in the price. Sweden pays significantly more than the other countries. One customer is definitely not satisfied with the price. Apart from the common joint processes, the customer thinks that it would be possible to run the accounting unit with three more people but at a lower cost than today. "It is not certain that it would be more efficient, but the costs would probably be lower. NBS put in a lot of time so it is just to accept the costs. There are specified costs per hour but the customer is not sure about how they divide the work. Those who work in the business areas with different project, on the other hand, document how much time they have spend on each project which is the base for the costs" (Customer).

4.5.7 Key Success factors and risks in NBS

The prior member of the board regarding key success factors: "You need top management buy in, the management has to believe in it, otherwise it is

impossible. You can come a long way but to get successful you need them. And we do need economies of scale to be successful. You can often use the managements opinion to influence others because then they also think it is better. If the NCC group has decided on something you have to agree and work in the best for that decision. But you can of course still be skeptic and question to get the best result but not against the decision it" (Former chairman NBS board). The key success factor according to an employee working with operational tasks within NBS is: "Communication is vital. You have to be service-minded. We have to remember that we work with customers and we need to have good relationships and help each other." Of course it is important with competence and the right people in place to drive the business forward" (Operating employee GA). "The key success factor for NBS is to have staff that are engaged. If you can, make the staff be more proactive, understand the customers and work more standardized" (Subunit leader GA). This view is shared with a colleague: "Commitment is important and interest to be a part of the developing process" (Subunit leader GA). Another key factor is expressed as: "It is important that the systems works well and that you can automatize to a large extent. It is important that units can work together with a good flow between the units" (Operating employee AP).

We are working with internal control in the form of a control objective matrix, which aims at identifying risks and puts more effort and control where risk is enhanced. One example is when there is a new supplier, which has to be put in to the system. There is a possibility for the employees to add their own bank account instead. In order to avoid this, there has to be two employees approving new suppliers. Also, there is always a risk of writing a number incorrect by mistake and therefore it is good to not only have one responsible. "As a leader it is important to explain the need of this without making them believe you disbelieve them. It is done for their owns sake" (Manager NBS).

5 Analysis

The following section will present the analysis of the previously presented empirics. The first half of the analysis will handle the first research question of how NBS is managed. We will operationalize this question using Merchant and Van der Stede's (2012) framework of four control types, results-, actions-, personnel- and cultural control. Additionally, the MCS of NBS's will be addressed in relation to the SSC literature and foremost the previously emphasized characteristics cost focus, customer relations, efficient processes and SLA. The mapping of the control system indicates the presence of different forces like centralization and standardization. Therefore, the second half of the analysis will study the tensions centralization vs. decentralization of decision making, convergence and differentiation of practices and vertical vs. lateral relations (Busto et al., 2008). These tensions will be studied by answering the second research question of how to reveal and manage the tensions within NBS.

5.1 Merchant and Van der Stede (2012): different perspectives of control

"Management control includes all the devices or systems managers use to ensure that the behaviors and decisions of their employees are consistent with the

organization's objectives and strategies" (Merchant and Van der Stede, p. 6, 2012). For this purpose, managers can use different types of control. Merchant and Van der Stede (2012) outline four control types, results-, actions-, personnel- and cultural control. These will be used for mapping the management control system in order to reach the understanding of how NBS is managed. Further we have identified several characteristics from the SSC specific literature suggesting what a SSC should put extra emphasize on when managing the center: cost focus, customer relations, efficient processes and SLA. These will therefore be addressed in the light of NBS's management control system to see whether the normative literature is consistent with empirical findings.

5.1.1 Results control: primarily used on the manager level

Results control focuses on the outcome rather than the process (Merchant and Van der Stede, 2012). We have identified that NBS primarily uses this control type in form of cost budget, goals and KPIs.

Cost budget

NBS has a cost budget that needs to be approved by the NBS board. The board also address if there are any deviations from the budget. By this control the NBS board can keep track of the costs. Otherwise it is rarely NBS board settles in. If the customer council and NBS management has different opinions, then NBS board has the final word. Also if there are large economic significant issues, then NBS board will discuss this.

Goals

NBS has results control in form of goals for their employees. The content of these goals vary between different hierarchal levels but also between individuals. The goals are based on the strategy of NCC and NBS. That the goals are broken down to the operational level is to establish a red thread through NBS. It can be seen as a way of ensuring that all employees are taking actions based on what is best for the NCC group, which is in line with the concept of *one NCC*. This can further be linked to Merchant and Van der Stede's statement of "what gets measured gets done" (Merchant and Van der Stede, 2012, p. 33).

In line with Merchant and Van der Stede (2012), the goals on a higher hierarchal level in NBS are, to a higher extent, directly linked to development of the organization. On an operational level the goals are primarily non-financial and an example can be cleaning your desk to increase the well-being in the office. However, these operational goals can be seen to have an indirectly link to the development of the organization. This since the cleaning of the desk can increase the well-being of the colleges. In turn they can be encouraged to work more with their goals that are more directly linked to the company's development.

Moreover, there are some difficulties with the establishment of goals within GA. In the other units the operating goals are established at the co-worker meetings in the beginning of the year. However, because of the high workload in GA during the first months, these meetings are in December. Since the goals are based on all the hierarchal levels it is at this point in time, too early to establish the goals on an operational level. Thereby, the operating staffs in GA may not get their goals

during the first months of the year. The results control aims at affecting a desired outcome, however that the employees sometimes not have goals could imply a difficulty to use this control type. Furthermore, to not be able to affect your own goals might lead to a less positive attitude towards the goals. That the employees cannot affect their goals during the first months are important to take into account at evaluation in order to make a fair assessment. Also in AP the establishment of the goals can be difficult. A Subunit leader explains that it is difficult to set goals for the operating employees and it is not like a sales organization with more easily defined sale goals.

KPIs

Results control also exists in form of KPIs, which are defined for the management levels. The KPIs are based on SLA and vary depending on unit and position. A KPI area that concerns all units is cost. Thus, all units follow up on costs but there are still differences in the cost focus between the units. AP and AR seems to have larger cost focus compared to GA. This might be because it is easier to standardize the processes within AP and AR and thus it is also easier to decrease the costs. Another example of a KPI area is SLA, which is linked to the Business control and strategy manager. Furthermore, customer focus is emphasized through the KPIs of the performance, follow-up and feedback of the customer satisfaction survey. The dimension of continuous improvement is reflected in the KPIs by measures related to process development against the business units.

Fulfilling the goals and KPIs

The NBS Manager finds the prioritization of goals as most important: "To me the most important is not to achieve objective but to show that you have tried and prioritized the goals. It is about involvement and development of the employees. It does not have to be objectives which drives development forward, it can be about the general well-being of the employees as well" (Manager NBS). This statement corresponds with NBS having low rewards for fulfilling the goals or KPIs. "Sometimes the goals are reached. If they are not reached it can be evaluated whether it should be continued to work with it next year or if the project should be closed" (Manager AR).

5.1.2 Action control: widely used within NBS

Action control is a direct form of control and has in this section been complemented by Simons (1995a) interactive system. By focusing on controlling the processes, the company can ensure that the employees take actions that are in the best interest for the company. Within action control, we have identified that NBS performs the following controls: system restrictions and internal control, decision making authority, SLA, job rotation and backup system, pricing and meetings.

System restrictions and internal control

Physical constraints like for example limited access can be seen in the different systems within NBS. Previously, a wide range of employees had access to the systems but this access has recently been restricted. "I raised the question of restrictions in the systems on a manager team meeting, since I do not think everybody should have access to all systems" (Manager AP). To have restrictions

in the systems decreases the risk for errors in the data. This since only those who are experienced users of the systems have access and these are less likely to make mistakes compared to those with less system knowledge. An operating employee from AP comment on the change: "We have more system restrictions now and that is good, so I know no one else can go in to the system and change something" (Operating employee AP).

There are also differences in access of the economic systems between NBS and the customers. In line with the above argument, the customers' limited knowledge about the economic systems could increase a risk of errors in the data. At the same time it has a drawback in form of that the customers are dependent upon NBS for gaining information from the systems. "You are handicapped if you cannot go in to the systems yourself. It can be difficult to get the information needed when working evenings or weekends" (Customer). Moreover, NBS also has internal control regarding for example payments and new suppliers, which have to be accepted by two employees in order for the system to accept the action. This is also used to reduce risk.

Decision-making authority

NBS can be seen as an own subsidiary and that NCC is decentralized should result in NBS having a large decision-making authority. Even though NBS has high level of independence, they follow the directions of the NCC Group. The NBS manager has delegated some of the decision-making to the subunit leaders. Generally small decisions can be taken without permission from a higher hierarchal level, but when it comes to larger amounts of money or strategic nature, the unit managers often consult with their superiors. Even though the managers within NBS can make decisions themselves there is no clear limit of when to decide on their own and when to consult more senior colleagues. This could imply confusion among the employees, resulting in consulting their superior inefficiently number of times or making decisions that they should not have the ability to do. However, the close contact within the management team, results in that probably most of the decisions are discussed no matter the size of the decisions, which reduces the number of decisions in the wrong direction.

SLA

The SLA states what services NBS should provide. Some employees always ask their superior whether to agree on customers' suggestions for deviations of SLA. "I ask my closest boss if it is okay" (Operating employee AP). However, the employees in GA both on operating and Subunit leader level, takes to a large extent, decisions on their own. "You do your own judgment if you need to consult your manager or decide yourself to make exceptions" (Operating employee GA). The operating employees' own decision-making can result in increased deviations form SLA. "If the customer want NBS to do more than SLA, we will look at it. If the customers have a lot to do, of course we help them even if the customer normally should do it" (Subunit leader GA). The operational goals in GA are not directly connected to SLA and the employees are not individually evaluated on whether their actions are in line with SLA. This could imply a decreased motivation to strictly follow SLA and thus increase the number of deviations if customers ask for more services. To have more deviations and to a

larger extent make exceptions, can result in decreased efficiency and higher costs. This goes against NBS's focus of striving to decrease the costs. In order to avoid these deviations and cost increases, the NBS manager wants to make all the decisions about deviations from SLA. This since it should not be possible for the customers to make a phone call to anyone within NSB and thus get an exception from SLA. "I would like it to be difficult to get to make sure it is important things and not just because of laziness" (Manager NBS).

Since the organization is decentralized, all customers might not be informed about what is stated in the SLA. Therefore, NBS also needs to have an educational role for the customers. If the employees within NBS start to deviate from SLA, the customers can get used to it. This indicates the importance of the operational employees' role in assuring that SLA is followed and thus also that the standardization is followed. This educational role is built upon that the SLA provides the employees with updated information of what services to provide. But as a subunit leader says: "We have changed focus after the latest version so it should be updated in GA" (Subunit leader GA). In order to steer the customers, the employees within NBS have to know what service they should provide. An outdated SLA could make this educational role difficult.

Job rotation and back-up system

The NBS Manager has a focus on activities that will decrease costs and one such activity is employee planning. Instead of having a large redundancy of employees the units have back-up system where the employees, depending on workload, can get help or assist other groups within the unit. In for example AP, if there is a low workload in the Danish group, they can assist the Swedish/Norwegian group. If the back-up system is not enough during the periods of higher workload, it is also possible to also bring in students. In that way there is no need to have more people than necessary since the back-up system will ensure that the work tasks are satisfactorily performed. This is a way for NBS to save money. Furthermore, in AP, increased job rotation could increase the employees' knowledge of each others' routines. A better knowledge of each other's tasks will in turn make the back-up system more efficient.

In order to have a back-up system, it can be important that the employees are willing to help each other. However, in GA the willingness to assist each other is relatively low. When some groups have periods with high workload, it could jeopardize the quality of the outcome. The unwillingness to help has its foundation in that employees would like to have control over their own assignments in order to ensure a certain quality standard. This could imply that the employees might work extra hard in periods of high workload in order to avoid low standard on the tasks and thus it is not a problem. This suggests that the problem of quality is more present if employees would be sick for a long time. The common work descriptions are meant to facilitate the back-up system and these are currently under development. By having common work descriptions it would be easier to perform an absent employee's work tasks.

Pricing

Pricing is a strong action control used in the SSC to manage cost efficiency and to drive desired behavior. NBS applies a volume based pricing model in two of the production units, which means that a fixed price is charged per transaction to the customer. Also, if there is low quality from the customer so the invoice stops in the system, they pay more. This pricing creates a pressure on the SSC to uphold efficient processes and to make them even more efficient, otherwise the customer will complain if prices increase. Volume based pricing also creates a pressure on the customers to do their part in lowering the SSC's overall costs since it will lower their price tariff. The customers will also have a pressure to increase their quality of input since if it stops in NBS system, they will have to pay more. In the third production unit they apply an hourly pricing system. This gives the customer an incentive to cooperate in order to minimize the hours for NBS and thus the price they will pay. Within NBS the incentive is not as strong since they get paid for all hours spent on customers' accounting. It can be that the customer paying for the service and the customer ordering the service is not the same person. This could lead to that the one ordering the service would like as much service as possible and therefore ask for services outside SLA. Then, if the employees do not educate the ordering customer about what is within the SLA, then they can allow more services than what is in the SLA, which could decrease efficiency and convergence.

Meetings for steering the employees in the right direction

There are several different forms of meetings within NBS and these can be seen as controls for assuring employees are working in the right direction. There are meetings at all hierarchal levels within NBS. These meetings can assist the managers in assuring that the most important areas are prioritized. Since the goals on the different hierarchal levels are connected with each other, in order to reach the goals, the managers are dependent upon the employees on lower levels to fulfill their goals. To have meetings can thus also be a way for managers to evaluate and ensure that the employees are reaching their goals.

To have meetings is a way of connecting different units within an organization (Simons, 1995a). That NCC is a very decentralized organization could imply that there is less natural to have contact between NBS and its customers. This suggests that it is especially important to arrange meetings between these parties in order to facilitate communication. These meetings are held in form of customer council, delivery team meetings and customer meetings. Furthermore, the two former meetings forums is also a way to enable cooperation between the customers, which could be necessary for standardization of processes.

5.1.3 Personnel control: motivation

According to Merchant and Van der Stede (2012) the personnel control consist of motivational and employee control mechanisms. In NBS personal control can be seen in the form of selection of employees, education of employees and development possibility.

Selection of employees

The selection of employees within NBS is foremost focused on the balance of economic- and language knowledge. AP and AR requires a secondary education

within economy or similar is enough while GA's more complex tasks require a university degree in business administration. It is not possible to only have economic knowledge because the customers in different countries require language adaptation. The combination of these skills is necessary for some positions but is difficult to find, which could suggest increased recruiting costs. This refers to the Finnish speaking staff where NBS has previously tried to recruit only on language skills. However this is not preferred since it resulted in a significant higher need for training compared to employees knowing basic business terms and concepts and it can be annoying for employees. It is thus a need to find a balance between the economic- and language knowledge.

Education of employees

Although there is a personnel control in the recruitment process, there is also a need to educate the employees. By education, NBS increases the possibility for employees to perform well. According to a customer there is a need to raise the competence and employees' knowledge in NBS support. "Depending on who is in the support you get different quality and answers to questions and this is not good" (Customer). NBS prefers when the customers contact the NBS support rather than individual employees, since it will increase the efficiency. It is thus important the customers find that the answers in the NBS support have a high quality otherwise the risk for contacting individual employees increase.

However, even though education could increase the quality within NBS there are employees in NBS who not always find education to be a good idea. "They said a while ago that we should have more education but I do not know if it is a good idea. Some courses are pricy but not really good" (Operating employee GA). Therefore it is important to secure that the training is relevant to the work assignments and not only an extra cost for NBS. Moreover, the customers express a requirement for system education due to their own lack of sufficient system knowledge. An increase of customers' knowledge of the economic systems could suggest that customers are more willing to try to find a solution on their own before calling the support for help. This would be in line with Merchant and Van der Stede (2012) and could in turn result in fewer errands to the support and thus more time for the employees in NBS to focus on their main work tasks.

Development possibility

A motivator for the employees is that there are possibilities to develop within NCC when an open position arises. It can also be within NBS, where for example a subunit leader in AP became manager of AP. Also here, it is dependent on position availability. There is also the part time position superuser for employees with interest in taking more responsibility, which could increase motivation for employees.

5.1.4 Cultural control: old habits persist

Cultural control involves the influence group norms and values have on employees (Merchant and Van der Stede, 2012). We have identified the following within NBS: code of conduct, focus areas, persisting culture and lead by example from the top.

Code of conduct

An organization's culture can be shaped in many different ways. In line with Merchant and Van der Stede (2012), there is formal documentation like codes of conduct that gives a general statement of the values within the organization. These values are interpreted as acting professionally, respecting the customers' need and to help each other reaching the goals. The latter is not always what employees have in mind when working. To increase the awareness of that value could lead to a faster changing the individual culture to a culture of cooperation.

Focus areas

There are also other values in form of the principles of *one NCC*, *customer focus* and *efficient processes* that are used in order to guide the employees in the right direction. To strengthen the message of these values, there are also NSB days with themes, and last year it was the theme of customer focus. All levels within NBS are aware of these focus areas in one or another form. The purpose with these values is to affect the employees' behavior by always having these focus areas in mind. By the employees being aware of these values they are heading in the direction NBS aim for.

Persisting culture

The culture within NBS is likely influenced by that several of the employees within NBS came from accounting departments in the business areas when the center was established. This suggests that employees go from being used to work alone to now be encouraged to create a culture of corporation. One of the subunit leaders in GA explains that the employees do not help each other very much and she does not understand why. This could imply that the employees do not learn from someone else who might have found a better solution or work process. This could result in difficulties to reach the desired level of efficiency. The fact that NBS employees and the customers have previously worked together has also resulted in personal relationships between the parties. It can be suggested that these relationships makes the employees more willing to ensure that the customers are satisfied. "It is important with the customer contact and sometimes you cannot say no" (Operating employee GA). These personal relationships can result in employees deviating from SLA to a greater extent.

Lead by example from the top within NBS

Finally, the culture can also be shaped by the tone at the top. In this case, this would be referred to the manager of NBS who considers it important to lead by example. The NBS manager promotes face-to-face communication instead of e-mails in order to avoid misunderstandings. The NBS manager tries to lead by example by not communicating important things through e-mails since it is easy to hide behind a screen. This is in line with Merchant and Van der Stede (2012) arguing that the manager should not say one thing and do something else.

Furthermore, the NBS manager also leads by example by being one of the first to move into open plan offices in the connection with the rebuilding. This signals the importance of open plan offices to the other employees. The physical arrangement is an approach for shaping the organizational culture (Merchant

and Van der Stede 2012). This encourages increased communication, information sharing and assistance between the employees. It can in turn result in employees helping each other more and sharing knowledge. To share experience can lead to a higher quality and efficiency in the employees' work.

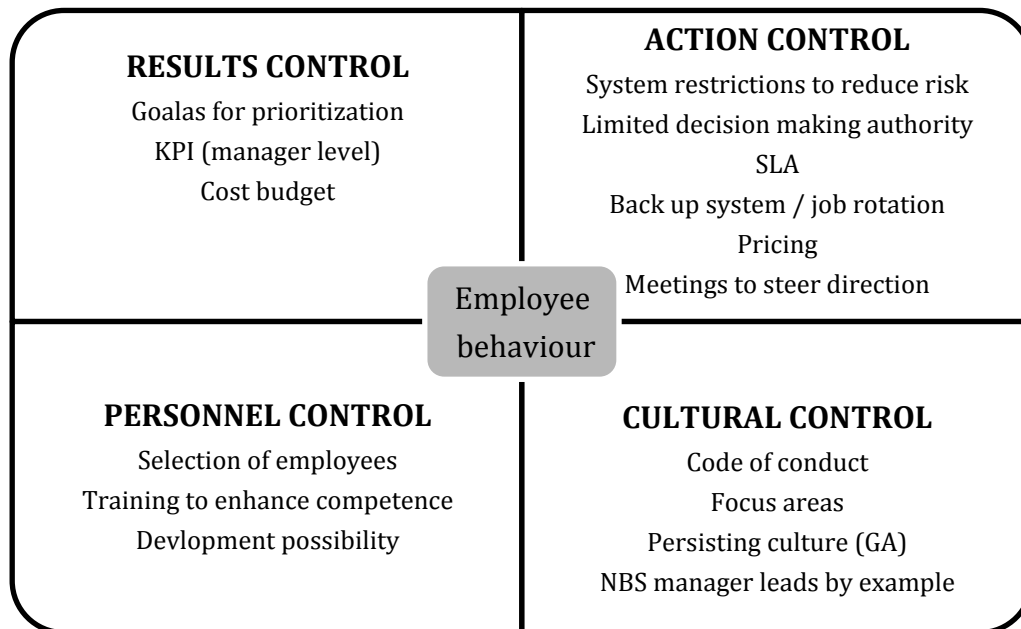


Figure 5. The controls used in NBS to affect behavior (Build on Merchant and Van der Stede's (2012) four control types).

5.1.5 NBS's MCS in relation to SSC characteristics

Areas of control SSC characteristics	Results Control	Action Control	Personnel Control	Cultural Control
Cost focus	KPI: cost and unit cost	No fully redundancy but back up system Cost focused decisions – NBS manager	Recruit employees with economic knowledge	Open plan office
Customer relations	KPI: Nkl	Meetings with customers.	Recruit employees with language knowledge	Respect the customers Customer focus
Efficient processes	KPI: process development against BA	Superuser meetings		Efficient processes
SLA	KPI: SLA KPI based on SLA	Decisions made by NBS manager		

Table 5. The relations between Merchant and Van der Stede's (2012) control areas and SSC related characteristics.

We have identified several SSC characteristics in previous literature, which are highlighted as important in a SSC. These characteristics are cost focus, customer relations, efficient processes and SLA. Table 5 shows the connection between the previously presented control types and SLA characteristics. As follows there will be a discussion about each of these based on what have been found in NBS's MCS.

Cost focus

One important area of focus, based on SSC literature, is cost. In NBS, this attribute exists, in some form, within all the different control types. Tripplett and Schuemann (2000) emphasize the importance of having a cost focus and to manage costs. NBS is evaluated on costs where the cost budget is accepted by the NBS board. Furthermore, there is connection with costs within NBS through the KPIs. However there are only two KPIs related to costs. The fact that decisions involving large costs should be consulted with the manager of NBS, suggests that costs are important and that there is a wish to control it. "We do not explicitly focus on costs and my employees probably do not believe I have good control of them either, except from my economist [business strategy and development manager]. I focus on activities I know will lower the cost instead of focusing directly on cost items" (NBS manager).

Tripplett and Schuemann (2000) explain that you need to understand where costs are created and these should in turn be managed. In NBS the largest cost items are personnel and premises. They have tried to decrease the premises cost by establishing open plan offices with an additional benefit on the culture. Furthermore, NBS works with employee planning. To have more employees than necessary during low work periods would increase the costs for NBS so employee planning keeps personnel cost down. "We do not strive to have 100% [on the handling of errands], and we should not have that because if we reach 100% we might be to many employees in the unit" (Operating employees AP). In addition to employee planning, having a back-up system will ensure the performance quality of the tasks at the same time as keeping the costs lower.

Even though there is a focus on costs in all four areas of control there is a varied focus on costs between the different units. There is not an explicitly stated limit of how high the costs can be for making own decisions. This suggests that there is a risk of managers making more decisions themselves instead of consulting with the NBS manager. Alternatively, they are unsure about which decisions they can make and thus inefficiently asks its manager at unnecessary many occasions. The employees within GA do not find that there is as large cost focus as employees in AP and AR do. One reason could be that it is more difficult to standardize and keep low costs in GA and therefore costs are not in focus. Another reason could be that the cost motives behind actions like open plan office or recruitment is not communicated to the employees. Thus, even though the employees in GA do not find that there is a large cost focus it exists although they are not fully aware of it.

SLA

A second characteristic emphasized in the SSC literature is the importance of SLA (see for example Tripplett and Schuemann, 2000; Davis, 2005). As can be seen in

Figure 5, the SLA is present in the results- and action control. The spread of SLA indicates that NBS, in line with theory, understands the importance of SLA. The importance to follow SLA is also encouraged by NBS management. Also that KPIs are based upon SLA strengthens the focus to satisfactorily fulfill what is in the SLA. Tripplett and Schuemann (2000) state that the SLA should be updated and this has been done in NBS. "The SLA are not that good, people are working on updating them now" (Operating employee GA). But in AP and AR they have better updated SLAs: "I think AR and AP have come a longer way with their SLAs. They involved the customers and afterwards I think they became better" (Manager GA). That the SLA not always is followed could also be influenced by the fact that it is not evaluated whether employees follow SLA.

Customer relationships

Thirdly it is important to have satisfied customers. In line with Ulrich (1995), NBS has customer survey in form of NKI and in order to make sure it is performed in a satisfied way, one of the managers has it as a KPI. Furthermore, in accordance with Forst's (1997) recommendation to support the relationships by arranging that customer meet each other are in NBS present by having customer council and delivery team meetings. These meetings facilitate learning among customers and increase the understanding of needs between NBS and the customers. Also, importance of customers is communicated through the value *customer focus* and respecting the customers (code of conduct). These actions are in line with Davis (2005) who argues about the importance of understanding and serving your customers. Also, recruiting employees with specific language knowledge, NBS facilitates the relations with its foreign customers.

Good customer relations can also work in a contradictory way of where NBS would like to steer. Before NBS was created, some of the employees in NBS worked in the business areas. Previous research highlights that the implementation of a SSC is important to anchor the decisions among the employees. It is crucial to consider change management with a special focus on the people and culture. A possible explanation for employees sometimes deviating from SLA could be that when NBS was created they did not consider the importance of cultural control. This led to that the employees who came from the business areas maintained strong personal relationships. Today these relationships can lead to differentiation of practices by allowing more than SLA says. Also, there was a culture of individualism in their working tasks, which could imply that it takes a longer time to converge since convergence is dependent on cooperation. So, if the culture does not facilitate convergence, it could be easier to allow more than SLA. A culture is often strong and can be difficult to change, why the culture probably was transferred to new recruits within NBS and thus is sustained.

Efficient processes

Finally the SSC literature also emphasizes efficient processes, which in NBS is emphasized in the three different control types results-, action- and cultural control. With improved efficiency of processes, there are potential cost savings, which is another important issue in the normative SSC literature (Davis, 2005; Tripplett and Schuemann, 2000). The importance to focus on efficient processes

is also communicated in the culture by having it as a focus area. In order to work with process improvement, the superusers have meetings and in addition the units' work with the processes is followed up through KPIs. However, even though efficient processes are present in three of the four areas of control, it still does not seem like the operating employees have a structured way of working with the improvement of the processes. To begin with there are many employees who do not come up with new ideas within NBS. "There are many who do not dare to come with initiatives, there are very few who come up with own ideas" (Operating employee GA). Furthermore, the operating employees do not find that new ideas are encouraged. However, when they do come with suggestions for improvement they communicate these ideas to their closest manager. If there is a lot to do the manager can forget about it and thus no actions are taken based on the employees' suggestions. To encourage ideas, the units should create a request list with ideas to BD but this request list is not yet working efficiently in all units. Furthermore, BD does not have any guidelines of how to prioritize the projects, which will also make the work of increasing efficiency more difficult. So, there are controls in place for working with efficient processes, but the structure is not always clear and as a consequence, good ideas can be missed out. However, NBS is trying to address this by making them aware of the need for a better structure.

5.2 Revealing and managing tensions arising from coordination of units

By mapping NBS's MCS several implications of different forces were found. It was for example found that the NBS manager preferred centralized decision-making regarding SLA. However the operational employees still made their own decisions. Furthermore, the importance of efficient processes was viewed, which promotes the need for standardization at the same time as it was shown that the customers had demands on adjustments for specific language skills. We thus find it interesting to take a closer look at these forces and thereby study the tensions of centralization vs. decentralization of decision-making, convergence vs. differentiation of practices and vertical vs. lateral relations (Busco et al., 2008). We will in this section answer the second question by studying how the tensions are revealed and managed.

5.2.1 Centralization vs. Decentralization of decision making

Busco et al. (2008) discuss centralization and decentralization as the degree of decision-making authority, which is related to delegation of task responsibility. Decentralization is used to facilitate local adaptation and coordination while centralization can facilitate the leverage of firms' competitive advantage.

The organization NCC is highly decentralized. "Each construction site is king and each company is a kingdom. War is created when you start to move things around. It is typical for this industry and it appears in the culture" (Manager AR). The fact that the implementation of NBS is a centralized action of the support functions makes it a special challenge for the organization. The creation of NBS increases the centralization, however there is still a need for some level of decentralization. This is shown through the statement of the Business control and strategy manager who explains: "SSC should work like in a factory while the controlling and other things are still in the business areas. It is those who know the business that knows what is right and what is wrong. NBS is expert on

accounting and it is not always they know the business.” The customer support the statement of a need for decentralization: “Overall they are doing a good job but since they do not know the businesses of the business areas, the staff in NBS can come with stupid questions or they make stupid decisions” (Customer). This shows the existence of the two forces and it implies that it is necessary with a dialogue between NBS and the business areas. This since NBS cannot always decide what is the best distribution of tasks and responsibilities between themselves and their customers.

This tension of centralization and decentralization can be shown through Denmark’s shadow function, which indicates that the Danish customers would like to interfere more and have larger control. They for example want to have more details and exact calculations compared to what NBS finds efficient. This reveals a tension in terms of centralization and decentralization since the Danish customer has difficulties to accept that they cannot fully decide themselves.

The next sections will present mechanisms in form of meetings and SLA and their involvement in managing the centralization and decentralization tension.

Decentralization is enabled by customer council, customer meetings and delivery team meetings

The customers and NBS meet in the customer council, customer meetings and delivery team meetings. These are forums for both operational and strategic questions and thus the customers are involved to some extent in deciding upon NBS’s operations. As the customer says about customer council: “It is a good forum for the us to set demands on NBS. If you for example have a demand that affects the other business areas you bring it up in the customer council” (Customer). Through these meetings, the customers get an opportunity to discuss the proposition of standardization and being involved in the decision-making process. Lately, NBS realized that they had a lack of customer focus, however they have started to have a higher focus on customers resulting in somewhat more satisfied customers. This could imply that NBS has put a higher emphasis on these meetings with the customers, indicating that they are moving towards more decentralization. This could be supported by the positive effect of decentralization in connection with SLA. “I think AR and AP have come a longer way with their SLAs. They involved the customers and afterwards I think they became better” (Manager GA). To have meetings with the customers in form of customer council, customer meetings and delivery team meetings is a way of managing the decentralization vs. centralization tension. This since it allows customers to have an increased participation in the decision-making process.

SLA and customer focus can give different directives to employees

The manager of NBS wants to be part of deciding what services NBS should produce to the customers and what they should not produce. This could indicate that without SLA there would be many discussions of what the employees should deliver to the customers and who should make these decisions. SLA can be seen as a mechanism for trying to manage the tension between centralization and decentralization. By having a SLA the decision of what services the employees should deliver is already decided centrally within NBS on a higher hierarchal

level. Consequently, the employees can follow these and do not have to make their own decision for which services that should be provided. The draft of SLA can be seen as a centralized decision between NBS and the customers, however it has feature of decentralization since it is discussed with the customers.

However, even though representatives from the customers have participated in the approval of SLA, the customers still sometimes want to get more services delivered than stated in SLA. In these situations it is the manager of NBS who should make all these decisions, no matter if it is a small or large request. This indicates a high degree of centralization, or at least a goal of having a higher centralization and control. However, the questions regarding SLA deviations do not always reach the NBS manager and are instead decided by the operational employees and subunit leaders, especially within GA. These individual decisions suggest an increase of decentralization within NBS. It could also suggest that the customers will continue to ask for own adjustments when they realize the operating employees make their own decisions.

There are several arguments that might suggest explanations for the operational employees' own decision-making and thus increased decentralization within NBS. Firstly, it could also be suggested that there could exist some level of confusion among the employees regarding the decision-making. This because of the message to always ask the superior indicates centralized decision-making, while the communication of having satisfied customers and thus being service minded could imply making quick and efficient decisions for the customers. This could suggest that employees sometimes also need to make their own decision, which would increase the decentralization. Thirdly, the personal relationships between NBS employees and the customers could also imply increased decentralization. The fact that some of the NBS employees previously have worked at the business units together with the customers, could suggest that personal relationships exist between these parties. These old relationships are mostly apparent in GA since they have more personal contacts with the customers. The corporation with customers is higher within GA since their structure is based on customers. This implies that GA creates more personal contacts compared to the other units. These relationships might result in NBS employees giving in to the customers' requests and thereby make an own decision. This rather than letting the customers wait for an answer from a higher hierarchal level.

5.2.2 Convergence vs. differentiation of practices

According to Busco et al. (2008) there is a need for local adaption due to local practices and national culture. However, having economy functions in the different business areas in a highly decentralized organization can lead to sub optimization. It can also lead to less knowledge sharing and a reduction of synergies.

NBS should deliver services to the whole NCC group to a low cost and they are trying to do this by having as standardized processes as possible. AP has come a long way in the standardization process. This could be indicated by that AP has gone from being organized after customers to instead be organized after

processes. This is in line with Ulrich (1995) who argues for the importance of convergence. "In an utopian world, we would do exactly the same to all our customers in all situations. However, this is not possible since there are different rules and laws in the different countries. Thus there is a need to make adjustments and adapt to the customers' wishes" (Subunit leader AP). The awareness of the need for differentiation is shown in the 80/20 rule. This is in line with Busco et al. (2008) saying that there is a need for differentiation when the businesses varies and there are also different national cultures.

The tensions can be seen through NBS aim for standardization and the customers' wishes for differentiation. The differences in businesses result in a need for the customer Roads to have a declaration for VAT connected to their mining business. The customer argues that they do not have the knowledge to perform this service. Instead they want NBS to do it since they are responsible for the other declarations. However, NBS do not want to perform this specific service, which would be in line with their aim of standardization. This shows how these contradictive forces meet and create a tension. To have conflicts can in turn increase the risk for communication costs and interfere with the transfer of knowledge (Chow, 1999).

In the next sections we will discuss mechanisms for managing the tensions between convergence vs. differentiation of practices. The mechanisms presented are meetings, SLA, NBS support and pricing.

Forum for customers facilitates convergence

In customer council, the customers meet and discuss coordination and process improvements to achieve combined and efficient processes. Requests for improvements that concern all customers should be raised in this forum, giving customers a possibility to come with own initiatives. "Previously, the processes were customer specific but we try to avoid that now and it is getting better. We have more of group thinking and tries to think what is best for NCC" (Manager BD). These discussions could imply that the customers get an increased awareness of the need for standardization and by meeting the other customers they can share experiences. "What is good with customer council is that we learn from each other. Different units and processes can be compared and if it works for one it might work for the rest as well" (Customer). To learn from each other could be beneficial for the standardization. Customers who found the solution useful might have positive influence on customers who argue for differentiation. The sharing of ideas about processes can lead to others adapting these processes as well, resulting in more standardization. An understanding and acceptance of standardization can be facilitated. The improvement of trying to discuss similarities and the discussions across the business areas implies an increased corporation in order to achieve standardization, which in turn can result in lower costs (Busco et al., 2008). Opportunities to lower the costs are in turn seen as important within NBS.

The delivery team meetings are working in a similar way as the customer council. The main difference is that instead of promoting communication between customers with different and nationalities, the delivery team meetings

facilitate learning between the different business areas but within the same country.

Based on the above discussion, we suggest that the customer council and delivery team meetings manage the tensions of convergence and differentiation. This since it facilitates communication and thus also an understanding of the importance of standardization through discussions and knowledge sharing. However, because of the different businesses and countries there is still a need for some level of differentiation. Customer meetings can raise questions and problems regarding details about specific customer needs. Thus it can be seen as forum for discussing the adoption of local practices that are needed and it can thereby act in combination with the other forums be used for managing tensions.

SLA facilitates convergence, but is not always used as intended

SLA is a way of ensuring that the divergence is kept according to what was decided and thereby avoiding more differentiation than necessary. We suggest that SLA is a formal structure that tries to manage the tension between convergence and differentiation by specifying what services should be delivered. It can be seen as a way of promoting and assuring standardization and thereby restricting differentiation. Once the SLA is defined, employees can refer back to the document and thus explain for the customers that specific adjustments are not possible. It is thus trying to assure that a certain amount of standardization is retained. Since SLA is decided on a high hierarchal level it should be difficult for the customers to attain more differentiation than stated in SLA.

However, the result of using SLA is varying within NBS and there could be several explanations for employees deviating from it. As explained previously there are personal relationships established between the NBS employees and the customers. In line with the argumentation in the centralization vs. decentralization section, these personal relationships can result in employees sometimes taking actions that are not in line with NBS's directions. These personal relationships could make it more difficult for the NBS employees to deny the customers' request for differentiation. This can especially be if the customer praises the employees when they are allowing these deviations. "You do not follow SLA strictly. Sometimes NBS deliver more services than what SLA says, it is different between the employees in NBS. Some are very good and do more than SLA says" (Customer). These personal relationships are more present in GA where there also is a larger amount of deviations. In AP where personal relationships are fewer, they have been more successful in avoiding deviations from the SLA and thereby also differentiation.

Furthermore, as mentioned in the centralization vs. differentiation section NBS has increased their focus on customers. "The customers should be satisfied and NBS should be their first choice even though the customers do not have a choice" (Operating employee GA). To reach higher customer satisfaction could indicate an increased use of differentiation. This message goes against the SLA. Thus, we suggests that it could be somewhat confusing for the employees to know how much to differentiate to the customers to get them satisfied and when you should instead emphasize the importance of convergence to gain efficiency. Even though

SLA promotes standardization, the communication of customer focus could indicate an increased level of differentiation.

Moreover, the degree of employees' deviations from SLA could be affected by the organizational structure in GA. That the employees perform the majority of their customers' services could imply an increase in deviations. This since when the employees are responsible for the majority of the processes, they are not dependent upon someone else in order to perform the task.

NBS support facilitates standardization but require language differentiation

The NBS support is supposed to be the first hand choice for customers. By having a NBS support the answers of employees should be more standardized and thereby the employees should not favoring certain customers. If the customers would like a specific adjustment and they have to call the NBS support instead of a personnel contact, their chance for getting their adaption accepted will decrease. This would increase the standardization and making it more difficult to get differentiation. However, due to the previously mentioned personal relationships this does not fully work since the customers still often call their personal contact within NBS. This can indicate that NBS support is trying to manage the tensions by reducing the personal relationship that opposes convergence.

Although the NBS support promotes standardization, there is still some differentiation that is essential, for example language adjustments. The NBS support has accepted the customer demands of employees speaking their language, this even though it makes the recruitment process more difficult. According to NBS it is not easy to find Finnish-speaking employees with economic background. They are thereby considering to creating a hub in Finland in the future, however this will probably make it more difficult with knowledge sharing and coordination to achieve standardization. This compared to having them in the same building. To not have language adjustments will make the communication between NBS and customers more difficult and probably result in dissatisfied customers. In other words, even though differentiating through having NBS employees in Sweden speaking the other languages is not optimal it can be indicated to be a necessary adaption.

Pricing of services should encourage convergence

In AP, the pricing system is based on the number of invoices. Today 90% of the invoices in Sweden are sent by regular mail rather than by e-mail. To have standardized processes where all invoices are send by e-mail would be preferable by NBS since it would be more efficient. An employee have difficulties to understand why this is the case. "I do not understand why they send invoices by mail since it is costly with stamps, envelopes and extra time for printing and posting it. In addition, it takes three days before it reaches the scanning company. By Internet it only takes a few hours before it is in our system" (Operating employee AP). The customers' behavior of sending a majority of the invoices by mail could be explained by the pricing system. Regardless of whether the customer sends invoices by mail or e-mail, the price per invoice is still the

same. However, that the invoices are sent by mail could increase NBS's costs. This since mails involves time consuming actions like opening and scanning of mail, which would be avoided with e-mails. Since all NBS's costs are distributed on the customers, this increased cost will also affect the customers. However, since these costs are distributed between all the customers, the price increase for a customer using mail will be divided between all customers. Furthermore, that the customers' extra costs for sending invoices by mail already probably are accounted for in the budget could indicate that they are already used to have these extra costs. Thus, they might not attach great importance to these costs.

According to Ulbrich (2010) people are unwilling to change their habits even if it is in the best for the organization. This suggests that as long as the customers do not have requirements, from neither their own company nor NBS, to be more efficient and use e-mail they will probably not change. Having the same price for mail and e-mails, apart from smaller extra costs, could suggest that customers do not have any incentives to change their current practices and therefore stick to old habits. This indicates that the current pricing system is not working in an optimal way for managing the tensions of convergence and differentiation.

In GA the pricing system is based upon an hourly rate. This price per hour is not different depending on whether the services the NBS employees are delivering are included in SLA or not. Thus, there are no pricing incentives for the customers to not request services outside of SLA. The customers will thereby not be discouraged by the price to ask for more services than SLA includes. This suggests that the pricing system could result in increased differentiation. However, this is dependent on that the NBS employees accept the customers' requests of differentiation. As explained previously, the possibility of this increases with the personal relationships between the customers and the NBS employees and also that the goals are not directly linked to SLA. This discussion indicates that the pricing system is not working optimally for managing the tensions for convergence vs. differentiation.

5.2.3 Lateral vs. Vertical relations

Busco et al. (2008) explain that a superior-subordinate relation characterizes the vertical relationship, while lateral relations are described as the relationship between subsidiaries.

NBS is seen as an own subsidiary since it operates autonomously as one. Therefore the relationship between NBS and NCC board is seen as a vertical relation and is seen as important. "You need top management buy in, the management has to believe in it, otherwise it is impossible. (Former chairman NBS board). The relationships between NBS and the customers and also between the different customers are seen as lateral relationships since they are relations between subsidiaries.

With the creation of NBS an increased focus on lateral relations has been established since standardization of practices and processes requires lateral cooperation. It is important to have collaborations with and between the customers to gain synergies. As the manager of NBS expresses it: "When working

with customers, it is a lot about relationships. As long as you give them respect they will treat you back with respect. You should dare to show your weaknesses. When we can admit that we do mistakes, they can do the same". NBS mission is to provide the customers with services at the right quality. In order to benefit NCC group, it is important that both NBS and the customers understand the importance of well functioning relationships and therefore lateral relations have to be strengthened. In a decentralized organization, lateral relationships are not a natural way of cooperation, which could suggest that lateral relations must be facilitated. The next sections will study the mechanisms of top management, meetings and NKI and its affect on lateral relations.

Top management support facilitates lateral relationship

Previously, the subsidiaries were run more or less isolated. "Before NBS you worked separately and reinvented the wheel. The idea with NBS is very good" (Customer) and supported by the statement "each construction site is king and each company is a kingdom" (Manager AR). This indicates that cooperation between the subsidiaries was not common practice before NBS. With NBS, the sharing of best practice and coordination were not a natural element. Since the idea of NBS is build on cooperation, NBS cannot be run in isolation. There is a need for customers to inform NBS about their business in order for NBS to create as much standardization as possible. However, due to the highly decentralized organization, NBS has had problems with getting the customers to understand the importance with lateral relations and cooperation. NBS has tried to encourage cooperation but without the desired response. When the NCC group initiated the project of efficient reporting the situation changed. The former chairman of NBS board argues that it is easier to pursue issues if there is a support from top management. The message of efficient reporting from top management increased the customers' willingness to cooperate and NBS got greater influence on the customers. Additionally, the pressure from the NCC group regarding *one NCC* has also increased the customers' understanding of the importance of increased corporation and to do what is best for the whole organization. Thus, it can be identified that the vertical relationships have influence over the lateral relationships. This is in line with Busco et al. (2008) who state that there often is a need to promote lateral relations. In NBS's case, this seemed to be important, at least for the initiation of a well functioning collaboration between NBS and its customers.

Customer meetings and forums decrease the distance in the lateral relations

The lateral relations are emphasized through the meetings in customer council where the customers meet each other. "What is good with customer council is that we learn form each other. That is what you want to use a customer forum for. Different units and processes can be compared and if it works for one it might work for the rest as well" (Customer). Similarly, in delivery team meetings, representatives from NBS and the different business areas within the same country meet. Housing, Construction and PD (Denmark) sit in the same building outside Copenhagen, while Roads is placed on Jylland and therefore they do not meet often. Because of the physical distance between these customers, they rarely meet and thus these meetings will facilitate learning and sharing of

experience. This is in accordance with Dent (1987) who argues that lateral relations are beneficial for the sharing of ideas and knowledge. Furthermore, it is also important to create an understanding between NBS and the customers about what is important for the other party. Through meetings with the customers, NBS can build stronger lateral relations with the customers. These meetings will facilitate the communication of the lateral relationships and thus decrease the distance between the parties.

Moreover, the customer meetings are instead more focused on strengthening the relationship between NBS and the individual customer. Here NBS listen to only this individual customer's needs. Thus, all customers will get their special attention from NBS, which will strengthen the lateral relations.

NKI as a tool for facilitating lateral relationship

NBS is trying to decrease the distance between themselves and the customers. The NKI survey is a way to learn the customers' perceptions of NBS and to evaluate this lateral relationship. By using the NKI survey they will strengthen the communication between with the customers. This information can in turn be used in order to improve NBS, its corporation with the customers and thus the lateral relationship.

Even though NKI can work as a tool for facilitating the lateral relationship with the customers, it has previously not been used to its fully potential. This, since the result rarely have been linked directly to actions. However, one action taken is that NBS this year recruited a manager for the NBS support. This manager should for example focus on solving the problem with the low prioritization of the customers. Thereby, this action will be beneficial for the lateral relationships between the customers and NBS. Another limitation that will weaken the use of the NKI is that the results are measured per business area and thus it includes all countries when presented to the customers. A customer has mentioned that it does not give a fair view when comparing business areas that include different countries. However, it seems like NBS internally is aware of the differences between the countries. In addition, they have also had problems with the response rate and who to send the survey to. Thereby, today the customer survey does not fully live up to its potential of strengthening the lateral relations.

6 Conclusion: challenges for managers to balance standardization and customer focus

The purpose of this thesis is to answer the question: How to manage coordination of support functions in a decentralized organization? In order to answer the question we have broken it down to the following sub questions: What control types are used to manage a SSC? And: How does the MCS reveal and manage tensions arising from coordination of units? We have chosen a qualitative approach and performed a case study at the construction company NCC and studied their SSC. In total we have interviewed 21 employees, both within the SSC and customers to the SSC. In order to answer our first question, the interview answers has been analyzed by using Merchant and Van der Stede's

(2012) four perspectives of control to see what control types NBS uses. The second question has been analyzed by using Busco et al.'s (2008) framework including the tensions: centralization vs. decentralization of decision making, convergence vs. differentiation of practices and vertical vs. lateral relations.

6.1 Higher levels use results control while the operational level has action-, personnel- and cultural control

One finding in the first question is that NBS use results control to a large extent on a management level and on the operational level they primarily use action control among with personnel- and cultural control. Another finding is that the identified SSC features from previous normative literature, cost focus, customer relations, efficient processes and SLA, are all addressed to a high extent today. Although customer relations and SLA was not the highest priority from the beginning, the importance of them has been found along the way.

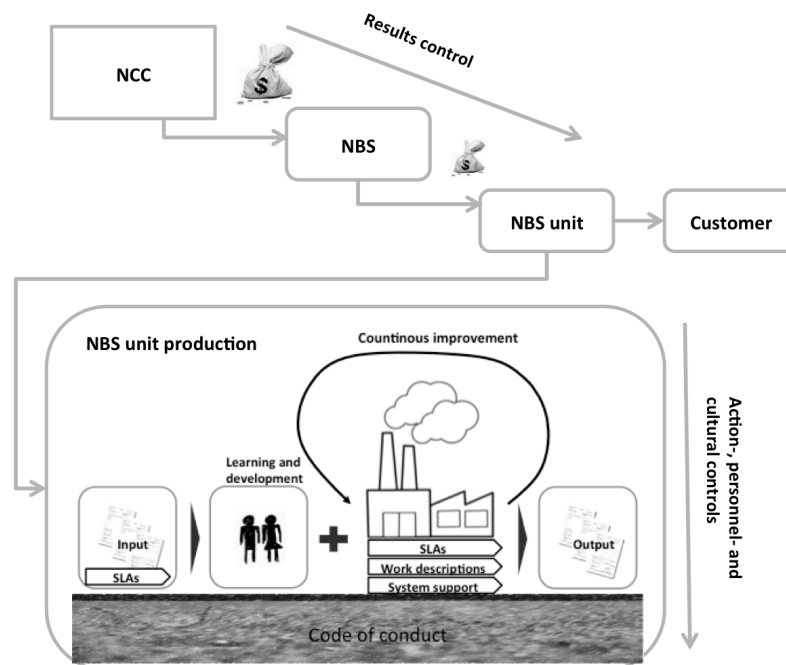


Figure 6. Overview of control types used in NBS

Figure 6 presents an overview of the control types used in NBS. NBS has a cost budget approved by the NBS board. This cost budget includes costs distributed to the different units and creates a results control since NBS commits itself to deliver within the approved cost frame. In turn, NBS's costs are distributed to the customers since NBS should break even.

The SLA is used as a results control and defines the customer interface of agreed services and quality levels between NBS and the customer. The SLA is used within the SSC as a document of how to work and what to deliver as well as to follow up delivery in accordance to agreement. To notice is that to develop the SLA together with the customer seems to make a large difference. Further KPIs are used as a results control for ensuring follow up on NBS strategies and goals and KPI reporting and follow up also include SLA measures. These KPIs has a

larger affect on managers with budget responsibility than on operational employees. Even though NBS strategy is broken down to all levels within NBS, it is to a low degree at the operational level. At the operational level, the managers instead give employees work descriptions and goals they know will lead to achieving the strategy but might not always have a direct connection.

The operational employees are mainly controlled by action-, personnel- and cultural controls. Employees are steered by the action control SLA and working descriptions. The SLA decides what service they should provide to the customer and the work descriptions should provide how it should be done. A risk with goals not directly connected to production, is that employees can for example allow doing more than SLA says since they are not measured directly on what is in the SLA. They have a convergence rule expressed by the 80/20 rule, but since some of the processes are difficult to converge, this rule could sometimes work more as a vision than a direct steering mechanism. Also, the behavior of the employees is steered by cultural and personnel controls such as feedback, training, communication and code of conduct. Since the results control are not as present on the operating level, action-, personnel-, and cultural control plays a major role instead.

Pricing is also an action control trying to regulate the efficiency of NBS and the customer. The volume pricing in AP and AR gives incentives for NBS to work with efficiency since customers pay by invoice and increased cost will lead to higher tariff on the invoices and then customers probably will complain. The hourly rate in GA leads to incentives for the customer to be more efficient and give better input. Primarily there is no incentive for NBS to be more efficient since they will get paid for time they spend on the customer. NBS is primarily working with continuous improvement by using their supporting unit that works with business development. Currently, there is no clear and systematic way of working with continuous improvement and is thus more made on an ad hoc basis. This could be an explanation why the employees are not a bigger part of this process since it could suggest that they do not have the space or motivation to come up with new ideas. Nevertheless, NBS are currently developing a more systematic way of dealing with the developing process since it is seen as an important part of NBS operations.

SSC specific features are emphasized in the MCS

Cost focus, customer relations, efficient processes and SLA has been highlighted in the previous normative studies about how to manage a SSC. We can therefore expect these features to be considered within the MCS in our SSC. We have identified that NBS did not from the beginning emphasize the SSC features but over time they have noticed the importance of having all four of them. As a result, they are currently extensively addressing all of them.

Control for cost focus, customer relations and efficient processes can be seen in most of the control types. Efficient processes have always been one of the main priorities for NBS while customer focus has somewhat been forgotten. However, dissatisfied customers have made NBS rethink and *customer focus* is today one of the focus areas among with *efficient processes* (and *one NCC*). Lately NBS has also

started to radically change their SLAs, implying that the previous SLAs did not work as intended. To develop the SLA together with the customer seems to make a large difference and a winning concept for NBS. Cost focus is more explicitly expressed on higher hierarchical levels and then for example expressed in KPIs. On the operational level, the cost focus is more indirect and communicated through a priority of activities that NBS management knows will lower the cost. Therefore the operational employees do not state that NBS has a cost focus although they have it to a large extent.

6.2 Tensions arising from coordination of units

One finding in our second question is that a highly centralized SSC lead to dissatisfied customers. However, well functioning forums and meetings where customers are involved in the decision-making process helps to manage the tension between centralization and decentralization. Another finding is that the level of convergence and differentiation is managed by SLA. By having a strong cultural control with personal relationships, the SLA can be outperformed and therefore is not enough to steer employees towards convergence. A third finding is that employees can also be confused by having somewhat contradictory forces of control with efficient processes pointing at convergence and customer focus pointing more at differentiation. Here managers have a role to steer the employees in the right direction.

NBS has naturally a centralized approach since the support functions from the business units are coordinated and gathered in NBS. It has within NBS been a high focus on processes and hard facts, which resulted in somewhat forgotten and dissatisfied customers. This centralized approach in combination with dissatisfied customers indicates a potential tension between centralization and decentralization. As a result, NBS has reconsidered their decision-making process and started to involve and cooperate more with the customers. They have addressed these issues in the different customer meetings and forums. These efforts have already yielded results of more satisfied customers. It could suggest that NBS has become somewhat more decentralized than before and started to find a balance between centralization and decentralization.

Although there is managing mechanisms in place, like customer meetings and SLAs, to manage the tensions of centralization vs. decentralization and convergence vs. differentiation, it can be confusing for the employees. For them, the forces of centralization and decentralization can be contradictory. Decisions about differentiation should be made on a higher hierarchical level, i.e. centralized decision-making. At the same time as the employees should consult their superior, they should also have a customer focus. To have satisfied customers could be interpreted as efficient decision-making indicating the need for employees to make own decisions. There are also contradictory forces of convergence and differentiation. A current focus in NBS is to further increase efficiency in their processes and thus also the standardization. To have satisfied customers could also be linked to accepting the customers' requests, which result in more differentiation. These contradicting forces could confuse the employees in the actions they take. The employees can have a difficulty to balance these features, as they would like to do what is best for NBS and follow

the SLA mechanism but also help the customer as far as they can. In the case of NBS, the communication of contradictive forces has resulted in a higher level of decentralization and differentiation than managers aimed for.

Persisting culture can influence differentiation

We have also identified that the cultural control represented by personal relationships can sometimes take over the action control that in turn is represented by SLA. As mentioned the forces of centralization vs. decentralization and convergence vs. differentiation are within NBS set against each other. In NBS, it can be seen that there is a higher level of decentralization and differentiation than what is wished for from NBS's point of view. The cultural control in form of personal relationships tends to result in the employees deviating from the action control SLA. The personal relationships between the current customers and the NBS employees started to grow when they worked together in the business units before NBS was created. These relations were further strengthened by a personal contact and cooperation between the parties also after the employees moved to NBS. The stronger these relationships are, the more difficult could it be for employees to say no to customers' requests. This could result in increased number of own decisions about deviations from SLA and thereby increased decentralization and differentiation. In other words the existing culture has elements of employees feeling a responsibility to have satisfied customers and especially when there is a personal relationship with the customer.

6.3 Managerial implication: Understand how different control mechanisms work together

In order to manage the coordination of support functions there is a need for an understanding how different control mechanisms are working together. When the managers have an overall picture of how different controls affect the employees, it can be easier to understand what motivates the employees have and affect the directions they take. Otherwise there is a risk of having control mechanisms working against each other and create confusion among the employees. This can in NBS be seen where they control for both efficient processes and customer focus, which from the employees' perspective can be contradictory and thus create confusion. In NBS, the cultural control encouraging customer focus could sometimes take over the action control of efficient processes. Therefore there is a need for managers to assist the employees in finding a balance between these forces of customer focus and efficient processes. The managers should try to steer them in the right direction but in order to do this they need to understand the whole picture of what affects employee behavior.

6.4 Limitations in the study and suggestions for future research

In the previous research we mentioned that it could be difficult to draw general conclusions when performing a case study. It can thus be difficult to establish whether the conclusions in this paper apply to all support functions in general. SSC is one way of managing support functions and it can thereby be difficult to draw general conclusions for support function based upon SSC. Furthermore, it can also be difficult to replicate this paper since the data is based on interviews where the answers can differ depending on the situation. Also, when using

interviews as data source there is a need for us to interpret the answers. However, during the data gathering process we tried to get the interview answers confirmed both through other interviews but also through other data sources like internal documents. All interviews were conducted with Swedish employees and customers. Even though they are aware and talk freely about the other countries opinions, it would have been a benefit to also interview these parties. This, especially since the most dissatisfied customers are those from the other countries.

For future research, it would be interesting to study another company in order to compare findings and to see if these findings could be generalized for SSCs. It could also be of interest to study other forms of arrangements of support functions. Another way of organizing support functions is by outsourcing them and it could thus be interesting to compare and contrast outsourcing with SSC. By studying different ways of coordinating support functions, it could be possible to generalize the findings. Furthermore, it would also be of interest to make this study in other countries to see how the country where the SSC is placed affect the outcome.

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8 Appendix

8.1 Conducted Interviews

Position	Perspective		Date
Manager GA	NBS	Physical	2013/03/11
Manager AP	NBS	Physical	2013/03/12
Manager business control and strategy	NBS	Physical	2013/03/12
Subunit leader AP	NBS	Physical	2013/03/15
Former NBS board	Board	Physical	2013/03/22
Operation AP	NBS	Physical	2013/03/22
Operation GA	NBS	Physical	2013/03/22
Subunit leader GA	NBS	Physical	2013/03/22
Manager of NBS	Board + NBS	Physical	2013/03/25
Controller housing	Customer	Physical	2013/03/26
Operation GA	NBS	Physical	2013/03/26
Manager AR	NBS	Physical	2013/03/27
Economy manager P&D	Customer	Physical	2013/03/27
Subunit leader GA	NBS	Physical	2013/03/28
Communication manager	NBS	Physical	2013/04/02
Operation AP	NBS	Physical	2013/04/02
Controller P&D	Customer	Physical	2013/04/03
NBS support manager	NBS	Physical	2013/04/03
Controller Construction	Customer	Physical	2013/04/05
Controller Roads	Customer	Physical	2013/04/12
Manager BD	NBS	Physical	2013/04/12