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Controlling centralized F&A services

A multi-case study on the role of charging in the context of the overall control setup

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Abstract

Increased global competitiveness and market uncertainty have led multinational companies to change their organizational structures to refocus on core activities (Ezzamel, Morris, & Smith, 2005; Herbert & Seal, 2012; Janssen & Joha, 2008; Triplett & Scheumann, 2000). As a result, new setups for sourcing finance & accounting (F&A) processes are created, such as shared service centers (SSCs) or outsourcing, aiming to combine the advantages of centralization with the business orientation of decentralization (Triplett & Scheumann, 2000). This in turn has influenced the management control systems (MCS) used to govern these setups. Previous research argues that charging is a powerful and central MCS tool to manage the relationship between local business units (BUs) and the providers of F&A services (Aron & Singh, 2005; Bergeron, 2002; Herbert & Seal, 2012; Quinn, Cooke, & Kris, 2000), albeit with several limitations and interdependencies to other control tools (Kaplan & Norton, 2006; Quinn et al., 2000). Using a multi-case study of local Swedish subsidiaries of four multinational companies, this thesis explores the role of charging in the control of F&A sourcing setups. From the analysis, it is found that charging has only a limited role in the control of the MCS setup due to three major reasons: (i) charging can be substituted through a single or combination of other control tools, (ii) charging can be of less importance in the overall MCS setup given the dominance of another single or set of control tools, and (iii) charging can be of less importance in the overall MCS setup as its use can be dependent on the interplay with other complementing control tools.

Keywords: management control, management control as a package, shared services, outsourcing, charging

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1. Introduction

Today's global pressures in the form of increased competition and marketplace uncertainty create pressure on firms to change their organizational structures towards solutions that can handle these new conditions (Ezzamel et al., 2005; Herbert & Seal, 2012; Triplett & Scheumann, 2000). In order to remain profitable, many companies refocus on core activities (Janssen & Joha, 2008; Triplett & Scheumann, 2000) and aim to build strategic flexibility into their organization (Hitt, Keats, & DeMarie, 1998). One resulting measure taken by more and more international firms is to put in place new organizational structures for their non-core processes, such as finance & accounting (F&A). These structures, for example using shared service centers (SSCs) or outsourcing for the sourcing of F&A activities instead of local resources at individual business units (BUs), have the central aim to combine the advantages of centralization with the superior benefits of decentralization (Triplett & Scheumann, 2000).

As a result, new organizational setups have emerged that are leaner, flatter and more flexible and can be seen as post bureaucratic (Herbert & Seal, 2012; Janssen & Joha, 2006; Janssen & Joha, 2008), thus changing the use of management control systems (MCS) to govern them. Since delegating certain F&A activities to centralized or even external units inevitably means "giving up some control" for the BUs (Bergeron, 2002, p. 25), control challenges are especially likely to arise in the relationship between the BU and the units taking over the processes. Various studies have therefore been dedicated to analyzing MCS setups in the context of F&A sourcing (Davis, 2005; Kaplan & Norton, 2006; Quinn et al., 2000).

One recurring and quite central aspect in this context is the question of whether or not BUs should be charged for the F&A processes that are performed on behalf of them by service providers such as SSCs or external outsourcers. Several authors see this tool as a key differentiator between the new organizational setups emerging and traditional centralization of processes at headquarters (Herbert & Seal, 2012; Quinn et al., 2000). Others argue that it is also an essential factor in the development and internal positioning of such sourcing setups and especially SSCs (Aron & Singh, 2005; Bergeron, 2002; Centre for International Economics, 2012). At the same time, related studies however shows that despite this influential role attributed to charging as a control tool in F&A sourcing, it seems to have several limitations. Kaplan & Norton (2006) argue that charging needs to be complemented by other tools, such as the balanced scorecard (BSC), in order to successfully align the strategic goals of support service providers with BU and overall firm strategy. Regarding the operational control goals of charging, several authors acknowledge that charging cannot be seen in isolation, but is dependent on the use of complementing control tools, for example to realize the desired effects of facilitating cost transparency or cultural change in the SSC and at BUs (Centre for International Economics, 2012; Quinn et al., 2000).

To gain a more thorough understanding of the potential benefits and limitations of using charging as an MCS tool in F&A sourcing setups, it is therefore interesting to identify to what extent and with what underlying motivations and consequences charging is used in practice.

The initial research question in this paper is therefore:

> **What role does the charging of finance & accounting services provided through SSCs or outsourcing providers play in the decision making of local business units within multinational firms?**

To better address this question, it can be divided into two underlying structural aspects for the purpose of the analysis. Firstly, it would be relevant to understand what the main reasons and anticipated effects are behind the decision to charge or not charge subsidiaries for F&A services performed on their behalf by SSCs our outsourcing providers. Secondly, for the cases where charging is applied, it will be interesting to analyze which of these goals have been realized and which not.

This thesis seeks to answer its research question through executing a qualitative multi-case study of four multinational firms. All case companies are headquartered in the United States of America (US) and have a local Swedish entity which employs at least one manager or director responsible for certain F&A activities in the country. Three of the four case companies are active in the soft- and hardware technology industry, while the fourth is a financial services provider. Data was collected through 18 semi-structured interviews, which were held either in person or via phone with a total of 16 individual interviewees from different roles, including local BU F&A and operations, regional or global SSCs and headquarter functions. This allowed for a comprehensive insight and understanding of the different setups as well as the way the related MCS worked.

The key finding from the study is that charging plays a less prominent role in the control of F&A sourcing setups between BU and service providers than anticipated after the study of previous research. This conclusion is reached through the identification of several alternative MCS package configurations which help to explain this phenomenon: (i) charging is not in place and used at all and instead substituted through single or a combination of multiple other control tools, (ii) charging is in place, but not used due to the dominance of another single or set of control tools and (iii) charging is in place and used, but not in isolation but rather in combination with other MCS tools.

This thesis is structured into six parts. The section following this introduction (section 2) provides an overview of the existing literature in the area of management control on F&A sourcing. This will help to put our research question into the context of previous research and thereby help to position this study in the field. A first critical aspect is to define and delimited the different possible sourcing setups. It is identified that this thesis will cover F&A sourcing setups involving SSCs, outsourcing or a combination of the two. Secondly, the key management control challenges arising in such setups are reviewed. Thereafter, given the focus of the research question, the key goals of SSC and outsourcing setups are summarized, and it is analyzed how charging as an MCS tool relates to these. While it can be seen that charging can support many of these goals in various ways, a key insight is also that there are several limitations to be considered. One of them is the fact that it seems the full potential of charging in managing F&A sourcing setups can potentially only be leveraged in the presence and context of other MCS tools. The final summary of this section therefore includes a reformulation of the initial research question to include an analysis of the interaction between charging and other control tools.

Section three introduces the theoretical framework chosen as the basis for the analysis of the empirical cases at hand. The selection of the framework was done in alignment with the iterative process described in section four. This section therefore starts by explaining the underlying thinking behind the final framework chosen and how it relates to the research question and empirical setup at hand. Given the later explained abductive reasoning and interpretative research methodology, the chosen "MCS as a package" framework by Malmi & Brown (2008) is identified as a suitable fit, given its comprehensive view on MCS setups and the dynamics between different control tools. Subsequently, the chosen framework is positioned against the key reference works in the management control area. Thirdly, the different elements of Malmi & Brown's (2008) framework are explained in detail and it is shown how they relate to the context of F&A sourcing control. The theoretical framework is concluded with several important paragraphs arguing for a complementary extension of Malmi & Brown's (2008) categories of MCS tools with the theories by Sandelin (2008). His arguments around the potential equifinality of different MCS setups allow for a better analysis and understanding of the interactions between different control tools. Given the reformulated research question, this has been an important aspect of the analysis and therefore it is beneficial to reflect it in the theoretical framework.

The fourth section outlines the methodology and method of this study. Given the research question and the qualitative nature of the study, an interpretative research design and abductive reasoning are identified as the optimal choices. In addition, given the exploratory nature of the research question, a multi-case study was found to be the ideal setup. Choosing such a setup allows for a parallel exploration and contrasting of theory and empirical findings. With this overall context established, the section continues describing the method for the study in detail. Pre-study interviews with the CFO of one case company were held to identify potential additional interviewees within and across different firms. Based on this and aligned with the chosen research design, the final four firms for participation in the study were selected based on the goal of creating diversity in the sample in terms of both the use of charging as a control tool as well as regarding the F&A sourcing setup. A similar, diversity- and plausibility-seeking approach was chosen in the third aspect of the method, the selection of interviewees. Through semi-structured and mostly recorded and selectively transcribed[1] interviews with different roles across the hierarchies of all four case companies, a comprehensive picture of each setup could be gathered. The fourth aspect covered in the method section describes the process of analyzing and writing up the data collected. Given the interpretive and iterative research design, follow-ups with individual interviewees and the use of subsequent interviews to test the plausibility of the findings from earlier ones were key to achieve a thorough understanding of the individual setups at each firm. The method section finally closes with a discussion of the potential limitations of the chosen research design.

The fifth section discusses and analyzes the empirical cases in detail. Following the logic of the conceptual framework, this section is split into two parts. The first part describes each individual case after the other, thereby allowing for a comprehensive understanding of the MCS setups at the case companies. This analysis is structured along the categories of Malmi & Brown (2008). In the second part, the analysis is then structured around the six goals which have been attributed to

[1] For a definition of selective transcription, refer to part 4.3

the use of charging according to existing literature. This setup was chosen since it allows this part of the analysis to center around the question of how charging relates to the other management control tools in the given MCS setups. Through exploring the potential effects of charging one after the other, across the different firms both using and not using charging as an MCS tool, the interdependences of charging with other tools as well as potentially substitutive control tool setups can be explored.

Section 6 as the final section summarizes the key findings from the empirical cases. Across all firms, the analysis of the empirics given the theoretical framework has shown that charging seems to play a less central role than previously anticipated. Instead, it became clear that the interdependencies between charging and other MCS tools allow for a range of different control setups, which all seemed to support the controlling of the F&A sourcing setup at the respective case companies. In the two cases where charging was applied, it was not used as a dominant control tool. At DeviceFirst, it was almost disregarded since the F&A setup was dominated by strong cultural and trust aspects and the local BU F&A employees were focusing more on supporting the business than managing their cost. In the other case of Finance Tech, charging was used as a complementary tool together with several others, including a regular KPI reporting and governance meetings between BU, the service providers and headquarters. As for the cases where BUs were not charged for F&A services they received, both were dominated by strong top-down planning from headquarters impacting the SSC, and a reliance on reporting lines and ad hoc escalations and fixes to resolve issues occurring. The conclusion section closes by reflecting on limitations caused by the research question, the research design and frameworks chosen as well as other key decisions. Based on this, implications for future research are derived and discussed.

2. Previous Research

In order to deal with the global pressures faced by multinational firms described earlier, Kaplan (2006) claims that support functions are required to change from their previously purely transactional role to becoming trusted advisors that are customer-centric towards the business unit which they serve. Throughout texts written by practitioners as well as the data collection for this thesis, these aspects were frequently referred to as "business partnering". Kaplan (2006) notes that traditional control measures are not sufficient in these new structures and that changed sourcing of support units, such as Finance & Accounting (F&A), play a vital role in creating more flexible organizations. A similar argument is made by Campbell, Kunish & Müller-Stewens (2012) who say that managers of support functions need more guidance on how to fully support the business and this is a part of reducing bureaucracy, thus achieving corporate unbundling (Herbert & Seal, 2012), a tendency also observed by Ezzamel (Ezzamel et al., 2005). This effect can be accomplished in part by moving non-core support function to shared service centers (SSCs), creating a stronger supplier-customer relationship between support and business unit, or by outsourcing them to more specialized suppliers (Kaplan, 2006). This movement, both on a practical and organizational level, is enabled by information technology (IT) development, reducing the need for physical proximity when supplying for example F&A services (Herbert & Seal, 2012; Janssen & Joha, 2008; Minnaar & Vosselman, 2013).

The changed sourcing of support functions such as F&A can thus be seen as part of a larger strategic movement to adapt to changing market conditions and new organizational forms, and often involves general reorganization, enterprise resource planning (ERP) system changes and changes to the MCS (Herbert & Seal, 2012; Minnaar & Vosselman, 2013). In order to further understand and explore this movement and the effects it will have on the MCS and performance management systems (PMS), the key sourcing alternatives for F&A processes need to be conceptualized and defined to delimit the scope of this thesis. In order to understand the different setups, the traditional enterprise as well as the different sourcing setup types such as shared services and outsourcing need to be defined.

2.1. Definitions and Delimitations

First it should be made clear what can be seen as the "traditional enterprise" (Janssen & Joha, 2008, p. 40), and is not the focus of this thesis. In the traditional setup, support processes are duplicated and conducted integrated within every business unit. Hence, these organizations have not chosen to manage the global pressures trough changing organizational structures (Ezzamel et al., 2005; Herbert & Seal, 2012; Triplett & Scheumann, 2000), in terms of changed sourcing of support functions. In practice this therefore describes organizations where F&A services are carried out locally in the business units, with little centralization nether in terms of SSCs nor through outsourcing.

As for what constitutes and characterizes an SSC, several competing definitions exist. In the broadest sense, following Minaar & Vosselman (2013, p. 77), one could describe it as follows:

> An SSC is a rather independent organizational unit that provides services to various other organizational units.

This can however be seen as too simplistic and all-encompassing which is why practitioners such as Bergeron (2002, p. 3) propose to include some of the promises of the SSC into the definition:

> shared services is a collaborative strategy in which a subset of existing business functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved service for the internal customers of the parent corporation, like a business competing in the open market.

However, an inclusion of claims such as that an SSC must save cost and promote efficiency is not specific to this organizational form, and could be applied to a range of other organizational structures and change initiatives, thereby not adding specificity to the definition. The addition of comparing SSCs to a competitive business is also not optimal as some SSCs will or can never be comparable to the market due to the specificity of the services provided (Bergeron, 2002). Although Bergeron's (2002) definition has a clearer focus on the centralization aspect as well as the importance of at least partial autonomy of the SSC, this is illustrated to a greater extent by Janssen & Joha (2006, p. 102f):

> An SSC is a separate and accountable semi-autonomous unit within an (inter)organizational entity, used to bundle activities and provide specific pre-defined services to the operational units within that (inter)organizational entity, on the basis of agreed conditions.

Herbert (2012) supports this by arguing that an SSC is different from normal centralization at the HQ level given its often quasi-independent state, meaning that centralization is not taking place within the HQ and managed between the HQ and BUs, but through a separate, dedicated organizational unit. Instead of including the promises of SSC like in the definition by Bergeron, the view of these authors therefore moves the focus from the advantages and disadvantages of centralized sourcing through an SSC to the relationship between service provider and BU, and also mentions "agreed conditions" as a reference to a control setup which needs to be in place. This is in alignment with the focus of this thesis.

There are also differing opinions regarding the naming and abbreviation itself. Some authors like Herbert (2012, p. 83) use the label "shared service organization" (SSO), rather than shared service center, in order to emphasize the high autonomy often existing in an SSC setup compared to "traditional" centralization within a headquarters function. However, this thesis acknowledges that throughout existing research, the two name labels describe for all intents and purposes the same phenomenon, and the more frequently used SSC label will therefore be applied.

After establishing what is meant by SSC, the concept of outsourcing must be understood and defined. For outsourcing the important distinction to make is between what is considered normal procurement and what is part of organizational strategy. Gilley & Rasheed (2000, p. 764f) define outsourcing as the substitution of "external purchases for internal activities" or the

> abstention of internalization of the good or service outsourced that is within the acquiring firm's managerial and/or financial capabilities.

This definition clearly shows that there is a strategic dimension behind a decision to outsource processes, which goes beyond normal procurement. Outsourcing can take place either at headquarter level as a SSC or at an individual business unit level, meaning every individual BU is responsible for what processes are being outsourced, to what supplier and based on what service level agreements (SLAs).

Already when discussion definitions it stands clear that a variety of different options exist on how to carry out the detailed setup of F&A. The common denominator for the solutions that are discussed throughout this thesis lies in the decision to centralize functional F&A processes outside the individual BUs, which provides these services to more than one local business unit. It is essential to note that the sourcing options for F&A services can and should be seen as gliding scale (Centre for International Economics, 2012; Herbert & Seal, 2012; Janssen & Joha, 2006). This encompasses a range of possible sourcing options and configurations – from duplication of F&A services in every business unit on the one hand, a centralization of some or all services within an SSC or partly with an outsourcer, up to a full outsourcing of all F&A services at the other end. As a result, any organization can be a hybrid of all these options and at any given time might contain elements of local process execution, service provision through an SSC and an outsourcer (Centre for International Economics, 2012; Ezzamel et al., 2005). This is therefore a very complex topic, but goes in line with a general understanding of accounting change as relational drifting:

> Framed by spatio-temporal boundaries – the shape and strength of extant ties connecting, inter alia, various people, discursive programs/regimes devices and inscriptions – with varying capacities to persist and endure, (Andon, Baxter, & Chua, 2007, p. 278)

This means that at any given point in time, an organization will be in a status of change and definitions should therefore be equivocal enough to embrace this constant drift. In regard to different sourcing options, it is important to note that this thesis does not aim to analyze the different advantages or disadvantages of outsourcing or SSCs – and when and what process to outsource or centralize. The focus lies solely in trying to understand the role of charging as one of the control tools that are available in any given setting. With the above definitions and delimitations in mind, this thesis studies the MCS in organizations with an F&A sourcing setup including SSC or outsourcing, or a combination of the two.

2.2. Management Control Challenges Arising in F&A Sourcing

When moving F&A processes outside of the individual BUs, this directly implies a change in the way the BU can exercise control over these activities, which will be partly taken over by one or several service providers. Bergeron (2002, p .25) argues that this inevitably means "giving up some control", which can be perceived as a limitation. This part highlights six key control challenges identified by previous research which arise from a setup where F&A services are not executed locally at the BU. An understanding of these control challenges is key to the understanding of the role that the MCS setup plays in the management of a given F&A setup. The discussion of the different challenges also includes a review of key MCS tools which researchers and practitioners have found to be used in the context of F&A sourcing to address these control challenges. In addition, it is shown during this part that charging is perceived by several authors as being one of the central aspects in the controlling setup for F&A sourcing.

2.2.1. Purpose of the Sourcing Setup

A first central aspect is the positioning of the sourcing setup within the company. This includes the definition of the mission and objectives with the SSC or outsourcing setup, such as the balancing of cost reduction versus quality increase objectives or the way the sourcing strategy is being aligned with the overall firm strategy (Davis, 2005; Herbert & Seal, 2012; Kaplan & Norton, 2006). This is also where the commitment and communication of head office and senior management levels play a key role (Herbert & Seal, 2012), which can be seen as an informal management control tool (Anthony & Govindarajan, 2007). Another key control lever related to the strategic positioning of the sourcing setup, specifically related to SSCs, is the question of competition, which is relevant in two ways. On the one hand, the SSC can be put into a position of having to compete with other potential providers of the same services (including external providers or a fallback to processes run locally at the BU), or there can be a mandate obliging BUs to use only the firm's SSC to procure the processes in scope (Quinn et al., 2000). On the other hand, there is the possibility to offer SSC services to external clients by letting the SSC compete on the external marketplace itself (Herbert & Seal, 2012). While such different competitive setups are likely to impose various challenges, requiring different management control setups, they are at the same time also management control levers. The opening up of an SSC to an external market could for example be used as a direct tool to empower a cultural change in the SSC towards explicit customer orientation and market-based practices and pressures. A milder form of such a logic can also observed by the fact that SSCs are aiming to create a "quasi-market feel" through explicit market-like terms of "clients" and "customers", which is also a terminology adopted in this thesis since it is found in so many of the various sources (Herbert & Seal, 2012, p. 88, 92). The limited potential effectiveness of such naming-based control aspects should however be acknowledged, since they often require a combination with additional market-style procedures, such as "cost plus" charging or actual direct market competition (Bergeron, 2002; Herbert & Seal, 2012, p. 92).

2.2.2. Formal Framework for the Operations

Moving to a more operational view, the second key aspect of management control in sourcing is the formal organizational, procedural and contractual setup. Herbert & Seal (2012) argue that a change of reporting lines for the staff in an SSC is a key facilitator for organizational change, establishing their position as reporting to the headquarters. This also supports the positioning of the SSC as a partner and provider to the BUs (ibid). Another frequently mentioned change and control tool is that of contractual setups such as SLAs. The role of these documents is primarily to "enable annual budgeting, resource allocation and scoping" (Herbert & Seal, 2012, p. 92), to facilitate the discussion and definition of the capacity, quality and potential customization of services provided (Bergeron, 2002; Herbert & Seal, 2012; Janssen & Joha, 2008). In outsourcing, formal contracts and SLAs will also serve as a similarly relevant document in this regard, specifying the responsibilities and expectations of the signing parties (Triplett & Scheumann, 2000).

2.2.3. Facilitation of Delivery on the Promises Made

Another management control challenge in F&A sourcing is centered on the benefits promised, such as how to manage any cost reductions which are aspired, or how to enforce the standardization of processes as one of the underlying levers. The measurement and regular reporting of process performance metrics is a frequently mentioned part of the management control setup in this context (Bergeron, 2002; Herbert & Seal, 2012). A frequently faced challenge is however that it is important to already have such a performance measurement and management setup in place already before the relocation of processes (Aron & Singh, 2005), which would allow for example for the creation of a baseline for comparison and improvement tracking. Regarding the type of metrics captured, practitioners and academics both argue for an inclusion of customer-focused and qualitative measures like customer survey results in addition to purely process-based and quantitative metrics (Bergeron, 2002; Davis, 2005; Herbert & Seal, 2012). In addition, Herbert & Seal (2012, p. 88) further argue that the establishment of adequate measurement process and technology might not be enough, but also the development of "a new organizational culture of performance measurement and management" needs to go along with the putting in place of the formal tools. A final tool within the area of performance measurement and management is benchmarking, which requires the availability of measured metrics. Through comparing the measured performance with internal or external benchmark values, management can get valuable insights into how to assess and potentially improve the service provider performance (Bergeron, 2002). A key challenge in this exercise is the comparability of the process performance measures, since it is sometimes hard to find comparable industry standards for the services (Bergeron, 2002; Kaplan & Atkinson, 1998)

2.2.4. Regular Stakeholder Interaction

Another area of management control where the measures can be leveraged more easily is the regular governance interactions between service providers and receivers. Such interactions include discussions about SLA and service metrics performance, which often results in an iteration and updating of the SLAs and more operational instructions such as working manuals, which in turn help to facilitate continuous change, supporting the goal of delivering improved services (Herbert & Seal, 2012). In addition, regular budget and potentially true-up meetings in case of budget over- or underruns are used as tools to foster a discussion around the achievement and distribution of cost reductions (Kaplan & Atkinson, 1998). Especially the question of how to distribute any potential budget over- or underruns and whether related true-up discussions are held is a key decision, since it determines what impact and potential pressure the service receivers can exercise throughout such discussions (Melchior Jr, 2008; Sonoda, 2006).

2.2.5. Alignment and Leveraging of Underlying Systems

Cutting somewhat across several of the previously discussed aspects, one can further argue that also the technological or systems setup can be seen and used as a tool in the management control of F&A process sourcing. In today's economy, most processes are enabled and supported by various IT systems, and therefore these also play a key role in the execution of F&A processes and especially in shared services (Bergeron, 2002). As a result, systems are a powerful lever to achieve process improvements, for example through enabling standardization or offering new and more efficient ways of carrying out processes (Bergeron, 2002; Herbert & Seal, 2012). Ezzamel, Morris & Smith support this by finding a "positive impact of outsourcing on management accounting systems" in one of the cases analyzed throughout their study and discussing the role of information systems change during outsourcing initiatives most of for their other cases too (2005, p. 25). Other researchers have found that while practitioners are convinced by the potential benefits of integrated enterprise resource planning (ERP) systems, the implementation and benefit realization seems to be a quite complex and time consuming process (Granlund & Malmi, 2002). Managing these complex and long change processes and their potentially big impact on management accounting is therefore an aspect that needs to be considered in the design of the management control system.

2.2.6. Charging for Services or Not

A final and very central challenge for the control of F&A sourcing is the question of whether to charge the BUs for the services provided. While naturally present in the case of an outsourcing relationship, charging in the case of internal services of the firm is named as one of the key differentiators to traditional centralization or local, BU-based delivery of F&A processes (Herbert & Seal, 2012). Other authors extend this by stating that the charging of services is an essential control lever for "the progression" (Bergeron, 2002, p. 85f), but also positioning of a given sourcing setup chosen along a gliding scale, or "continuum", of potential sourcing setups as shortly mentioned earlier (Aron & Singh, 2005, p. 136; Centre for International Economics, 2012, p. 3). Independently of the positioning chosen, Quinn et al. (2000, p. 146ff) argue that

> charging BUs (…) is an essential vehicle for shifting the culture of the shared services group and for changing the attitude of the clients

which further emphasizes the key role attributed to charging in the achievement of organizational change to reach the goals of F&A sourcing. The following part will expand on this discussion by looking at the various potential goals behind F&A sourcing in more detail and discussing the role charging or non-charging for these services can play in relation to the goals.

2.3. Strategic F&A Sourcing Goals

The previous discussion of MCS challenges and control tools used in F&A sourcing setups has highlighted that various tools are used in the management of such setups and that the question of charging for services is a key design criterion. As a result, it is relevant to look in more detail at how the role and impact of charging as a control tool in F&A sourcing is perceived throughout previous literature. Since MCS are defined as systems supporting the process of achieving organizational objectives (Anthony & Govindarajan, 2007), this will be done based on the goals associated with sourcing F&A through SSCs or outsourcing. Throughout the analysis, it will be revealed that charging is linked to many key objectives of F&A sourcing setups, but also shows certain limitations and partly requires the presence of other, complementing control tools in order to leverage its potential impact.

The following parts will be structured along the divide between strategic and operational objectives of such setups, following Davis (2005) who proposed that the management of a SSC is based on the combination of two purposes: firstly, the alignment of the SSC with the overall strategy of the firm and secondly, the ongoing service delivery to customers. This indicates the existence of a broad distinction between a strategic set of goals, and a set of goals more related to operational provision of F&A services, which will focus the basis for the following discussion. Strategic and operational goals of F&A sourcing will be looked at separately, and within each of these two parts the role of charging in relation to the specific goals will be analyzed. It is important to note here that while Davis' (2005) typology only refers to the case of SSCs, it can be applied equally to a setup involving outsourcing. Also in such a configuration, the organizational unit contracting with and controlling the relationship with the outsourcer will have an interested to manage this setup in alignment with the overall firm strategy, similar to whether the delivery would be done by employees of his own organization. And of course, the ongoing service delivery is equally on the agenda of an outsourcing provider as an SSC lead.

2.3.1. Key Strategic Goals in the Centralization of F&A Processes

As identified by Davis (2005), centralized F&A sourcing plays a part in both overall company as well as BU strategy and this can be the case for two main reasons. First, changes in the sourcing of F&A processes tend to be part of larger organizational change initiatives, which aim to better adapt the organization to global or local strategy (Herbert & Seal, 2012; Minnaar & Vosselman, 2013). As firm strategy is a sum of business unit strategy (Busco, Giovannoni, & Scapens, 2008), and F&A services explicit mission is to align itself to the strategy of the BU, this makes the lateral aspect of strategy alignment come into play. Second, there is a need for managers of support functions to understand how their services create value for the company (Campbell et al., 2012) and often there is a goal ambiguity between cost and quality focus (Kaplan & Norton, 2006). A lack of business orientation in support functions can thus give rise to misalignment with company strategy (Kaplan & Norton, 2006), making sourcing options relevant to strategy.

This undoubtedly leads to a discussion on what specific factors the strategic value of centralized F&A services consists of and how the creation of centralized F&A services can be aligned with company strategy implementation. Many F&A processes have a transactional nature and therefore consist of components that can be standardized to some extent (Strikwerda, 2009). Herbert & Seal (2012) have conducted a longitudinal study in order to analyze and understand in detail the impacts SSCs have on the management accounting profession, given they constitute a new organizational form for the delivery of F&A services. They found that the SSC, under both cost cutting pressure as well as given a high influence of external regulation in the given case, developed its own agenda, which "resulted in the hybridization of practice and expertise" (ibid, p. 95). This helped in turn to

> release (…) [management accountants] from the tedium of transaction processing that was moved to the SSO, thereby allowing them to "focus on providing support for management decision making, the so-called notion of 'business partnering' (ibid, p. 95).

The separation between F&A activities that support business and require local adaptation and those that are scalable, as described by Herbert & Seal, thereby also provides a mitigating solution to the problem of flexibility, requiring global scale and standardization as well as local adaptation to better support business (Bergeron, 2002; Ezzamel et al., 2005). An independent view of the SSC as a stand-alone organization also allows to focus the management on service provision instead of a pure control policy as in a centralized function (Campbell et al., 2012). Thus, a key strategic goal of centralizing F&A services can be to better support business.

2.3.2. Key Strategic Goals in the Charging for F&A Services

According to Kaplan & Norton (2006) a well-defined service portfolio charged out to the BUs is central for the alignment between the support functions and business units' strategy. The service provided and its selection, description as well as the balance between quality and cost need to be aligned with the firm strategy. The role of charging for services on the connection between firm overall strategy and optimization of actions on a company-wide scale, including support units, has also been researched by Dewan & Mendelson (1990). Their conclusion from running a non-linear delay cost structure simulation was that in order to avoid delays causing sub-optimization towards the business units, any support function should be evaluated as a deficit center to ensure excess- and avoid under-capacity (Dewan & Mendelson, 1990). This supports the argument that charging for F&A services should not be seen from the face value of distributing cost in the organization, but also has a more strategic role in the controlling of these support processes, which can still be critical to business success.

In addition, the theory of vertical vs. lateral relations (Busco et al., 2008) can be applied to the F&A sourcing area. It understands control mechanisms as tools that allow for communication not only from headquarters to business units, but between business units (Busco et al., 2008) or, in this context, F&A service providers and BUs as receivers. In the case that F&A is centralized in an independent unit as per previous definitions, this will normally be controlled predominantly by headquarters. As a result, one can argue there is a need for an MCS tool, such as cross charging, to create a lateral in addition to the vertical relationship. Thus, charging is a way to manage the tension between global and local strategy as it forces integration and communication between the F&A provider and BUs. By cross charging cost for F&A services to the business units, an area of "overlapping accountability" can be created, following the logic of Håkansson & Lind (2004, p. 67). This means the different units have joint or interrelated goals, and one unit might be responsible for a certain result which they have only limited or indirect control over. The business unit strives for example for good sales and net income results, but if they are being charged for F&A services provided for them by a provider, these costs impact their goals, but they only have indirect control over them. A specific example of this is MCS solutions with complex charging models. By taking input quality from the business unit into account when determining pricing, one creates motivation for business units to cooperate better with the F&A service center. Thus, by cross charging, a way to manage the tension between the cross-BU strategy of the service provider and that of the local BU is created as it forces integration and communication between the parties as described by Håkansson & Lind (2004).

2.3.3. Relating Strategic F&A Sourcing Goals and the Role of Charging

The previous paragraphs have shed light on the potential strategic relevance of charging in the controlling of an F&A sourcing setup. Through putting a price tag on the services delivered, a basis for discussion is created about the type of services provided as well as the expectations and relevance of these from the view of the BUs and their strategies. Based on the various sources and arguments, it could however be argued that the links which charging can create between the service providers and BUs' strategic perspectives would be primarily based on the creation of a discussion around cost. Thinking about the basic strategic priorities of the average firm, it is however similarly critical to also address other financial dimensions, such as revenue growth or flexibility. It has however not been explicitly discussed in the previous literature whether a discussion between BU and support service providers around these dimensions would also be facilitated by charging. As a result, some authors (Kaplan & Norton, 2006) suggest that charging alone might not be enough. In their book "Alignment: Using the Balanced Scorecard to create corporate synergies", they have dedicated a full chapter to the aspect of controlling support service functions. They argue the support unit should also link their strategy to the business units' by having a MCS and PMS setup that includes performance indicators for overall firm strategy and business unit performance, regardless of sourcing choice and not exclusively focused on costs charged for services performed (ibid). This linkage in the MCS could help to overcome the fact that value added from F&A services is often hard to measure and trace in relation to end products and business unit work (ibid). In summary, this means that charging alone is likely not enough as a MCS tool to create alignment between support units and BU or overall firm strategy, but needs to be seen in context with other control tools that complement the strategic goals of charging.

2.4. Operational Goals of F&A Sourcing

The other side of the dichotomy proposed by Davis (2005) is the operational aspect of delegating the execution of certain or all F&A processes to a service provider such as an SSC. This part of the thesis will first introduce common operational goals in the centralization of F&A processes.

Secondly, key operational goals of charging for F&A costs will be introduced before the final part summarizes the overlap of these two sets of goals.

2.4.1. Key Operational Goals in the Centralization of F&A Processes

Looking at the different authors' argumentations around the extent and nature of potential goals and benefits, it needs to be acknowledged that some base their assessments on different understandings of the sourcing setups, as already discussed earlier in part 2.1. Some authors argue that certain prerequisites need to be in place regarding the design of, for example SSCs and their reporting and charging setups. Davis (2005, p. 1) presupposes that "cost savings (…) are (…) passed on to each of the subsidiaries" and Bergeron (2002, p. 3) states that and SSC need to have "a management structure designed to promote efficiency". As explained earlier, such differing arguments and setup-and-effect constellations encourage a view of the F&A sourcing phenomenon not as a fixed, specific setup, but instead a "continuum" of possible setup choices ranging from simple headquarter-based functional centralization up to outsourcing of entire functions (Aron & Singh, 2005, p. 136; Centre for International Economics, 2012, p. 3). Research such as Herbert's (2012) has also argued that many of the effects attributed to outsourcing – reducing cost, making process more effective and separating core and peripheral activities – apply to an equal extent to the creation of SSCs. Along with the different potential setups, the benefits which can be expected will therefore vary greatly, and the purpose of this part is to focus on the most relevant and common benefits discussed and applied both to SSC and outsourcing.

Cost savings is one of the goals mentioned most prominently, with Herbert & Seal (2012, p. 83) quoting Quinn, Cooke, & Kris (2000) that cost reductions of 25 to 30 percent of the baseline cost can be achieved "easy" through bundling processes in an SSC. According to the various academics and practitioners, these cost reductions can be achieved through various levers. One is the fact that a centralization of processes allows for the realization of economies of scale (Centre for International Economics, 2012; Sonoda, 2006) and specialization (Herbert & Seal, 2012). In addition, the business units, being in a role as internal (or external) customers in the case of not executing these processes within their own BU entity, are claimed likely to put "constant pressure" on their service provider(s) "to provide cost effective products and services" (Bergeron, 2002, p. 6). Also Triplett & Scheumann (2000, p. 43) argue that cost reduction activities by the central unit are ideally managed through a "continuous improvement" process, involving both service provider and customer staff. Another key lever to achieve cost reduction is standardization of ways of working, including processes and often also underlying systems, based on the "single base for improvement" created by centralization (Triplett & Scheumann, 2000, p. 40). Sonoda (2006) argues that process standardization helps to create efficiencies, for example by eliminating custom activities at every BU, and that it should be combined with the use of technology for further leverage. Other authors support this, arguing that the centralization of processes, for example in an SSC, "offers the critical mass to re-engineer and standardize business processes", also "using the best technology", finding as a result that SSCs regularly go along with a change of IT systems, such as putting in place an ERP (Enterprise Resource Planning) system (Herbert & Seal, 2012, p. 84). Finally, it should however be noted that especially practitioners argue that there are normally be certain types of services which vary in complexity and dependence on customer routines (Triplett & Scheumann, 2000), indicating that a perfect standardization seems not a reasonable goal, and certain customizations will remain and need to be adjusted for.

Improved quality is another key goal argued for frequently. This is attributed to SSCs collecting "best practices" and enabling sharing of insights across BUs, which goes along with a critical mission of an SSC being to "find the best way to perform the(…) processes" (Davis, 2005, p. 1). Another quality driver stated is the explicit customer orientation of SSCs which should lead to better service quality (Bergeron, 2002), which is an argument which would by logic also apply for outsourcing providers since they are actually serving customers which are even external to them. However, it needs to be noted that customer orientation is originally more a feature of decentralization which the central organization tries to unite with the benefits of centralized structures (Triplett & Scheumann, 2000). Some practitioners therefore argue that an SSC should be run almost like an independent business in order to establish the necessary degree of customer oriented thinking (Institute of Management Accountants, 2000). Regarding the topic of quality in outsourcing, some authors argue there should be more than the often-used "simple cost/benefit analyses" (Aron & Singh, 2005, p. 136). The potential benefits from centralization of processes at a specialized unit could be offset partly by the fact that the external vendors get significant influence and power over the outsourced processes, which poses threats to the cost but also potentially quality goals of the outsourcing exercise (ibid).

Increased business orientation or focus on business value creation is a final goal strived for. In its most extreme version, an SSC can be directly contributing value to the firm by selling its services to external clients on the market as a profit center (Bergeron, 2002; Sonoda, 2006). However, even if this path is not chosen, the delegation of processes in an SSC (or handing them off to an outsourcing provider) can help the rest of the business to better focus on "core" activities directly adding value to the firm (Bergeron, 2002, p. 6) and eliminating "non-value added activities" (Sonoda, 2006, p. 356).

2.4.2. Key Operational Goals in the Charging for F&A Services

A very central and frequently cited argument for charging F&A services to BUs is to create cost transparency and awareness on the side of the receivers (Davis, 2005). One very specific aspect and consequence of this argument is that charging can allow for a comparison of the services received with other services on the external market (Kaplan & Norton, 2006; Lindsay & Libby, 2007). The goal of achieving cost transparency and external comparability is especially relevant for SSCs since they are often "threatened by relocation to an even lower cost site or contracted out to third-party providers" (Herbert & Seal, 2012, p. 83f). This is therefore also very likely a facilitating factor for the ongoing cost reduction demands by customers, as described earlier by Bergeron (2002).

Lindsay & Libby (2007) also provide an illustrative case study anecdote for this argumentation from their case study analysis of Handelsbanken. The American researchers studied the management control system of the Swedish bank after having heard and getting fascinated about the bank's MCS setup which was focused and simplicity and for example did not use budgeting as a tool. When analyzing the control setup around support services, including F&A, HR and IT among others, the authors found that "the discipline of the external market place" had been used instead of budgeting "to create downward pressure and increased responsiveness to buyer needs" (ibid, p. 631). In this, charging played a central role since the prices set and charged to BUs were the key mechanism to create market-mimicking conditions. As a central effect of this, it was found that

> (service) buyers checked the prices against (…) the marketplace and ensured that they were receiving value for money

and used this external comparisons during the yearly meetings with the service providers where the conditions around charges, volumes and service quality were discussed (ibid, p. 632).

However, it needs to be acknowledged that especially the idea of external market comparison of support processes faces certain obstacles and limitations. Truly comparing prices for internally performed services in the external marketplace is often a challenge, for example due to specific business requirements and contexts which impact the services provided (Kaplan & Atkinson, 1998). However, as in the example of Handelsbanken, it can be argued that a full price comparison on every service is not necessary, since the goal of establishing a discussion around service pricing and costing between providers and their customers is also facilitated through other formal means, such as regular and intensive pricing meetings (Lindsay & Libby, 2007).

During such discussions, the focus is also likely not only on the cost side, but will also center on the second key goal of charging for F&A services: triggering a discussion around the quality of service. Through pricing and the related discussions, the BUs as customers can bring forward their quality expectations and better articulate whether and how much they are willing to pay more or less for a higher or lower level of quality (Kaplan & Atkinson, 1998). However, both Forst (1997) and Davis (2005) argue that customers often first need to be educated about the types of services they receive and the quality versus cost tradeoff implicit in the delivery. Further, Langfield-Smith & Smith (2003) found that social controls together with outcome controls could reach effects that were similar to when using charging as a starting point for quality discussions. Due to the aforementioned goals of F&A sourcing setups, the MNC is likely to differ from the situation when processes were performed by a team directly located within the BU, for example allowing for more direct contact and more customized processes.

While the goals described so far were focused more on the view of the service receiver, there are also a number of potential benefits of charging from the perspective of the service provider.

Firstly, also the SSC or outsourcer profits from increased transparency of costs and services provided, allowing them to for example track costs back to individual BUs and transactions causing them (Kaplan & Norton, 2006). Calculating and tracing cost should help the service provider to better control for efficiency increases, but also to manage their capacity and manage their services to operate at the right scale (Brignall, Fitzgerald, Johnston, & Silvestro, 1991; Kaplan & Atkinson, 1998). At the same time, increased awareness of costs and service volumes helps to keep the use of F&A services by the BUs at an economically reasonable level (Kaplan & Atkinson, 1998). Ultimately, charging for F&A services will therefore assist in avoiding the creation of over- or under-capacity on the side of the service provider. This is in turn relevant from a cost perspective, especially if it is an in-house entity, since overcapacity means unnecessary expenses carried by the service unit and under-capacity is likely to create significant cost for the BUs, for example through delays (Dewan & Mendelson, 1990).

Finally, charging receivers of services is also a key way for a service unit to change the culture of the providers, from the cost and control based thinking of a traditional support department view towards one that emphasizes the customer and product choice perspective attributed to, for example, SSCs (Quinn et al., 2000). Quinn et al. (2000, p. 146) further argue that

> pricing and charging business units (…) is an essential vehicle for shifting the culture of the shared services group and for changing the attitude of the clients. When the shared service organization is treated purely as a cost center, it is almost impossible to convince people that things are any different than they were under centralization of services

which serves as a good summary of most of the arguments discussed previously in this part.

However, it must also be noted that charging should not simply be seen as a Holy Grail, due to the several challenges mentioned earlier by various authors. An additional aspect to consider is to not set off some of the benefits by setting up the charging in a too complicated way, which can be observed by the proposal of a, although admittedly somewhat theoretical, "ideal" charging setup by Kaplan & Norton (2006) – while other authors like Quinn et al. (2000) argue that the goal should be to still keep the charging setup simple and manageable.

2.4.3. Relating Operational F&A Sourcing Goals and the Role of Charging

Utilizing the arguments from the previous paragraphs, it is possible to determine what role charging of F&A services plays in relation to the operational goal of sourcing F&A processes from in-house SSC structures or an external service provider. A central factor certainly seems to be the facilitative role of charging in establishing a cost awareness and transparency, which is strongly interrelated with the key objective of F&A centralization to reduce costs. Through this transparency, charging can help to create the necessary dynamics between BU and service provider(s), triggering discussion on cost discussions, but also on the related issue of service quality. As mentioned, charging can also help to better manage the capacity and quality of services provided, thereby further contributing to the cost and quality related goals of F&A sourcing.

However, it should be noted that the actual relevance of charging in this context can be influenced by the methods or logic chosen; for example flat or budgeted rate allocations are a simple charging mechanism which is easy to understand and manage, but therefore provides only a limited degree of transparency (Centre for International Economics, 2012). More detailed methods like ABC (activity based costing) or market based pricing can provide deeper insights, such as an easier comparison to the marketplace, but also require increased internal and external availability of data and additional effort (ibid).

In addition, many of the benefit cases described have made it clear that charging cannot be used in isolation from other management control tools, but rather needs to be used as a complement with them. This is the case with the cost versus quality discussions charging can trigger, which require some sort of governance process with meetings where such discussions can be held – which are in turn a MCS tool of their own. Another example is the capacity planning issue facilitated by charging, where the information from the charges would be expected to flow into the existing budgeting process of the service provider. Also cultural change can and will not be achieved in neither the SSC nor the BU purely by implementing a charging mechanism – Quinn et al. (2000) who emphasize the role charging can play in cultural change at the same time dedicate a whole separate chapter on other aspects of cultural change management in SSC setups. These selective examples show that, similar as in the previous strategic dimension, charging can be a MCS tool playing a significant role in the relationship between BU and service providers in an F&A sourcing setup, but it is at the same time working in parallel or sometimes even together with other mechanisms to realize its impact.

2.5. Summary & Revised Research Question

Ever increasing competition and other challenges have fostered a change over the past years to the way multinational companies source their support processes. Analyzing the previous literature, it has become evident that many companies have been moving away from a model of duplicating all support processes at individual BU level, and centralized processes in various possible setups up to the opposite extreme of a complete outsourcing of whole functions. For the execution of F&A processes, these changed sourcing setups imply a move to a service-oriented model with a stronger separation between the providers and receivers of the services. This creates control challenges related to the delivery of services, but also to the need to manage and ensure the realization of the objectives underlying the transformed sourcing.

From the previous analysis of existing literature it can be seen that the aspect of service charging is described a central lever out of the available management control tools to manage the new reality of F&A sourcing. Through different possible charging setups and desired goals of its use, this tool is seen as playing an important role in the achievement of various key goals associated with F&A sourcing, both on a strategic as well as an operational level. The following table summarizes the previously discussed goals of charging as a control tool in F&A sourcing setups mentioned by previous research. It also provides examples of potential manifestations of these charging goals which could be found throughout the empirical cases.

Charging goal	Description	Potential empirical manifestation
Strategic Alignment	Create and ensure strategic alignment of F&A service providers with BU's & overall firm's strategy.	• Service portfolio defined as basis for F&A services, aligned with BU and firm strategy • Charging used to link service provider's to BU goals, creating "overlapping accountabilities"
Cost Awareness	Create cost transparency & awareness for both service receivers and providers, including the aspects of external market comparability of services and performance and helping to keep use of F&A services at an economically reasonable level.	• Costs regularly communicated through push reporting to BUs at managerial and staff level • Comparison of F&A service cost with external market, or internal benchmark
Cost/Quality Discussion	Facilitate cost vs quality discussion of BU with provider(s), also including an education of the receivers about the services they get.	• Forums in place to facilitate a regular discussion on service quality expectations and cost
Efficiency Increase	Enable control for efficiency increases, incorporating both provider and BU views.	• Tracking of costs back to individual Bus
Capacity Control	Ensure operation at right capacity, to avoidcostly over- or especially undercapacity potentially impacting the BU's business.	• Charging used in budgeting process between SSC and Bus
Cultural Change	Drive cultural shift on both sides: Towards service orientation and a customer view on the provider side, but also attitudes of the service receivers, in order to create a mutual momentum for change & improvement.	• Vocabulary used similar to external market relationship, e.g. seeing BUs as"customers"

Illustration 1: Goals attributed to charging in F&A sourcing context

A major reason for the impact of charging in F&A setups is for example the dynamics created between service providers and customers – across the various potential setups, charging affects the degree of customer and market orientation and also facilitates cost and quality discussions around the services provided. In these dynamics, it has been unveiled that a big part of the desired effectiveness of charging as a control mechanism in F&A sourcing seems to depend on certain effects on and through the service receiver. At the same time, it has also become apparent throughout the discussion that there are several limitations and issues to be considered with the use of charging in these situations. A central issue in this is that it has become apparent that charging cannot act as a single MCS tool in complete isolation, but is mostly working as a complement or in synergy with other control tools.

It has therefore become apparent that the initial research question needs to be reformulated. In order to better analyze and understand charging as an MCS tool in F&A sourcing, it needs to be analyzed given the context of the overall MCS setups which it is a part of, due to the aforementioned limitations and interdependences with other control tools. Therefore, it will be interesting to empirically investigate if and how multinational companies are actually using charging across the different F&A sourcing setups they have chosen. In addition, it would then be relevant to look at which other management control tools the firms are using apart from charging and as complements, but also potentially substitutes, in the coordination and control of their F&A sourcing setups.

The reformulated research question of this thesis tries to capture these aspects and is therefore the following:

> **Given the overall management control setup, what role does the charging of business units for Finance & Accounting services they receive play in controlling the relationship between them and SSCs or outsourcers as the service providers?**

Similar to the initial research question, there are several underlying structural aspects which can be used to guide the discussion and answering of the research question. For the cases where charging is applied, it will be interesting to analyze which of the anticipated goals of using this tool are actually addressed by the individual setups and which not. A complementing aspect would be whether any complementing control tools play a role in addressing the goals associated with the use of charging. As for the cases where BUs are not charged for F&A services they receive, it will be interesting to discuss how the overall management control setup has been set up or adjusted in order to address the effects which normally are attributed to result from the use of charging.

3. Theoretical Framework

In order to analyze the empirical cases in this thesis to answer the given research question, a comprehensive theoretical framework is required. Ideally, the framework should allow for a broad understanding and analysis of different MCS setups across multiple case firms and emphasize the understanding of an interaction between various MCS tools in individual setups. This section aims to introduce the framework by Malmi & Brown (2008) and how it is relevant in the context of this thesis. Together with the related work by Sandelin (2008), these articles provide a suitable structure for analyzing the empirical cases along our research question. The section is split into three parts. Firstly, the key underlying logic of Malmi & Brown's framework is presented and shortly put into the broader context of existing management control literature. Secondly, this framework is explained in more detail and it is shown how it relates to the topic of management control in F&A sourcing. Finally, it is argued that the extension of the framework with the view of Sandelin contributes to a thorough understanding and analysis of the MCS setups at the various case companies.

Malmi & Brown are one of the most recent contributions to the soon 100 year old research stream around management control (Strauß & Zecher, 2013). Following one of the pioneers in the field, Robert Anthony, management control is defined as "the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives" (Strauß & Zecher, 2013, p. 245). In their recent survey of academic researchers and teachers within accounting, Strauß & Zecher (2013) found there are three leading MCS textbooks, namely Merchant & van der Stede (2007), Anthony & Govindarajan (2007) and Simons (1995). Their different views on MCS analysis and conceptualization will be contrasted with Malmi & Brown's in the part below.

3.1. The "MCS as a Package" Framework as suitable Choice for the Empirics at Hand

One key characteristic of Malmi & Brown's view on MCS is that they acknowledge the diversity of the existing research definitions and views, and argue that a key distinction in previous research is that between the view of MCS as a command and control mechanism versus one that facilitates decision-making (Malmi & Brown, 2008; Strauß & Zecher, 2013). Especially with regard to the latter aspect, the duo sees the key aspect of MCS lying in the interplay of the different elements in the system. This is similar to the views by Simons (1995, p. 7), who talks of various MCS "levers" as working together like "yin and yang", or Tuomela (2005) extending Simon's (ibid) view by stating that different control tools need to be balanced in their use. Malmi & Brown (2008) argue in a similar direction, but take this underlying logic even further by saying that MCS tools should not be seen in isolation, but they actually achieve their effects as a "package" of various tools and their different linkages and interplays.

The authors (ibid) argue that the various MCS tools managers use to control the business activities are normally not used as much in isolation as previous literature makes one think. Instead, links and interdependencies between various MCS components need to be recognized, as well as different control types such as the use of informal controls to complement the formal ones. Especially the latter issue of informal controls is something the authors (ibid) see as an area which only a limited amount of research is taking into account. Viewing the various MCS tools as a package could mitigate these issues named above.

However, there are also some challenges arising from this thinking and its application. Firstly, it can sometimes be difficult to clearly define what MCS tools, their scope and purpose are, since there are many different dimensions along which they can be applied. They can be used for strict control and enforcement or rather decision support, they control different things such as artefacts and symbols of an organization versus the underlying human behavior. Furthermore, MCS are generally used for controlling people's actions across multiple organizational levels, from individual people, through teams and BUs up to the corporation as a whole. These first challenges will however arguably be present for many other MCS frameworks by other authors as well. In addition, Malmi & Brown (ibid) however argue that it can be difficult to describe what conceptually makes up an MCS package, including the aspects of what is included or excluded and why. Finally, the complexity just described makes studying the phenomenon empirically a challenge, since it will be hard to capture and structure the empirical complexities.

Despite these challenges, Malmi & Brown (2008) conclude that the view of MCS as a control package is a comprehensive, insightful framework for the analysis of MCS setups and their effects. Developed based on over 40 years of management control research, the main strength of this framework is that is focuses on a broad, comprehensive view of MCS tools and especially their interrelations. As a result, it does not serve well the purpose of in-depth analysis of individual MCS components, for which a good amount of research exists which can be chosen for such purposes alternatively.

Given this perspective, the MCS as a control framework is an appropriate choice for the analysis of the empirical cases and the research question in this thesis. This is due to several reasons. Firstly, Malmi & Brown's view facilitates this paper's interpretative research design, which we will introduce in further detail during the later method section. Using the broad and flexible framework allow to better understand and capture the complex different setups encountered. In addition, one of the key aims of this paper is to describe and compare different MCS component configurations across different empirical cases, rather than explore the different MCS tools used at the various firms and their effects in detail.

In addition, the application of this framework to our empirical setup is a novelty, following Malmi & Brown's call for research and therefore constitutes a valuable contribution to management control literature. As Malmi & Brown (ibid) argue, one key limitation of their framework is that due to its comprehensive view, there is still a lack of empirics to build a coherent theory on how the different MCS package configurations really work and the different components within them interact. As a result, they encourage researchers to use their work – or a similarly broad view of MCS – to empirically explore this issue of MCS package setup.

Since Malmi & Brown's work is relatively recently published and not included in the most common reference works for management control research as identified by Strauß & Zecher (2013), it seems reasonable to shortly put the framework into context. This will be done by contrasting it with the top 3 management control frameworks by Merchant & van der Stede (2007), Anthony & Govindarajan (2007) and Simons (1995). Thereby, it will also become apparent why this framework is the appropriate choice given the research design and research question of this thesis. As argued earlier, much of the previous MCS literature is less comprehensive in their view of the various control components, and focuses relatively more on the individual details and effects of various control tools than the overall interplay of them. Therefore, the key differences between Malmi & Brown and the other frameworks lie in their view of the key purposes and scope of MCS.

Merchant & van der Stede's framework uses an object-of-control view, where MCS help to control the object results, actions and personnel or cultural aspects (Strauß & Zecher, 2013). They view MCS setups as traditional command and control tools, aiming to control human behavior (ibid), excluding the aspects of establishment of goal congruence and strategic control (Malmi & Brown, 2008). Malmi & Brown (ibid) however acknowledge that MCS can address both the aspects of command and control, as well as serving decision making and strategic control purposes. This view is one of the reasons making the framework fit for use in this thesis, since the relationship between BU and SSC comprises both strategic as well as command and control, or more operational, aspects. On the other key aspect, namely the question of whether informal controls are also seen as part of the MCs setup, Merchant & van der Stede are however in alignment with Malmi & Brown, explicitly including this dimension (Strauß & Zecher, 2013).

Anthony & Govindarajan, similarly to Merchant & van der Stede (2007), also have an understanding of MCS as command and control systems, since they define them as "[...] system[s] used by management to control the activities of an organization" (2007, p. 17). For them, MCS is an implementation assurance process for a pre-set strategy, thereby also not focusing on the aspects of strategic control and goal congruence (Strauß & Zecher, 2013). A key difference of this framework, compared to both Merchant & van der Stede and especially also Malmi & Brown, is however that it focuses explicitly only on formal controls (ibid). Given the empirical cases analyzed in this thesis, informal controls have however been a key source of differences between some of the setups. At the same time, going beyond the summary of Strauß & Zecher, it can however be argued that Anthony & Govindarajan (2007) still acknowledge the role of informal controls in the overall control process they describe. Another key and major difference between their view and Malmi & Brown's is however that they described the interplay between different MCS tools as part of a structured process, which seems to be the same for every firm. The MCS as a package framework has a different view on this, arguing that the various setups at different firms will show very different configurations of MCS tools, interacting with each other in different ways.

Simons (1995) also focuses explicitly on formal control tools, but contrasted to the two earlier frameworks has a more information flow based view of MCS facilitating decision making and goal congruence rather than being a command and control enforcement structure (Strauß & Zecher, 2013). As mentioned earlier, this means that he however still takes one of the "two sides", while Malmi & Brown explicitly argue that MCS can fulfil either one of them, or both of these purposes with various configurations and weights. This is important since the research question in this thesis also includes the aspect of the interplay between different control tools. Regarding the scope of control tools included and their interplay, Simons has a broader view than Anthony & Govindarajan. He sees MCS tools as pertaining to one of four categories, which he argues are partly opposing forces that however need to be balanced and work together in a functioning MCS setup – quite similar to the Chinese concept of Yin & Yang (Simons, 1995; Strauß & Zecher, 2013). This is similar to the view of Malmi & Brown, since quite some focus is laid on not only the individual control types, but especially their interplay, with additional researchers such as Tuomela (2005) later extending this interdependence aspect of the framework even in more detail. At the same time, Simons is still not as comprehensive in his view of what constitutes an MCS setup as both Merchant & van der Stede as well as Malmi & Brown, since he does not include informal controls.

3.2. The Various MCS Package Components and how they relate to F&A Sourcing

Malmi & Brown's conceptual model classifies all MCS tools into one of five different categories. Each of the categories will be discussed on the following pages, giving an overview of the tools belonging to it and how they are often reflected in F&A sourcing setups. This ensures a solid understanding of the MCS package framework, especially related to the issue in focus of the analysis in this thesis.

3.2.1. Planning

The first category is that of planning controls, which includes both long-range and action planning. Malmi & Brown describe planning as an ex ante tool, used to set the overall objectives for the organization, in order to "direct effort and behaviour". This is where the notion of MCS used as decision making and strategic control mechanism surfaces, since this objective-setting process makes sure that goals are aligned across the different parts of the organization. In addition, planning should also describe the expected level of performance related to the set objectives. While long-range planning can extend over several years, being much more strategic and mid- to long-term oriented, action planning is thought of covering a horizon of around 12 months. Malmi & Brown see the key difference between action planning and budgeting, which can cover the same time horizon, in that budgeting is much more focused around specific financial measures, such as sales or profit goals.

Related to the topic of F&A sourcing, this category can refer to several things. Firstly, long-range planning would include the outlining of the strategy for sourcing F&A processes, the mandatory nature of the services for BUs or for example the strategy of the shared service organization as a whole or its individual centers. A specific example would be the strategic decision to only set up captive centers or to reduce costs by a certain percentage over the next 3-5 years. In addition, also mid-term planning activities such as capacity planning and related talent management strategies would fall into this category. Action planning on the other hand could relate to the short- to mid-term planning of specific improvement and cost reduction initiatives.

3.2.2. Cybernetic Controls

Cybernetic controls make up the second MCS tools category, which covers the broadest set of tools in the whole model. The tools in this category can be used either to closely control activities, or in a more interactive way, facilitating a feedback cycle around the setting and measurement of performance goals, analysis of variances in goal achievement and defining actions to improve the performance. The first tool is budgeting, which sets out short-term specific volume and performance level metrics, which facilitates an ex post deviation analysis. Financial performance measures might be derived from the budget, but are generally more specific and regularly measured performance goals which individuals or organizational units are measured on. One common example could be the EVA (economic value added) metric. Non-financial measures are indicators measuring performance beyond the financial performance, such as for example service quality. Finally, hybrid performance measures are tools combining both financial and non-financial dimensions, such as the balanced scorecard (BSC).

Applied to the F&A sourcing context, budgets would normally be made for example regarding the transaction volumes and costs or prices for certain services which will be performed by the

SSC or another provider. Charging would play a key role in this context, being a financial measure but related to budgeting as well. Since it allows to place a price tag on services delivered, it can facilitate the planning, measurement and ex post analysis of their delivery. Non-financial measures frequently encountered in F&A service setups are for example process-related key performance indicators (KPIs), such as number of invoices without purchase orders. The KPIs are often defined in and measured against the minimum requirements of the SLAs, which are however administrative controls. Another frequent non-financial measure in the relationship between F&A service providers and the BUs is the use of customer satisfaction surveys, which help to determine the (perceived) level of service quality delivered. Hybrid solutions such as the BSC are also used in a service provider context, for example in the control of the service unit and ensuring alignment with the overall company strategy, as described by Kaplan & Norton (2006).

3.2.3. Reward & Compensation

This third category, reward and compensation controls, have the goal to increase motivation and performance of individuals, as well as the alignment of their objectives with the organizations'. The main contribution of this type of control is that they facilitate a better achievement of these three effects than if there were no rewards and compensations in place. Rewards can be either extrinsic, including monetary and fringe benefits, or intrinsic, meaning people's own motivation.

As for the context of F&A sourcing, one example of using reward and compensation controls is the linking of satisfaction scores from customer surveys to the bonus payment for managers in the SSC or at an outsourcing provider. Through such a link, the individuals for the relationship with customers and the service delivery could be rewarded based on their achievements measured, and their motivation for further improvements would be increased. A similar effect could be aimed for by linking the achievement of certain KPI performance goals for specific processes to rewards for those managing the processes at the service provider. Another potential link is that proposed by Kaplan & Norton (2006) between the strategic objectives of the overall company and the objectives of the support unit and its individual managers. Such an explicit alignment between the goals of the SSC and its customers could be seen as an initiative to create overlapping accountabilities (Håkansson & Lind, 2004) between the managers in the different organization units, incentivizing SSC managers to act in the best interest of the SSC, but also towards the realization of the goals of the business.

3.2.4. Administrative Controls

As for the administrative controls, this category features 3 different MCS tools. Firstly, organizational design is the way in which the organizational roles, responsibilities and reporting lines are set up. Malmi & Brown argue that different organizational designs can encourage certain contacts, relationships and other behavioural aspects. However, at the same time other management accounting researchers see it as a contextual factor, which is rather given and less part of the MCS design. It is however evident, that top managers do have the power to change the organizational setup in their companies, from individual role descriptions over reporting lines up to the structure of BUs and business areas. Secondly, governance structures can be a tool to establish formal lines of accountability, but also put systems in place to ensure that the organizational functions and units regularly meet to coordinate their activities both horizontally and vertically. In summary, Malmi & Brown argue that these aspects "can be designed in many ways in any given organization", again emphasizing that these are not context factors, but parts of the MCS package which can be influenced by management. Finally, there are policies and procedures, which could be formal, written guidelines such as detailed descriptions of the various roles and ways of working in the organization.

In a sourcing context, the reporting lines could relate to the question who the management of a SSC unit reports to. Regular meetings regarding budgeting, deviation analysis or service quality and issue management between the BUs and the service provider are examples of governance interactions in an F&A sourcing setup. Also policies and operating procedures would play a key role in this, corresponding to SLAs, as well as task and work descriptions the employees in an SSC will get as part of their training for example.

3.2.5. Cultural Controls

The final category, cultural controls, is arguably one that is probably hardest to grasp, and can often be beyond the direct control of managers. However, Malmi & Brown argue that it is still something that can be part of an MCS setup, since managers can choose to actively try to shape and influence a certain culture. Since this is a quite indirect, typically slow to change and deeply rooted aspect of a company, which at the same time forms a "contextual frame" for the other categories, the authors have decided to set this category on the top of their visual representation of the MCS as a package framework.

Three types of cultural controls are introduced. The first one is values, whose definition is quite closely related to the concept of belief systems introduced by Simon's (1995), and is based on the formulation of certain values and priorities by senior management. These can then be spread across the organization through either the recruitment of people who share the same values and beliefs or socialization of individuals based on existing corporate culture. It can also be tried to explain the values to employees and trying to convince or incentivize them to follow them even if they don't personally believe in them fully. Symbols, as the second type of cultural controls, refer to visible expressions shared by the organization or groups within it. This includes for example open office spaces, a tangible representation of an aspired collaborative culture, and is an aspect which can be more directly controlled by managers. Finally, there is the aspect of clans, which refers to the establishment of certain subcultures, such as various functions or BUs. This is an aspect which can be more or less significant and prioritized by management across different companies. In an F&A sourcing context, cultural aspects can arguably be quite powerful and potentially central aspect for the success of a setup, as explained in the literature review part. Examples could be a clear senior management support for a chosen sourcing setup, including the mandatory nature of the setup for BUs. In addition, the service providers could opt for certain differing subcultural elements, such as customer-oriented values or an own branding, to form symbol and clan type controls, as encountered prominently at one of the empirical cases analyzed in this thesis.

The table on the next page summarizes the previous discussion of the "MCS as a package" framework by Malmi & Brown (2008) and gives examples of potential relevant control tools in an F&A sourcing setup in each subcategory.

Category	Subcategory	Description	Exemplary tools in F&A context
Planning	Long-range planning	Strategic, mid- to long-term oriented objective setting	• F&A sourcing strategy • SSC capacity & talent planning
	Action planning	Short-term strategic planning, covering around 12 months	• Cost reduction initiatives
Cybernetic Controls	Budgets	Short-term specific volume and performance goals for later ex post deviation analysis, often accounting-centered	• Process-specific volume budges, e.g. number of AP transactions
	Financial Measurement Systems (MS)	Could be derived from budgets, but are more specific and regularly reported performance goals and metrics for individuals or units	• Charges • EVA
	Non-financial MS	Metrics measuring performance beyond financial	• Process-specific KPIs • Customer satisfaction surveys
	Hybrid MS	Tools combining financial and non-financial measures, such as Balanced Scorecard (BSC). Not encountered in any of the empirical cases throughout this thesis.	• BSC
Reward and Compensation	Reward and Compensation	Facilitating alignment of individuals' goals with organizational ones, increase motivation and performance	• Linking customer satisfaction score to SSC bonus payment
Administrative Controls	Governance Structure	Formal links of accountability, structures facilitating regular interactions between stakeholders (e.g. meetings)	• Regular meetings with BU and F&A service provider(s)
	Organization Structure	Setup of organizational roles, responsibilities and reporting lines	• Reporting lines within or maybe between SSC and BU
	Policies and Procedures	Formal, written guidelines such as detailed descriptions of roles and ways of working	• Service Level Agreements (SLA) • Work descriptions
Cultural Controls	Clans	Establishment of subcultures in the organization, such as for different teams, departments or organizational units	• SSC taking on a service provider mentality and role
	Values	Formulated organizational values and beliefs	• Top management mandate for internal SSC as F&A provider
	Symbols	Visible expressions of culture shared by an organization or groups within	• Branding of SSC unit

Based on Malmi & Brown (2008)

Illustration 2: Summary of "MCS as a package" framework

3.3. Complementing Malmi & Brown with Sandelin's Theory of Equifinality

On the previous pages, it has been established that there are several categories of MCS tools which can be configured to form MCS packages in various ways. Thinking about the practical implications of this in an academically-analytical context, a relevant question coming up is whether or how these packages can be analyzed. Relevant aspects in an analysis could be the potential effect control tools can have on firms' operations, whether different control packages can be aimed at achieving similar or the same goals, or the interdependences and interplay between different control tools in such packages. While it is hard and not the ambition of this thesis to assess the effectiveness of different MCS setups, the other two aspects are of interest. When comparing different control packages in this thesis, it will be relevant to analyze how these packages address the common goal of managing a given F&A sourcing setup, and what role the interplay between different MCS tools plays in the packages. Throughout the literature review, this could already be seen since the goals and effectiveness of charging has been found to be related to the use of other MCS tools on several occasions.

The aspects of comparability of MCS setups and interplay between different MCS tools have been addressed in a paper by Sandelin (2008). He firstly argues that the tools in a given MCS package need to be internally consistent, and secondly that it is important to analyze how this consistency is created. His main arguments and concepts and how they can serve to better understand the MCS setups at the firms in our given empiric sample will be explained in this part.

Sandelin has analyzed two empirical cases showing how different MCS packages, in the same firm but different times and contexts, can lead to what he calls "equifinal" results, so they have equally good effects, given the different situations they were designed to control (Sandelin, 2008, p. 340). In alignment with Malmi & Brown (2008), the study finds it is important not only to look at individual MCS tools in detail, but rather emphasize on which different tools are in place and how they interact with each other. As also earlier studies such as Abernethy & Chua (1996) showed, one key criterion in the design of MCS is internal consistency between the different elements used. This can be achieved in two ways. Either through an independent design of MCS tools, but with an explicit focus on alignment and consistency between the individual tools in place – or, as found by Sandelin (2008), through selecting one dominant mode of control, around which the design of the other MCS tools then centers.

As mentioned, the key finding of Sandelin (ibid) is however that, given internal consistency between various control tools, different sets of MCS configurations can be "functionally equivalent" (Sandelin, 2008, p. 338). Specifically, in his empirical setup this meant that a relatively simple and not particularly accounting-centric control package, focusing primarily on informal cultural, personnel and action controls, could have a similarly satisfying control effect than a more formal and accounting-centric package. Sandelin's findings are also in line with Ferreira & Otley (2009), who described a need for coherence across control tools applied as being critical to their effectiveness.

However, this does not mean that any control package, as long as it is internally consistent, is fit for every control purpose. For example, the first control setup described by Sandelin (2008) was effective given the situation of the firm at that time, however was not fit for the financial crisis and internationalization of the firm that followed. Therefore, the aspect of managerial judgment in the configuration of the MCS setup according to different contingencies and context factors is still an important factor in MCS design.

In summary, it can be argued that when looking at "MCS as a package" across different organizations, it will be important to also look at whether these setups are internally consistent and how this consistency is created. This thesis cannot and does not pretend to measure or argue about the effectiveness and quality of the MCS setups in achieving their various goals. Instead, it is therefore assumed that all MCS work relatively effective in this regard, unless there might be specific insights casting a doubt on this, such as for example an ongoing effort to restructure the MCS due to admitted ineffectiveness. As a result, the focus throughout the analysis will not lie on whether the goals of charging and other MCS tools are realized, but rather how the various MCS setups are configured to address the same or similar goals which ultimately allow them to control their given F&A sourcing setup, thereby making them potentially equifinal.

3.4. The Theoretical Framework in Summary

On the previous pages, we have introduced the "MCS as a package" framework by Malmi & Brown (2008), and put it into context with the most important work of other researchers in the management control field. In addition, we have shown how this framework can be related to the issue of F&A sourcing which is in the focus of the analysis of this thesis. Using this framework will allow this thesis to contribute to the stream of management control research, by analyzing the different MCS package setups across various firms. It will be interesting and relevant to identify which different combinations of MCS tools are present, and in relation to which differentiating context factors. For this analysis, the comprehensive view on MCS setup by Malmi & Brown (ibid) will therefore be combined with the theory on internal consistency by Sandelin, identifying how different MCS packages are configured and whether they feature a dominant mode of control or not. This approach will facilitate addressing the research question of this thesis in its key aspects. Firstly, to get a comprehensive understanding of how the overall control setup at each company look like. And secondly, to analyze the interplay and consistency of the various tools used. In cases where charging is used, this will help to assess how charging is being used and whether it plays a key role in the control setup. In cases where charging is not used or playing a very limited role, the framework with the extension by Sandelin will help to analyze whether and how other MCS tools are used in a consistent interplay to address the goals charging normally addresses in control packages managing F&A setups.

4. Methodology

The purpose of this section is to describe and motivate in detail the methodology and method used in this study, which is done in four sections. First, the design decisions made a priori based on the pre-study interviews, such as selecting research methodology and how this has governed the study, are described. Building upon this, the second and third parts present and motivate this thesis' process of collecting and analyzing empirical data respectively. Fourth, the structuring and analysis of the empirics are presented. Lastly, the research quality and potential issues of transparency and probability are discussed.

4.1. Choosing a Research Methodology and Design

The research design consists of conducting a multiple case study of four multinational companies, with a total of 18 interviews as the primary data source. This part will first go into the theoretical underpinnings of the chosen design and cover the pre-study and after that a rationale for the selected cases is provided.

According to Ahrens (2006) methodology should not be confused with method, as it relates to the overarching views and basis of the research, rather than specific methods used. In line with Scapens (1990), Silverman (2013), Dubois & Gadde (2002) as well as Ahrens & Chapman (2006), this thesis argues that in order to explain and understand individual accounting practices, a traditional positivistic research methodology is less suitable. Instead, an interpretative view of epistemology is employed and the concept of systematic combining from Dubois & Gadde (2002, p. 554) saying "a continuous movement between an empirical world and a model world" is used. In practice this means a research approach that can be described as abductive reasoning and consist of a close combination of theory with practice and constant iterations between the two. This type of research approach was more suitable in this research as the many cases constantly force new types of empirics onto the framework. In addition, the focus on charging that exists in prior literature did not always materialize in the empirics, thus forcing a movement back and forth between theory and practice, with our choice of theoretical framework as a result. Although certainly closer to an inductive process than a deductive, an abductive process is different from an inductive process in that it does not focus on pure theory generation from facts, but rather recognizes that theory is what delimits the empirics in qualitative research. Thus, it focuses on developing a stronger link between theory and empirics them by developing and refining theory so that it can be used to understand the empirics. Linking back to the research question, this is suitable as the aim of this thesis is not to establish a fixed and absolute truth regarding the role charging or the lack thereof plays in MNCs, but rather is looking to refine, develop and complement the surrounding theory presented in existing literature.

Considering the theoretical framework from Malmi & Brown (2008) previously presented, this aligns with the chosen research methodology in that they both aim to apply wider concepts to capture complex empirics without clear borders in between empirics and theory. Dubois & Gadde (2002) suggest that the framework should be continuously re-evaluated and changed as different empirical facts emerges and this is something that is possible within the Malmi & Brown (2008) framework as it looks to develop, synthesize and connect existing frameworks rather than focusing primarily on theory generation or theory testing.

4.1.1. Pre-study and Choosing a Design

Based on the selected research question, what this thesis aims to do is to study the role charging plays among other control tools in MNCs through a multiple case study. Scapens (1990) suggests that case studies are a suitable research method when the research question does not concern measuring, but rather developing theory. Supporting this are Dubois & Gadde (2002) claim that case studies are excellent when looking at the "interaction between phenomenon and its context" and Silverman (2013) suggests that cases are the best way to handle questions that concern the understanding of social construction. In order to understand the role MCS play in managing the sourcing of F&A services, comparison and contrast is essential and a multiple case study is thus well suited.

The rationale behind choosing to work with several cases, rather than focusing on one single case, goes back to the reasoning by Eisenhardt (1989; 1991). She claims that multiple case studies are superior to single case studies in that they allow identification of patterns that would not be seen through the use of either single case or quantitative studies. This is due the fact that multiple cases allow for "replication of observations across groups" (Eisenhardt, 1991, p. 622), not for the purpose of statistical certainty but in order to test and develop theory and build a deep understanding of the studied area. The multiple case study method is useful in situations that are too complex to be captured in a quantitative study but need more than one observation to identify patterns. Multiple cases are used by key articles in previous research such as Ezzamel, Morris & Smith (2005), Kaplan (2006) and Sandelin (2008), with the final however using two case setups at different points in time but at the same firm. When presenting their framework, Malmi & Brown (2008) also point out that research should focus on using their framework with case studies in order to understand complexities.

Through initial contact via our supervisor from the Department of Accounting at the Stockholm School of Economics, a pre-study with the CFO of DeviceFirst was set up. This consisted of meetings on two occasions where possible topics for research as well as the research design were elaborated in discussions lasting more than 1 hour each. An interesting finding throughout these first meetings was firstly concerning the roles and job titles of the CFO. He described that due to the strong orientation of this role towards business support for the local BU operations, the term "CFO" was not officially used. Instead, the term financial director (FD) was more frequently used, since it was signaling that the role was different from a traditional role of a CFO, for example given the fact that significant bookkeeping activities were not performed locally anymore. Since the same was later discovered to be the case across all other case companies, the term FD will from now on be used to refer to the key contact persons in a CFO-equivalent role at the companies.

As the interviewed FD was a member of the American Chamber of Commerce working group on Finance in Sweden, he had pre-knowledge of the other working group members and could thus provide insight into the different solutions out there as well as . Through these meetings and in collaboration with our supervisor the study's design was decided to include 4-5 case companies, which is an ample number according to Eisenhardt (1989), with 3-5 interviews per company as the main source of empirical data. Although the choice to work with a relatively large number of cases, given the scope in terms of number of interviews per case, creates the challenges of high complexity and potential time limitations, the choice was made in line with Eisenhardt (1991) and the research question. The number of interviews per company varied between 3 and 5, depending on when data saturation was reached. The choice of case companies will be covered in detail in the following paragraphs.

4.1.2. Selecting the Cases

As a prerequisite for the kind of dynamic described in the research question to exist, the selected case companies would need to be a large multinational having at least some support functions sourced centrally. Secondly, the question is whether to cover multiple or rather focus on one single support function. In this context, it can be seen that F&A, IT support, purchasing, facilities management or even legal and insurance are activities which have been found to require a similar governance setup (Kaplan & Norton, 2006; Kaplan, 2006; Strikwerda, 2009). To allow for a more detailed, but yet consistent analysis, this thesis specifically covers the different sourcing options for F&A services. This function was chosen as it contains processes in a range from being highly transactional, such as Accounts Payable, to more complex arrangements close to the core business, such as controlling and for example sales forecasting.

Furthermore, as the research question also points to the interaction between BUs and F&A sourcing unit, multinational companies were picked as the cross border aspect accentuates the relation and increase physical distance increases the requirements on management to handle the interaction. The purpose was that these aspects would make the relation more pronounced and identifiable in research. In addition, it was decided that no limitations were to be made regarding the industry of potential case companies. Given the focus of the study being on the control aspects of support functions and specifically F&A, there were no arguments identified in literature indicating the preference for or need to exclude of focus on certain industries. This seemed reasonable, for example given the necessity for western multinational companies to prepare financial statements in accordance with certain regulations resulting in similarities across industries. This is an advantage with looking at F&A as industry specifics would be more prevalent in centralization of other functions, such as R&D. The two pre-study interviews mentioned earlier further confirmed this, with the DeviceFirst FD stating that despite apparent differences in the sourcing setups, the way the firms managed those setups would be comparable as long as they opted for the centralization of at least parts of their F&A processes.

The pre-study interviews had an influence on the choice of cases regarding another aspect. Having taken part in a recent workshop on the topic of different sourcing options, the FD interviewed could provide a general view of the different setups for a number of companies. In regard to choosing in between them, the reasoning in Silverman (2013) and Scapens (1990) was followed. Scapens (ibid) argues that adding cases to a study should not have the focus of reaching statistical significance, adding cases only to confirm the view of the initial cases. Instead it should add to the knowledge creation but offering potential to explore something different. Dubois & Gadde (2002), Silverman (2013) and Eisenhardt (1991) added to this saying that, if possible, a diverse set of cases should be selected in order to compare and contrast different solutions through "purposive sampling" (Silverman, 2013, p. 141). Going back to the concept of equifinality of Sandelin (2008) being central to this study, having cases consisting of different solutions should be essential.

In order to select which companies to include in the study, two dimensions where considered. These were both identifiable a priori through the pre-study, and then confirmed in the first meeting with the selected case company. Firstly, following the discussion in previous literature on charging as potentially impactful control tool in these setups, one dimension was to make sure the study included companies both with and without charging of F&A services to the business units. Studying companies that both followed and did not follow the methods prescribed in part of the literature was seen as important to uncover gaps in theory as well as potentially develop research further. As for the other dimension, the degree of centralization of F&A services, either through an SSC or outsourcing, was selected as the differentiating factor. The logic behind this choice is firstly that the extent to which a company chooses to centralize could have an impact on the sophistication of control tools used. Thus looking at different degrees of centralization would give insights into different control tools and a diverse set of cases. Secondly, previous authors (Centre for International Economics, 2012; Herbert & Seal, 2012; Janssen & Joha, 2006) suggest that there is a sourcing options are a gliding scale, with Bergeron (2002) going as far as saying that there is a sourcing evolution. In both cases, with different extents of sourcing, different MCS setups managing the movement of services from the business unit to centralized units are to be expected. Thus, this dimension should provide further and complementing diversity.

After mapping all potential companies onto the axes of the matrix illustrated below, companies with sufficiently different characteristics were contacted with a research proposal. The firms accepting to participate in the study were then included in the further process. There was also a check made to ensure that the resulting case companies were not too similar in terms of their business models, in order to provide further diversity. After initially working with 4 companies that are all members of the American Chamber of Commerce, a fifth was later reviewed for inclusion. The first reason for adding another company was to serve the purpose of diversification in the sense that the fifth company had a different origin. Rather than being headquartered in the US, the new company called Packers originated from Germany. The second reason was that after interviewing the four initial companies, there was no company exhibiting a strong emphasis on the visibility of charging to users, something that was indicated to exist within Packers according to information by a former employee from an informal interview. As a result, this contact was leveraged and two interviews were conducted with the company. Throughout these, it became however clear that the company did not seem to be materially different from existing companies neither in their sourcing setup nor in their use of control tools. Thus, the inclusion of the case of Packers was dismissed, since it would not add additional insights in line with the chosen research design. The decision goes back to the reasoning mentioned earlier: cases should be added in order to further compare and contrast, not to reach statistical significance (Dubois & Gadde, 2002; Eisenhardt, 1991; Silverman, 2013).

The following matrix includes the resulting case companies and how they relate to each other and to the market in the two dimensions.

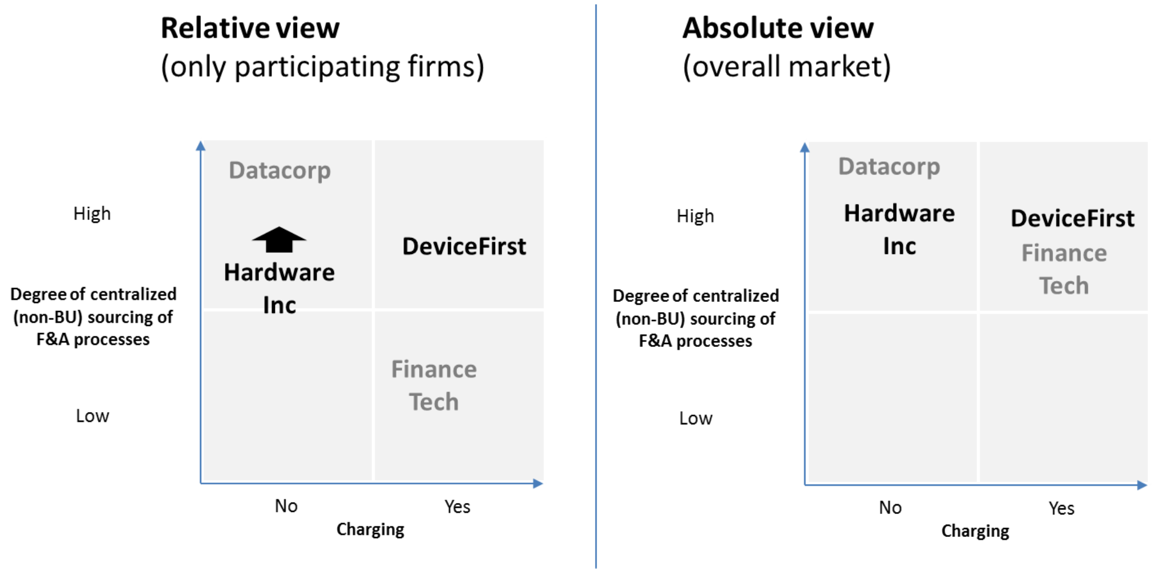

Illustration 3: Overview and categorization of empirics

4.2. The Data Collection Process

This part will describe the planning and execution of semi-structured interviews, which were the main source of empirical data in this study. It will also explain any additional data that was retrieved.

4.2.1. Conducting Semi-structured Interviews

The first part of conducting interviews was the planning phase. This consisted of dividing which roles to talk to, and what questions to use. The interviewee selection logic was based on moving both vertically, talking to different roles, and horizontally, trying to reach the same or similar roles across all companies. The first interview target in every case was always the local FD. This firstly because by having regular contacts with headquarters they understand the background to current setups, while still taking part in everyday operations in the BU and thus interacting towards the centralized service provider. Secondly, our initial contact could provide a connection to them. After interviewing all FDs, the decision was to try and reach someone at headquarters level for two reasons. Primarily in order to get a more comprehensive overview of the control package in place and potentially identify control mechanisms that were in place but not visible or obvious to the local FDs. Secondly, to understand the development and direction of the current sourcing setup and the impact this could have on how the control package was shaped. The next step was a need for verification of the existence of identified control tools at the operational level, as well as to evaluate if there was a difference in intended control tools versus what was actually in place. Therefore, the inclusion of at least one F&A manager or staff below the FD level was aimed for at every company. For the full overview of interviews conducted see Appendix 8.1. Through the entire process all interviewees where available to answer follow-up and clarifying questions via e-mail, something that was used in several cases.

The interviews were based on a questionnaire-format template, with the idea not being to completely follow or go through all questions, but rather using them as a guide. In this way it was possible to identify the interesting sections and to expand on them, while in the end making sure all relevant areas were covered and comparable in between cases. Questions were also separated into different modules that could be used or not used based on the interviewee's role in the organization. The questionnaire took three areas into account; directions from previous literature on what areas should be important to look into, the theoretical framework and information gathered through the pre-study. The full questionnaire is available in Appendix 8.2. Interview duration ranged from 30 to 80 minutes, with an average duration of 45 minutes. Every interview was started out by defining the researchers' understanding and separation of the terms outsourcing and shared service center, as well as what charging meant for the purpose of this study. This was done since the pre-study interviews had shown that many divergent uses and interpretations of these two concepts existed. Starting out by stating simple definitions that separated the two phenomenon SSC and outsourcing allowed for a more constructive and coherent discussion to take place afterwards.

Following the guidance from Silverman (2013), it was aimed for audio recording all interviews in order to secure that everything could be understood and transcribed as precise as possible. In total, 10 of the 18 interviews were actually recorded. In the other cases, audio recording was not possible due to technical difficulties in the case of several phone interviews, and due to the lack of consent to the audio recording in one case. In all three cases notes were instead taken by hand by both researchers, and then compared and followed up on directly after the interviews to keep a fresh memory, as suggested by Silverman (2013). The recorded interviews were later transcribed using a selective transcription technique using the Nvivo software. This technique means that bullet points and short, descriptive summary sentences have been written down and tagged with the corresponding timestamp using the software. For key passages which contained the most essential information for knowledge creation as well as potential quotes for the thesis, full transcriptions were created.

Given the nature of the topic, it is important to note at this point that this thesis and all interviews conducted throughout the research for it are not covering the transfer pricing or legal view on centralized F&A services. The authors of this thesis assume that all four case companies are transfer pricing compliant. The interviews executed have therefore not covered the aspect of transfer pricing itself.

4.2.2. Additional Sources of Data

Although the primary source of data has been interviews, secondary data was collected from two types of documents. First, during most interviews, images were drawn on whiteboard or paper in order to illustrate a certain phenomenon in relation to the topic discussed. These were in all cases preserved through conversion to digital format by photography and included in the data analysis. In addition, the researchers on one occasion received another type of artefact in the form of organizational charts and other communication sent from the SSC to the BU upon initial setup of the centralized service. This was possible in some cases where presentation material previously used by either HQ or service supplier could be shared with us. This helped confirm and broaden the picture described in the interviews.

4.3. Data Analysis and Write-up Process

After successful collection of all relevant data, a critical aspect in qualitative research is how the analysis and later write-up process is managed. That process is described in detail in the following paragraphs.

Silverman (2013) and Dubois & Gadde (2002) propose a continuous analysis approach to be used with qualitative studies following an interpretative philosophy, since case studies should include a constant alteration between the theory and empirics. This proposal was followed throughout the empirical case studies covered in this study, meaning that the analysis of data was already started while data was still being collected through further interviews and additional follow-ups with individual interviewees. A main benefit of this approach is that it allows a thorough testing of the underlying theory and initial findings, while still facilitating the development of the theory applied to the case situations, as described earlier with the iterative process mentioned by several researchers (Ahrens & Chapman, 2006; Dubois & Gadde, 2002; Scapens, 1990). In addition, a continuous analysis started alongside the data collection provides an opportunity to understand if there is a need for expanding the base of interviewees across further companies or functions and roles within the firms. This corresponds with the concepts of "widening" (Scapens, 1990) and managing the "direction and redirection" (Dubois & Gadde, 2002) of qualitative empirical data collection and analysis continuously.

Researchers such as Silverman (2013) further argue that during the analysis, one should try to find the underlying problems which the information from the empirical data sources refer to. For example, if one interviewee mentions the use of a certain MCS tool, the ultimate goal for the analysis would be to ensure an understanding also of which underlying problems he faces and how he aims to use the tool to address and resolve these problems. This example also clearly illustrates the benefit of a parallel analysis during continued data collection, since later interviews can be adjusted to include relevant discoveries of additional key questions of interest from the analysis of earlier interviews.

Throughout the research process, collected data needs to be structured in order to be understood and analyzed. Throughout the research process, this has been done by inserting available data into the matrix shown in Illustration 2 in the conceptual framework and Illustration 10 in the empirics section. Here, the vertical axis helps to categorize the collected data in the Malmi & Brown (2008) framework in order to create an overview of what areas have been covered so far in the collection process. By doing this, two important effects are reached. Firstly, by putting the empirics into the framework after every interview, areas that have already been discussed emerge clearly. It therefore becomes possible to go back and look closer at control tools that had not been covered – to identify if they were not present in the company or just missed in the interviews conducted so far. This allowed a better focus for coming interviews as well as alerting us to unclear parts of old interviews that could be clarified through email with the interviewee. Secondly, inserting the empirics as they emerge also serves the purpose of ensuring that the framework can handle all the encountered data. This is in line with Dubois & Gadde (2002) and the abductive research approach. As this was done, it confirmed that the choice of the Malmi & Brown (2008) framework was the right one. Further, it also made clear that the addition of Sandelin (2008) would add much to the understanding of the empirics. By doing the above for every interview and every company, the horizontal axis can then be populated with the different cases to give the final matrix. This enables an overview of all collected data and aids in comparing the different cases.

4.4. Regarding Research Quality

This part will firstly cover the theoretical background needed for defining what research quality means in the context of qualitative research. This is necessary as there has been considerable debate on this issue within management accounting literature, specifically for interpretative research and the abductive research methodology (Modell, 2009; Vaivio & Sirén, 2010). Secondly, with the definition of research quality in mind, a description of what this research has done to ensure reaching a high quality will be presented.

With a qualitative research design and an interpretative view of epistemology as per this thesis, some authors argue that in judging research quality, classical positivistic research concepts such as validity and reliability need to be understood differently or not used at all (Ahrens & Chapman, 2006; Dubois & Gadde, 2002). This is due to the fact that traditional concepts such as internal and external validity as well as reliability assume a stable, identifiable, objective reality, which is not the case in interpretative research (Lukka & Modell, 2010). A definition of what is required in terms of validity for example is also provided by Lukka & Modell (2010, p. 463):

> In a very broad sense, validation refers to the ways through which the credibility of a piece of research is developed and legitimized in front of relevant audiences.

Validity will always be based on the chosen theory and in addition, reliability within interpretative research can never mean that the exact same result could be achieved by others, but only that they could provide compatible conclusions (Ahrens & Chapman, 2006).

Traditionally, the key concept regarding reliability of research data is triangulation, something that authors such as Ahrens & Chapman (2006) and Dubois & Gadde (2002) do not fully agree on. They state that the main role of triangulation, especially in positivistic research, is to facilitate the use of multiple sources of data in validating that the collected data is right. However, they also claim that reality is created by the social constructs of the observer and can never be objective and thus believe that multiple sources of data should instead serve the purpose of checking patterns and giving new insight (Dubois & Gadde, 2002). According to these authors, the metaphor of triangulation is thus misleading as it is based on the existence of true reference points based on which you can identify your position, something that does not exist with an interpretative view of epistemology. The reason is that the metaphor in practice would imply that collected data as objectively verifiable, while it, according to an interpretative view, is however always depending on the observer. Therefore, Ahrens and Chapman (2006) claim that the term ensuring plausibility of conclusions is more appropriate when discussing the quality of interpretative research than demanding validity and reliability through triangulation. This view is however not shared by Modell and Lukka (2010; 2009), who claim that triangulation as a concept should still play an important role. By considering reality as at least partly objective and that abductive reasoning is what makes reality knowledgeable, triangulation may have a purpose also with interpretative view and validation should be seen as an ongoing process (Lukka & Modell, 2010). The finer details of this continuing debate are outside the scope of this thesis, and may revolve more around certain wordings being more or less suitable rather than having practical implications for this thesis. The view in this thesis is in line with Vaivio & Sirén and Modell (Modell, 2010; Vaivio & Sirén, 2010); at the level of an individual researcher, data triangulation might not be the optimal terminology, but in practice the differences between opposing views might be small. Thus, the word plausibility will be used in the following two paragraphs regarding the quality of this research, although the reasoning normally associated with triangulation will be applied.

Firstly, given the aim of this thesis as specified in the research question, the chosen research method with a multiple case study can be seen as appropriate. The purpose is to look at the overall control setup existing in the relation between service provider and BU, and to find the role that the specific control tool charging plays in this relation. Although different research methods such as distributing surveys could be considered to fulfill this purpose, it was felt that more would be contributed to the research field with the current method for two reasons. First, with the previous research in mind there was an abundance of papers discussing changing organizational forms from a high level, as well as the claimed effects of charging without looking at actual practice.

Secondly, with part of the research question being

> what role does the charging of business units (…) play in controlling the relationship between them and the SSCs or outsourcer

the relationship between the units is in focus. This relationship is very qualitative in nature and it could provide a considerable challenge to capture with quantitative methods such as a survey. This together with the arguments previously presented in part 4.1, resulted in a multiple case study being identified as the suitable research design given the question.

Thirdly, the main function used to ensure plausibility of the conclusions drawn from the data collected is confirmation of data from several sources. By talking to several different roles in every case company, the existence and use of the control tools were verified by different sources independently. In all cases, employees were interviewed without the presence of their managers to ensure that an open dialogue could take place. In cases when opposing fact where identified from later interviews, emails were used to get back to previously interviewed employees and try to clarify the issues. When opposing views were found, these were discussed in more detail to find the root of the disagreement. In situations where for example a manager and a subordinate did not agree on the usage of a certain control tool, this has been clearly stated in the empirics. Regardless of the extent of the data collection (see appendix 8.1), an argument for more data collection can always be made. The empirical information in this thesis is based on 18 interviews with an average length of 45 minutes, which were complemented by several follow-up calls and emails as well as artefacts received or photographed. In all four cases, the last one or two interviews, while naturally bringing about some minor details and additional anecdotes, did not result in the addition of any fundamentally new information. This data collection is therefore in line with the research question and approach of this thesis, since its focus is on understanding and contrasting different MCS setups and their configuration of control tools instead of exploring all setups in extreme detail.

5. Empirics and Analysis

This section of the thesis introduces and analyses the empirical cases at the heart of the data collection. It has two aims. Firstly, to create an understanding of the backgrounds, specific situations and setups present in the four companies. The second goal of this section is to apply the theoretical framework developed earlier in order to analyze the individual cases and their MCS setups. The section is split into two main parts, following the structure of the theoretical framework and providing an appropriate format to structure the understanding and analysis of the empirics in a consistent, understandable and insightful way. The first part will focus on the aspect of the case descriptions, introducing them one after the other. Each of the case sections starts with some general information about the business and F&A setup of the firm, and then describes the individual MCS setup around F&A processes, structured along Malmi & Brown's dimensions.

The second part will describe how the various goals and effects attributed to charging have been achieved by the firms, both with or without the actual use of charging, through a package configuration of various MCS components. This part will therefore be structured along the key goals of charging, each of which will be discussed in a cross-case comparison. The overall structure of this section and its two parts is visualized below.

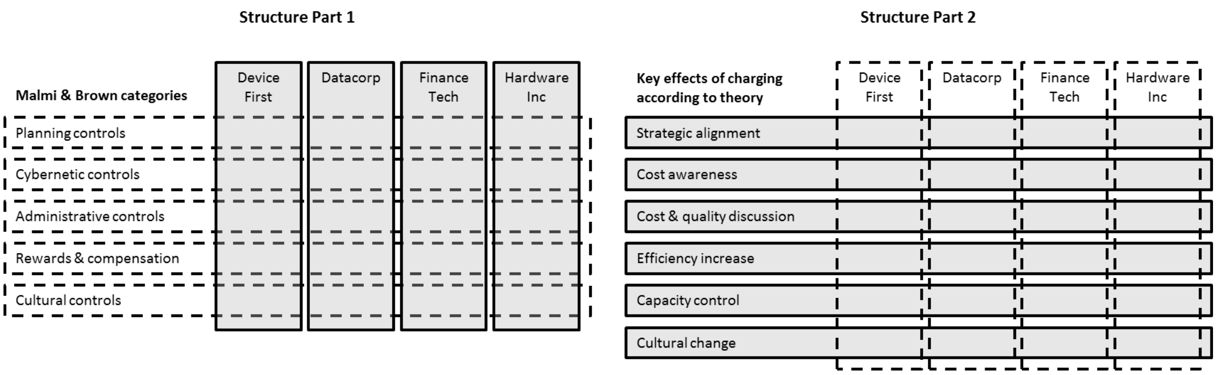

Illustration 4: Structure of the parts in the empirics section

5.1. Part 1: Different MCS Packages across Four Dynamic Multinationals

During this part, all four case firms will be introduced. Aspects covered will include more general points such as the firm's industry, their experience with F&A sourcing and a broad description of the setup as to which processes are sourced where. A short description of the roles interviewed at each firm is also deemed relevant to get an understanding of the insights gained. After understanding these contextual factors, the management control package components discovered at each firm throughout the interviews will be described in detail, structured along the dimensions by Malmi & Brown.

Structuring this part firm after firm is the best way to allow for an easier understanding and more comprehensive and consistent picture of the different MCS packages, which is also in line with the thinking of Malmi & Brown described in the theoretical framework section.

5.1.1. DeviceFirst: Structured MCS Setup dominated by Strong Cultural Controls

DeviceFirst is a global leader in hard- and software solutions. Headquartered in the United States of America, the firm is active in around 100 countries in the world and generated revenues of more than 65 billion US dollars in the last financial year. DeviceFirst is active in a highly dynamic industry and currently undergoing a strategic refocusing between their two main business areas. The margins for both the market and the firm in particular have been decreasing over time, but historically this market has been very profitable and DeviceFirst has a position at the top end of the industry in terms of margins. DeviceFirst manages most of its local subsidiaries with an understanding of them being primarily sales organizations, since all other activities in the operational business are already quite centralized. This includes for example licensing, which is centrally managed from a Northern European headquarter.

The firm's management started working on taking F&A out of the BUs back in 2004. What began as a project "looking what F&A processes could be done like in a smarter way" (Global sourcing director), developed quickly into a blueprint for a step-wise centralization of F&A activities from all BUs globally. Three years later, in 2007, the first processes to go live in the new setup was Accounts Payable (AP), General Ledger (GL), and purchasing (PU). Sweden was a pilot country in this project and most of the other countries followed quickly after them, going live within 15 months. Over time, more and more processes were move to the centralized setup.

Today, the only remaining activities which remained locally with the BUs are governance as well as controlling and reporting (COR) – although some repetitive tasks in the latter process are currently being transferred outside of the country as well. In Sweden, the local activities are carried out by the Financial Director (FD), whose role is otherwise similar to a traditional CFO as explained earlier, and one financial controller (FC). Regarding the other activities, accounts receivable (AR) is centralized in an in-house SSC in Northern Europe, which reports into the global treasury function, and therefore not directly the global CFO. All other F&A processes are centrally outsourced to external third parties. DeviceFirst has contracts with several third party providers across the different F&A processes, but there is only one globally defined vendor for any given process, and one major vendor which provides a clear majority of services currently. Most of the delivery is done out of India, but a small amount of activities are also delivered from Latin America, the US, China and Eastern Europe, depending on specific language or sometimes legal requirements. The overall goal is however to centralize as many processes as feasible at low cost locations such as India, which is illustrated by the earlier example of certain reporting and controlling activities being moved out of the BUs at present.

Governance of these outsourced activities lies with one central organization, which following the definition in this thesis could be called an SSC. The main difference between this organization and the supposedly "standard" definition is however that it does not perform any processes on its own, but rather focuses on governing and managing the relationships with the different outsourcers on the one and the BUs on the other side. This organization is also responsible for the global definition of what processes are being centralized and how they are source, meaning whether they are performed in-house or through an external service provider, in turn selected and managed by them. They therefore also have the mandate to globally define and standardize F&A processes and their sourcing.

For their setup, DeviceFirst won several awards from industry associations and similar organizations and see themselves among the leaders in terms of F&A sourcing in the industry.

Roles interviewed at DeviceFirst included the local Swedish FD and FC as well as the global sourcing director who leads the SSC organization.

Planning controls

Regarding strategic planning, the SSC as the organization governing most of the sourcing setup is responsible for deciding which processes are to be performed by whom. The BUs are involved when additional processes are to be moved from the local BUs to a service provider. This involvement is primarily focused on the assessment and documentation of current efforts within these processes, in order to manage a successful handover. Another aspect of the interaction between BU and SSC upon the move of additional processes is to ensure getting "value for money", as the FD called it. This meant making sure that the FD would get roughly the same service, for the same or lower cost. At the same time, the sourcing director also indicated that not all local BU FDs could get happy, since the standardization in processes requires certain differences compared to the earlier setup.

In terms of action planning, the planning and management of improvement and cost reduction initiatives was clearly delegated to the SSC and outsourcer. The FD seemed convinced that this was the best way to do it and seemed to trust his service providers since "they spend all of their time" on those aspects. The interview with the sourcing director confirmed this view, and also according to the internal documentation received, it seemed that the SSC and outsourcer had a clear strategy to not only focus on ongoing service delivery, but plan and execute improvements. This was also supported by the organizational structure, as will be explained in the later part on administrative controls. Furthermore, it became apparent that the coordination of improvement projects is also a very prominent aspect in the relationship between the SSC and the outsourcer. Two academics who analyzed the setup between DeviceFirst and their main outsourcer in a book[2], described how the payment and incentives scheme in the agreement was clearly linked to the process and cost efficiency improvements created.

In summary, all major planning controls seem to be coordinated predominantly by the SSC organization, with only limited involvement of the BUs, who however seem to trust their providers. This special aspect will also be further elaborated in the category of cultural controls.

Cybernetic controls

At DeviceFirst, all BUs get charges to their management books for the F&A services they receive. Since management books exist at a country level, each responsible country management team, including the FD, is using the local management book as one tool to control and manage their business. Charging for F&A services is originally based on the original headcount moved out of the BU and a measure of the transaction volume, such as number of AP invoices processed, when the process was first moved. The costs are then adjusted for current transaction volumes and, where not possible (such as in GL), the charging is done based on reported full-time

[2] Since a reference to this book would reveal the identity of the case company, it will not be listed as a source. The name of the authors and the book can be requested from the authors of this thesis.

equivalent employees (FTEs, a measure of time spent) for the services provided as reported by the service provider. The only exception in this is AR. Since the whole process is triggered and managed by a central unit in Northern Europe, local BUs do not receive any charge to their management books for it. Another aspect of the charging policy at DeviceFirst is that in cases where legal requirements or other justified special circumstances require a process to be different from the standard for a given BU, that unit has to go through a change request process and will incur an extra charge. This emphasizes the use of charging as a driver for process standardization.

As for budgeting, DeviceFirst follows a process of yearly creation of a budget regarding F&A sourcing cost and transaction volumes. According to the FD, there is not really much discussion or negotiation around the budget creation. The BUs normally get what they request, since it is mostly in line with what the SSC drafted and based on benchmarked costs and volumes from the go-live year with an ongoing growth adjustment. The SSC does not communicate regular volume or cost reduction goals towards the BUs. At the same time, the BUs are also not requesting such commitments from the SSC due to the trust briefly mentioned earlier and the fact that the setup was perceived as well-functioning and delivering benefits so far. The yearly budget is then reviewed against actual numbers in a half-year true-up. The FD reported that the local unit is also spending relatively little time on this true-up, and only analyses the number and reasons behind them in detail when there is a significant surcharge being incurred.

So far, a significant true-up had only occurred once, which had led the country FD and FC to follow up on the deviation. The issue was taken up with the Western European headquarter, and it soon showed itself that other countries had reported similar deviations. During the follow-up, it got apparent that the surcharge was incurred because of a difference in the measurement of a certain transaction volume driver. Since these aspects are out of the scope of BU decision power, the issue was taken up by the SSC, but also the BU tried to work out a solution in order to reduce the number of reported transactions.

Apart from the transaction volumes, there are also other metrics reported on process performance. The FD said however that the range of metrics is (deliberately) limited to a small number of key performance indicators (KPIs), which are sent in a monthly report to all FDs. Similar to the budget and true-up, the FD however mentioned he was neither spending much time on checking the reports in detail, nor does he benchmark the service performance delivered against other sourcing possibilities or discuss the numbers and charges with the SSC. During the interview, it became apparent that this was true since he started to look at one of the reports and discovered some aspects that captured his attention, as he thought he could use the metrics for other internal control purposes.

Three main reasons for this limited attention paid to the charging and KPI reports were named by both the FD and the FC. Firstly and mainly, the current focus at the local DeviceFirst BUs is much more on driving top-line revenue than detailed and thorough cost management. This is due to the fact that the margins in the business are still quite good, and therefore as mentioned by the FC, the "return on management" for revenue growth is higher than for cost control. However, also the responsibility split mentioned earlier seemed to play a role, with the understanding that the detailed cost analysis and improvement is the focus of the SSC as service provider. Secondly, it became apparent that the FD truly believed in the advantages and improvements the SSO and

Outsourcing setup can leverage, for example through scale effects. Both the sourcing director and FD emphasized that this was not just Sweden being an exception, but generally a similar understanding and belief was the rule. In addition, the FD argued that process improvements, which besides issue management was the main use of the KPI monitoring, was taken care of by the SSC, in alignment with what was explained on planning controls above. He further mentioned that he expects the SSC to use the KPI and charging data to benchmark performance between countries internally, and towards the outsourcer externally and evaluate the right alternatives regularly. This speaks again of the trust and clear commitment to the setup the local BUs show at DeviceFirst, which will be elaborated in more detail later as part of the cultural controls.

Finally, both FD and FC mentioned that a major reason for the limitation effort spent by them on checking the reports is that the setup seems to work very well. At the same time, the FD noted that DeviceFirst "still (is) in the early days of this", implying that he does not preclude this from changing over time. He also mentioned later that if significant true-up surcharges would occur frequently, he would definitely look at the reports and underlying reasons in more detail. These insights lead to the conclusion that all necessary structures around the charging and KPI reporting seem to be in place, but are currently not being used as an important control tool in the MCS setup.

DeviceFirst's SSC organization also issues a yearly customer satisfaction survey. During this survey, the BUs can grade the services they received and how satisfied they were with the quality on a rating scale of 1 to 5 according to various dimensions.

Administrative controls

A first administrative control tool at DeviceFirst are regular governance meetings. Based on the monthly KPI reports, these virtual meetings bring together the local FD with his contact at the SSC and a responsible from the outsourcing provider. The discussion is mainly around ongoing service performance based on the reports as well as current issues which need to be resolved. There are also regular meetings between the local FCs and their counterparts at the outsourcer. This creates a direct, personal relationship and is one key feature of a "mirroring" approach which DeviceFirst and the outsourcer have chosen for their governance setup. Every local BU has a direct counterpart as key contact on the side of the outsourcer, with the common responsibility to make the setup work. An example where this close alignment between the two parties shows is the audit process. As explained by the FD, it is not unusual for the local FC to leave most of the interaction with the audit firm to their outsourced counterpart, which only works given the close collaboration and trust. Comparing this setup with the planning controls, it seems that while the SSC manages much of the strategic planning directly with the outsourcer, they have chosen to actively engage the BUs in selected aspects of the governance setup to create a clear and close interaction between BU and the outsourcer as service provider.

It is interesting to see that the internal governance structure at the SSC and outsourcer also clearly reflects this distinction between ongoing service delivery, where the BUs are involved, and the more strategic planning side including for example process improvements. As explained by the sourcing director, the SSC organization is split up into one team structure covering the current, operational aspects of service delivery – while another team is responsible for improvement projects and the future of the organization and setup. Given the mirrored setup between SSC and outsourcer, the same holds for the outsourcer, where the operational part includes the contact persons working together primarily with the BUs and the more strategic part working closer with the SSC on defining and implementing new global processes.

Regarding formal reporting lines, the FD being in the role of a local BU CFO is ultimately reporting to the COO instead of the global CFO. This is a tribute to the aforementioned understanding of most local subsidiaries within DeviceFirst primarily being sales organizations. The SSC on the other hand reports, as expected, to the CFO. As a result, reporting lines seem not too helpful as escalation mechanism in case of issues, since the two organizational units report along quite different vertical reporting lines. As a result, the importance of the governance meetings and other direct contact becomes evident.

On the formal contractual side, there are SLAs in place but not really used rigorously. There is for example a defined fee for not performing as per the contract, but the global sourcing director explained that this fee is reserved for extreme situations and therefore almost never used. Instead, it is used with a very strategic mindset, as will be explained in the rewards part below. Towards the BUs, there are no SLAs in place regulating the input quality by the BUs. The setup of such "reverse SLAs" was discussed, but the conclusion was that the existing governance model would solve this issue anyway. Through regular meetings with local controllers, discussions about issues and input quality can be taken early on and resolved between the BU, SSC and outsourcer as necessary.

Reward & compensation controls

While the global sourcing director mentioned that it was his job to reduce costs over time, it did not become apparent that his reward was linked to the results of the customer satisfaction scores regarding the F&A services performed or the business results of BUs. However, the SSC organization itself used such linkages in the collaboration with the outsourcer, being the ultimate service provider towards the BUs. The mirroring partner approach between SSC and outsourcer as explained above was also applied in the area of rewards and payments towards the outsourcer. As described by the global sourcing director and analyzed in the book published on DeviceFirst's F&A sourcing setup, the payments made to the outsourcer depended on the service performance as well as cost improvements achieved over time. While it was noted that there was a fee for not performing services according to the SLAs, it became clear that the focus in this relationship was still much more on the strategic and long-run view of a good service delivery:

> But the way we have structured those SLAs is that, if you screw up once or twice (…), it'll cost this – if you then during the next period of three months (…) actually perform good again, then we give that back. Because what am I interested in? Am I interested in those few dollars I get there, or am I interested in good service? (Global sourcing director, DeviceFirst)

As a result, it was also the case that apart from these short-term non-performance fees which could be made up for by the outsourcer, there were mid-term cost improvement goals agreed between DeviceFirst and the outsourcer. If they were achieved and resulted in cost benefits, these were shared between the parties and therefore resulted in a reward and increased payments to the service provider.

Cultural controls

The F&A sourcing setup at DeviceFirst is shaped by a quite strong clan culture, characterized by strong common values and beliefs. The SSC team communicates their achievements internally and externally, such as the various awards the firm won for their setup, but also being featured in several publications both by academics, but also in success story brochures by their main outsourcing provider. In addition, a strong branding was observed on the side of the SSC. This included an own, catchy name for the organization, which was also very present as a symbol for example in the PowerPoint presentation received as well as an SSC-branded keylace worn by the sourcing director during the interview.

An additional aspect demonstrating the importance and key role of culture in this setup has already been mentioned several times earlier and relates to the commitment and trust of both the BUs and SSC in this setup. It showed that the current structure with the SSC in the lead and every BU supporting the setup had a very clear empowerment from top management. This became impressively clear when both the sourcing director and FD independently, and in different interviews, used almost the same words when talking about the philosophy that "this is what we do as a company". This seemed to be a clearly communicated and also well received cultural aspect, namely that the BUs have no local empowerment to discuss fundamental and strategic questions about the F&A sourcing setup. One accompanying aspect in this context was the fact that the global sourcing director saw an alternative setup, where everything would be discussed with every single BU, would be too inefficient and against the goals of the setup. He linked this back to the corporate culture due to which – unlike "in some other firms" – DeviceFirst "doesn't need to sell[3]" (Global sourcing director, DeviceFirst) everything to every single BU FD.

Another occasion where this strong culture of commitment to and belief in the setup became clear was when asking about the outcomes and follow up of the surveys. During an earlier satisfaction survey, very few countries had very low scores of around 1 out of 5 maximum points, while the average was lying slightly above 4. When following up with the individual country FDs, the one with the lowest rating revealed that she was completely against the idea of standardization and "how we do things" (Global sourcing director, DeviceFirst) and tried to create exceptions and non-standard processes for her country. Some discussion followed, but as a result, the company and she decided to go separate ways, since a common fundamental understanding of the sourcing setup and management was not given. The other cases were less drastic and followed up with a discussion which helped to understand and address the issues the BUs saw. In this context, the sourcing director mentioned using charging as a supporting argument in the resolution of such cases, and helping to enforce global process standards:

[3] Meaning educating BUs about the F&A setup or discussing the underlying reasoning and benefits to get them aligned.

> There are certain countries, for example, I do samples on audit (…) on T&E (…) based on a sampling. (…) I still have a lot of financial controllers that say 'I want you to look at every T&E report'. If I did, (…) I would have needed 500 people in the world to only do the T&E process. (…) Plus I would have doubled the charge, and that's also at the end of the day, it's like 'hey, you want that, are you really sure you want that, well, this is the associated cost to what you'd have'. So there are very few exceptions that we do, and they are law-driven in 90% of the cases. (Global sourcing director, DeviceFirst)

Apart from such personnel-corrective measures, the FD however also named several other factors contributing to such a strong culture of commitment and understanding of the BUs regarding the F&A sourcing management. Firstly, he emphasized that most FDs see the processes outsourced as non-core, which people on average are not resentful to hand away to someone else, in turn allowing them to focus on their primary goal of "business partnering", meaning closer support of the business. In addition, the SSC is generally perceived by the FDs as a strong organization with a good vision, credibility and clear top management mandate. Furthermore, the current setup is both well-structured as well as relatively simple at the same time, meaning the effort required from the BUs to keep the service delivery running with good quality and performance was limited. This has surfaced throughout this analysis as well, given the efficient split of responsibilities between SSC, BU and outsourcer with structured, regular interaction routines for selected aspects. In addition, the service delivery had worked well so far, and if this was or were not the case, FDs would be more likely to demand a shift of the processes back to the local level.

Summary

DeviceFirst has comprehensive, formal structures in place across all MCS categories. There are clear planning responsibilities, regular KPI reports and discussions between BU and the service providers and the BUs receive charges for the F&A services provided. However, all of these tools seem to be of limited relevance for the local BU FDs, since they focus their attention on more business-oriented issues. This was reportedly due to the current situation of the business, with relatively good margins, as well as the fact that the F&A setup was currently perceived as running well. The control of this setup between the BU and their service providers therefore centered around a strong culture of commitment to the setup and trust in the capabilities of the SSC team to manage it in the best interest of the firm.

Category	Subcategory	DeviceFirst
Overall information on F&A Sourcing Setup		• *Most processes outsourced, with an SSC organization in middleman role* • *FD and 1 Controller locally*
Planning	Long-range planning	• SSC decides F&A sourcing setup
	Action planning	• SSC manages improvement initiatives
Cybernetic Controls	Budgets	• Budget driven by SSC, limited discussion • Half-yearly true-ups
	Financial measurement systems (MS)	• BUs get charged for services
	Non-financial measurement systems (MS)	• Monthly process KPIs sent out by SSC • Limited BU attention • Yearly customer survey
	Hybrid MS	• Not identified
Reward and Compensation	Reward and Compensation	• No link of SSC reward to delivery, but linked reward for outsourcer
Administrative Controls	Governance Structure	• Regular meetings of BU with SSC at management & operational levels
	Organization Structure	• Different reporting lines for BU FD and SSC, reducing benefit of escalations
	Policies and Procedures	• SLAs in place between SSC and BU as well as BU and outsourcer, but limited use
Cultural Controls	Clans	• Strong service culture, SSC communicates awards won
	Values	• "This is how we do things" culture regarding F&A setup
	Symbols	• SSC has strong branding

Based on Malmi & Brown (2008)

Illustration 5: Summary of DeviceFirst setup

5.1.2. Datacorp: Reliance on Reporting Lines and Ad Hoc Fixes

Datacorp is the second case company in this sample and, similar to DeviceFirst, active in the global soft- and hardware business. The firm has its headquarters in the United States and incurs revenues in excess of 30 billion US dollars per year. Also similar to DeviceFirst, Datacorp sees its local subsidiaries mostly as sales-oriented businesses, which is a general trend and setup choice in the industry both companies are active in.

Talking to the interviewees of the other case companies, two of them mentioned independently that they saw Datacorp as the "most advanced" (FD, DeviceFirst) company regarding the F&A sourcing setup and the amount of activities centralized and taken out of the BUs. The company started rolling out their current F&A setup around 10 years ago. Currently, the only local resources executing F&A activities in Sweden are two FDs – one for each business area, which take care of some governance and controlling and reporting processes. Their main focus in the daily work is on business support, which means working closely with various stakeholders in the local BU for example advising on revenue, margins and deal calculations. One specialty in this context is that Datacorp has no country-specific management books in the Nordic countries, but rather manages according to one central, regional Nordic set of management accounts. The local FD commented that even if he manually created a Swedish profit & loss (P&L) statement more or less regularly for analysis and forecasting, this was not part of the standardized global SSC processes. Datacorp has outsourced its payroll activities locally, which is mainly due to reasons related to tax and since external vendors can provider better local expertise. Apart from this, all other F&A processes are centrally delivered out of SSCs in Eastern Europe, Northern Europe and India.

The firm's Swedish FD did not talk too much about the current situation and development of the business in terms of margins, but brought up another topic which has a high influence on the design and operation of the F&A sourcing. Compliance is seen as being very relevant in this regard, both in terms of the own or outsourced F&A operations required to comply with US regulation as well as compliance being a central part and driver of the customer offering. This was seen as the reason for a stronger standardization of the F&A services performed for the BUs.

At Datacorp, the roles interviewed were the Swedish FD, a local BU staff member interacting with the F&A services provided and a representative from European headquarters specialized in the pricing and management control of the F&A setup.

Planning controls

As for the planning controls, these seemed to be used at another level than in the relationship between the BU and SSC. A team under the responsibility of the global CFO decides on the scope of activities to be transferred to the SSC, as well as the targets for process improvements and service delivery over the mid- to long-term. The local FD however commented that there is an indirect way in which the BUs might be able to influence the planning mechanisms. The BUs naturally push for getting a certain level of service quality and resources committed at the SSC to conduct work for them. Or, as the local FD put it,

> Because (…) finance support the business and there's no cross-charge, you (…) just push for getting better service and more heads actually. So there's two forces (…): we want a specific service level, and we don't care what it costs because we don't get the cost, and then there's corporate who (…) push [the SSC] to get the costs down (Local FD, Datacorp)

One main task of the SSC in the planning is then to balance the push for cost reduction they get from headquarters against any quality demands which the BUs voice. This is how the view and priorities of the BUs are therefore implicitly included in the planning cycle. However, since the BUs seemed to have no formal forum or role in the planning processes, it remained unclear how exactly they can voice their demands. Most likely, this is happening through governance meetings or other irregular interactions, which will be explained in the administrative controls part later.

Cybernetic controls

Regarding budgeting, it showed itself that local FDs were not directly involved in the process and did not have insights as to how the budgets for the SSC were made and to what extent they were derived from the BU's own budgets. At the same time, the FD suspected that the budgeting was likely done based on information from the BUs, such as sales forecasts to forecasts the number of transactions in the related F&A processes. This lack of insights indicates a potential top-down domination of the budgeting process from the SSC and potentially headquarters based on their cost reduction plans, and with limited involvement and information of the BUs as customers.

Also charging as the second cybernetic control tool, despite being used at Datacorp, does not affect the BUs directly. Based on the information received, there are no charges for F&A services to the local (Swedish) or regional (Nordic) management books. These costs are ultimately however looked at on a corporate level. This is in line with the setup described in the planning process, separating the focuses and priorities of the BUs versus SSC and corporate level. Since the BUs don't see any charges in their management books, they will focus on pushing to get better service quality and more headcount in the SSC. At the same time, corporate and SSC see and analyze the costs occurring and therefore have an incentive to focus on reducing costs. This creates a clear split of responsibilities, and the two opposite demands from the two parties potentially serve as the basis for a controversial discussion on managing cost versus quality.

Regarding process KPIs, there was no regular KPI reporting to the BUs, and the attention of the local FD to the cost efficiency seemed limited. This was in line with the aforementioned focus of the local F&A managers on demanding a satisfactory service quality, while delegating the aspect of cost management to the SSC and headquarters. Given this focus on quality on the side of the BU, it was however surprising to hear that there was also no customer satisfaction measurement. The FD reported that he and his colleagues were not formally surveyed about their satisfaction and feedback about the services they received. He thought this was reasonable given the fact that

> we do not see the cross charges in our management numbers P&L [so] we don't normally feedback on these costs from the local countries. (Local FD, Datacorp).

This shows that while the FD earlier mentioned that the BUs were oriented towards requesting good service quality from the service providers, there was clear lack of formal tools to steer and manage these BU demands at Datacorp. Customer surveys would normally serve this purpose by allowing the SSC to better understand the needs of the BUs. Other tools for the communication of requirements from the BU such as governance meetings and SLAs are discussed below in the administrative controls part.

Reward & compensation controls

At Datacorp, there was no explicit link between the service delivery performance of the SSC and the bonus or pay for its managers. This was due to the fact that on the one side, there was no formal customer satisfaction survey which could be used for such a link, and also the individual BU's business and financial performance did not seem to be linked to the incentive scheme of the SSC management.

Administrative controls

As described earlier, Datacorp's setup in terms of planning and cybernetic controls with distinctive roles and interests of the BUs and the SSC organization would form an ideal basis for a fruitful discussion. A good governance setup with regular meetings would be the complementing control structure allowing for this discussion to unfold. However, it seems that the company does not have a fully structured setup in this regard with regular meetings between service providers and receivers, to discuss and mitigate their different demands. Instead, issues for example regarding service delivery quality were mostly addressed ad hoc and in direct contact with SSC managers or staff. If this didn't help, issues were also escalated similarly ad hoc to a role at headquarters who is responsible for managing the SLAs. While these are rather operational examples, it also became apparent that more strategic questions, including improvement initiatives, were managed in a similar, semi-structured way. Regarding the latter, it seemed that improvement potential was highlighted for and discussed with the relevant contacts at the SSC and headquarters directly and not as part of a structured, regular review and improvement process.

A very specific example illustrating this way of working was reported by the local Swedish paralegal. The reason for this operational resource being involved with an F&A process was that, as part of a cost reduction initiative, the SSC decided to move the process of validating and scanning incoming payable invoices to the SSC in Eastern Europe. A short while after this process change was implemented, there were however problems occurring in all Nordic countries with invoices not getting paid and payment reminders arriving at the legal department. As a result, the local paralegal got involved in the process and, as part of an unofficial, interim solution, took care of validating incoming invoices before shipping them away for scanning. This way, the amount of unpaid invoices could be reduced due to better quality information on the invoices. At the same time, it was however clear that this was not a long-term solution and the resource which had been moved from the BU to save costs had caused the service quality to increase and cause the business actual additional costs in the form of overdue notes and an operational person spending some of their time on fixing the process. Since there is no formal process or forum in place for discussing this issue, the Nordic FDs, all experiencing similar problems, analyzed and summarized the situation in a report. They then sent this report to a role at headquarters which is reporting to the global CFO and working with the SSCs on governance issues such as SLAs. However, there was no formal interaction or change initiative reported back from this role so far, even one year after the new process had been put in place[4]. In addition, the interviewees confirmed that the workaround they found was not officially recognized by headquarters, but at the same time the lack of a structured process to address and improve the situation made this the best solution to manage the issue at hand.

All in all, the governance setup in terms of meetings and other stakeholder interactions to discuss and manage issues seemed to be rather semi-structured, but overall seemed to work given the context. This was mainly due to the possibility of ad hoc escalations or other fixes, of which a lot went through the different reporting lines available for escalation. Generally speaking, it seemed

[4] It should however be noted that there was a delay between the change in the process and the surfacing of the problem, which is due to payment terms as well as the additional time it takes until overdue notices arrive.

that the reporting line setup was managed along the main lines of business, and seemed to be of high importance in the management of the organization. The reporting lines exist in parallel vertically through the whole organization, from the US headquarters down to a country or regional level.

Regarding policies and procedures, SLAs were in place but seen as rather generic. They had been created when the processes were handed over initially, and are now available more for compliance purposes. While the FD commented that the SLAs "might have been modified" overtime, it also became obvious from his comments that he didn't really use them in the daily interactions with the SSC, and similarly they were not used in the management of the issue previously described.

Cultural controls

Regarding the cultural dimension, no special noteworthy features regarding the F&A sourcing setup have been discovered, neither from the SSC side nor the BUs. One reason for this could be the fact that Datacorp had completed several larger acquisitions in the recent 5 years, which meant that the overall corporate culture was more subject to evolution and not as strong as it can be seen in some other cases.

On the aspect of interaction with the SSC, it became evident that there are specific, dedicated resources and teams working for the different country BUs. Therefore, a direct contact can be established more easily. Given the overall setup described earlier, requiring and emphasizing informal and direct contacts as well as ad hoc fixes, this seems reasonable and potentially critical. At the same time, the relationship between the service provider and receiver seemed not to be similarly close and collaborative as for example for DeviceFirst; while there was no explicit "us versus them" mindset recognizable, there was no talk of being "one F&A team" either. The SSC organization also did not use any special branding or wordings, such as "business partner" and similar, in their communication towards the local FDs and BUs.

Summary

The MCS setup at Datacorp is characterized by a very limited use of structured, formal control tools. BUs are not overly involved in key strategic and operational planning and decision making regarding F&A services they receive. Charging is not used, which in this setup created a unilateral focusing of the BUs and SSC only on service quality and cost, respectively. While such strongly opposing objectives theoretically would allow for or require an intensive discussion between the parties, such a dialogue was not facilitated through the given governance setup. Instead, the dominant tool in the management of the relationship between BUs and F&A service providers is the reporting line setup. Decision-making and issue resolution is therefore conducted mostly ad hoc and via direct contact between affected parties or through escalation along the reporting lines as necessary.

Category	Subcategory	Datacorp
Overall information on F&A Sourcing Setup		• *Most processes in SSC, some outsourced* • *2 FDs locally*
Planning	Long-range planning	• HQ defines F&A sourcing setup
	Action planning	• HQ sets SSC cost reduction goals, BUs focus on quality
Cybernetic Controls	Budgets	• Local FDs not involved in SSC-related budgeting
	Financial measurement systems (MS)	• BUs don't get charged for F&A services, costs are analyzed only at HQ level
	Non-financial measurement systems (MS)	• Limited KPI reporting to BUs • Limited BU attention • No formal customer survey
	Hybrid MS	• Not identified
Reward and Compensation	Reward and Compensation	• No formal link of SSC delivery or BU performance to SSC manager pay
Administrative Controls	Governance Structure	• No regular meetings, ad hoc issue resolution between BU and SSC
	Organization Structure	• Strong reporting lines along the business areas, used as key tool for issue resolution
	Policies and Procedures	• SLAs existent, but seen as generic and more for compliance purposes
Cultural Controls	Clans	• No special cultural features at SSC or towards BUs
	Values	• Neither strong cooperative nor competitive values
	Symbols	• No special SSC artefacts

Based on Malmi & Brown (2008)

Illustration 6: Summary of Datacorp setup

5.1.3. Finance Tech: Charging as complementing Tool in Overall Control Structure

Finance Tech is a global financial services provider, with headquarters in the US and yearly revenue above 30 billion USD. For Finance Tech, compliance is a critical issue, since they not only face strong regulation from the US on reporting standards like the other case companies. In addition, the demands on reporting, background checks and anti-money-laundering measures within the finance industry increase the role of compliance. For management purposes, the firm uses a country level P&L statement for evaluation, and local operations are further divided between several legal entities for the different business areas. Decision for F&A process and resource allocations between different sub-units are normally made at a regional (Nordic) level and considerable overlap and cooperation between Nordic countries' F&A services exist. The use of centralized or outsourced F&A services started more recently in comparison to the other case companies, with movement of services away from the BU starting in 2009 and large scale transitions of additional F&A processes for some BUs still being underway. When the F&A services centralization process was initiated, Finance Tech surveyed the market and looked at the different setups possible. One company they specifically looked at as a role model for how to set up their sourcing was DeviceFirst. Interestingly, the current setup however bears very little resemblance with that of DeviceFirst, as will become clear from the below analysis.

Local F&A services are performed by a total of 12 people in the Nordics, located within the Swedish BU. Processes handled locally in some part are governance, COR and GL, with the other F&A services being either outsourced or within one of the company's SSCs. Whether centralized activities are placed in a captive SSC or outsourced to a third party varies greatly between different business areas. This means that given two different business areas working in the same country, one may receive certain F&A services from one of Finance Tech's SSCs in either Eastern Europe, the UK or India, while the other business area receives them from a third party. Regardless of this setup, the BUs will be charged for the service by the party that delivers it – meaning that charging exists even between internal SSC and BUs. A good illustration of the complexity is the setup regarding purchasing in Sweden, which is part of F&A since it belongs to the end-to-end AP process. In this setup, there are purchasing managers situated both locally in Sweden as well as in the UK, working for the BU in an SSC role. In addition, they had back-office tasks performed for them by an outsourcing provider in India.

The roles interviewed at Finance Tech were the local FD, which was at the same time the Nordic regional FD, as well as a purchasing manager from the SSC sitting with the BU in Sweden and the vice president (VP) of Finance Tech's Indian Finance SSC.

Planning controls

The different sourcing options for F&A are evaluated and governed by a global team at the headquarters of Finance Tech. Adherence to the globally decided setup is mandatory so that all BUs need to adapt to the decided setup. Naturally, action planning that is performed independently for the SSC and BU exist within Finance Tech. However, there are no signs of action planning taking place in cooperation between the BU and the service provider, as for example no planning meetings between the two exist. One partial explanation for the lack of formal planning tools is the highly regulated financial services industry. The resulting legal requirements already require regular planning for what tasks need to be performed when and by whom on the side of the SSC as well as the BU for the activities in their area of responsibility.

Cybernetic controls

Finance Tech decided to charge its BUs for F&A services received. In most cases, the charges for SSC services are calculated through an activity-based costing (ABC) style logic, with the costs being based on man-hours required by the service provider to complete the service. The cost per full time employee in the SSC is divided per hour worked and then distributed according to how much of that time was spent on a certain task for a certain BU. This is however different between processes. The local purchasing manager, who was formally working for the SSC as a service provider, did for example not log her time even though parts of her salary would later be charged to the BU as a service fee. In this case, the charging was split up with a different, simpler allocation logic between the Nordic countries which the purchasing manager and other affected employees worked towards.

All charges are included in the yearly budget for the BU and then quarterly true-ups take place to reflect the actual usage of services. Deviations are described as "usually small" (Regional FD) and when they were larger, this was attributed to external environmental factors, such as changing regulation within the industry which in turn impacted compliance requirements on F&A processes. The amount charged out is not negotiable, but set globally by the services providers. Therefore, local management at the BUs does not think that they can really affect the amount they get charged for example through improving their processes or reducing volumes, as the regional FD put it:

> I and the local CEO cannot impact the costs in Prague or somewhere, but we still get it in the books (Regional FD, Finance Tech)

At the same time, the FD also argued that the prices being set by the SSC were not the only reason for the perceived lack of power to influence the charges. In addition, she described the fact that the transaction volumes, being the other driver for the size of charges to the BUs, were in most cases driven by regulatory requirements, which are hard to streamline further. One way to handle this issue was for example process improvements, but these had to take place at the global level through standardization, something that was perceived as being hard to influence from the side of the BUs. Although one central goal was always to reduce cost, compliance with regulations was even higher on the agenda for Finance Tech, since it was seen as being a crucial business enabler in the financial services industry.

Regarding the visibility of charges, it became clear that local BU employees who interacted with centralized F&A services did not see or know about the actual charges incurred through the consumption of the service. One example of this was within AP and the purchasing process. As explained earlier, the purchasing manager is co-located in Sweden with the BU, but works for the SSC together with both SSC resources as well as an Indian back office. This manager finds suitable suppliers, negotiates contracts and assumes the overall responsibility for purchasing services towards the BU. Services such as blacklist screening of suppliers regarding corruption and anti-money laundering, drafting of contracts and other more transactional tasks are then forwarded to the SSC in the UK who in turn use an external outsourcing provider in India for such tasks. What tasks are moved to the SSC is rather flexible and therefore partly determined situational and at the discretion of the purchasing manager in the BU. The local purchasing manager however does not see the associated costs when using the service or think of using the SSC and outsourcer as incurring a cost:

> I don't see that [cost], (…) so I could request services and I don't know how that cost is distributed. (…) They are a free resource. (Purchasing Manager, Finance Tech)

In case of a temporarily heavy workload, the purchasing manager therefore theoretically would have the possibility to delegate a substantial amount of their own work to the outsourcing provider in India, without having to consider the cost. It should however be noted that this was based on the perception of the local purchasing manager, which means that while she didn't see the costs incurred, someone else at a different level in the organization might still discover such an unbudgeted use of resources. The costs would very likely still be visible in the Swedish management books, for example. In addition, when asked about how often such an intensive use of the outsourcer happens, the manager answered that it was actually never done due to an unreasonable extent since the quality of the work in India being perceived as sub-par and handing over everything to them might cause the work to not be completed on time.

Within Finance Tech, a number of transactional KPIs are available in monthly reports which can be retrieved from the system by the BU FD and controllers. These KPIs were however mostly used by the controllers and in their discussions with the SSC, and there was a clear divide between the purpose and target groups of KPIs versus charging:

> If we're discussing the KPIs with the controllers, typically the charges don't come up because the controllers are a stakeholder and recipient, but what happens is the businesses are the ones who receive the charges. So typically their FDs are the ones who see the charges from (…) the SSC. (VP, Finance SSC, Finance Tech)

This shows that while charging was seen as a more higher-level issue addressed between the SSC and local FDs, the KPIs were used in more operational and service delivery oriented discussions between the SSC and local controllers.

It also seemed that while Finance Tech used BU satisfaction surveys in a formal and structured way, this seemed to be done on a more operational level than at DeviceFirst. As the SSC VP explained, there were transaction-based feedback surveys for certain processes in place. At the same time, he also acknowledged that the rest of the feedback was collected informally or discussed through the administrative setup as explained later.

Reward & Compensation controls

Traditionally, there had been EMEA level targets in place for cost savings to which monetary rewards were tied for the people within the F&A organization. These had however been taken away recently. Recently, a new manager with a background from the BUs became responsible for parts of the F&A setup. He initiated a change to the reward structure to include "customer experience" (Purchasing Manager, Finance Tech) which now is measured and connected to the rewards of F&A managers. At the same time, the purchasing manager interviewed who worked in an SSC role still argued that there was a potential for additional alignment of F&A managers' rewards with their customers' interests:

> This customer experience target is really good. Because you need to know who pays your salary, and for my case it's the BU. (…) I would prefer to have my yearly goals coming from the BUs. (Purchasing Manager, Finance Tech)

Administrative controls

The KPI reports mentioned previously which are available to the BUs are discussed in monthly calls between local and regional FDs and the service providers. In addition to this there are larger half-yearly reviews which include local operational roles, such as controllers, filling in excel sheets that judge the performance of the centralized services. These sheets also allow local F&A to raise persistent issues and give suggestions for improvement. These reports are aggregated at the country or regional level by FDs and then addressed to the managers at headquarters and those at the outsourcer and SSC. The regional FD described this process as "constructive two-way discussions", which were perceived as very open with both feedback and complaints being addressed.

One issue brought up in such discussions as mentioned by the FD was that bad performance by the outsourcer in one specific case caused more work to be done locally. The example given was that a credit check needed to be performed on all suppliers for compliance reasons, which was done from India. However, due to language barriers and other reasons, the employees in India had considerable difficulties finding correct data for Swedish companies. This caused delays in the process and extra work locally when erroneous credit information was returned from India. This issue is not yet resolved, but the BUs have escalated it to the European headquarters and started calculating how much extra effort this means for them to outline the potential inefficiencies for headquarters. At the same time, the FD was uncertain as to whether such a calculation could lead to a reduction in the charges received.

Based on the experience from previous escalations and resolution of issues, bi-weekly performance follow ups between some SSC teams and BUs were started, to evaluate how they are supporting the business. The interview with the Finance SSC VP revealed that many issues still exist and the new focus within governance of his SSC was not only to perform on time but also to measure how much strain they put on the BUs in terms of requests for more information or simply asking for help with issues that ultimately should be resolved within the SSC. A RACI matrix (Responsible, Accountable, Consulted, and Informed) is therefore currently being set up as a tool to see the full end-to-end process and who is really involved.

Regarding the aspect of reporting lines, no special setup was identified at Finance Tech. Both the local BU F&A as well as the SSC ultimately reported to the global CFO. Escalations were therefore possible along the same, F&A function specific reporting line structure as necessary.

SLAs defining what tasks should be performed by whom and within what timeframe exist between all F&A service providers and BUs. Similar to most of the other case companies, they seem to have limited practical implications. The local employee interviewed said that the SLAs were not up to date, and wished for more clear tasks lists dividing the work between local BU employees and the SSC. In Finance Tech, the importance of SLAs was not to legally enforce contracts or impose fees on the outsourcer in case KPIs were not met, but rather to communicate and understand what is expected in terms of activities performed and the related quality standards. Again, as part of the complex setup with different solutions for the different business areas, there seem to be differences within Finance Tech with different providers using SLAs to a varying extent.

Cultural controls

With the complex and fragmented setup that Finance Tech employs, culture has the potential to play an important role for the alignment of different solutions in the different areas. Given the fact that sourcing setups differed between F&A processes, for example a clear messaging regarding the rationale and expected benefits of the overall setup becomes even more important. In this research, clear communication and other distinct cultural features have however not been observed. Instead, the bonds between certain BUs and the SSC seem stronger than within the company as a whole. One example of this is that Finance Tech's wholly owned captive center in

India was regarded as an outsourcing provider even by the regional FD. This stands in contrast with the way the SSC in Eastern Europe is viewed, which was described as part of the company. Overall, there seemed to be less alignment and understanding between the BUs and service providers than in other case companies, and words such as being "one team" were not used. Although this could also be a person-related subjective judgment, there were no clear signs of a strong corporate culture. One example of low cultural connections between SSC and BUs is the fact that the employees working in the Indian SSC do not have dedicated BUs that they work with. In practice, this means that when a Swedish F&A employee contacts the SSC and requests a service, he will end up at a different counterpart serving their request every time and feel a more shallow connection to the SSC. Staff turnover within the SSC exaggerates the issue. At the same time, again a proof of the fragmented setup within the firm, the purchasing manager reported that she had managed to get in direct contact with employees at the SSC through email or instant messaging on several occasions in order to instruct them on specific issues that needed improvement in the work done for her.

Summary

The overarching theme within Finance Tech seems to be that the F&A sourcing control setup is rather fragmented. This means that there is a multitude of MCS tools in place and interacting at the same time, which however varies between different business areas and processes. To some extent, this is due to the F&A sourcing setup still being relatively new and in transition, with different services sourced in a variety of ways for the time being. Accordingly, the existence and usage of control tools differ between business areas and SSC teams, and no clear direction or theme other than a tendency towards flexibility and ad hoc solutions can be observed. In addition, charging seems to play a role mainly for evaluation at the headquarters level, since the staff and managers incurring the costs are not aware of them and BU management feels they have no impact on the charges they receive to their management books.

Category	Subcategory	Finance Tech
Overall information on F&A Sourcing Setup		• *Split between SSC and outsourcing* • *FD and 12 people locally for region*
Planning	Long-range planning	• HQ defines F&A sourcing setup
	Action planning	• No formal action planning between BU and providers
Cybernetic Controls	Budgets	• Budget driven by SSC, but no feeling of controllability • Quarterly true-ups
	Financial measurement systems (MS)	• BUs get charged for services
	Non-financial measurement systems (MS)	• Monthly KPI reports available for BU in system • Clear division of addressees between KPIs and charging • Transaction-based customer surveys
	Hybrid MS	• Not identified
Reward and Compensation	Reward and Compensation	• Newly implemented link of BU satisfaction to SSC manager pay
Administrative Controls	Governance Structure	• Monthly calls to discuss process KPIs • Half-yearly reviews with detailed BU issue reporting
	Organization Structure	• No special setup, both SSC and BU F&A reporting ultimately to global CFO
	Policies and Procedures	• Limited use of SLAs and task lists with SSC and BU • RACIs being developed by SSC
Cultural Controls	Clans	• No distinct SSC culture and positioning
	Values	• No special values, but SSC sometimes seen as external
	Symbols	• No special SSC artefacts

Based on Malmi & Brown (2008)

Illustration 7: Summary of Finance Tech setup

5.1.4. Hardware Inc.: Mixed Reporting Line Setup dominating Highly Virtual Setup

Hardware Inc. is a global hardware manufacturer and technology services provider, headquartered in the US and with yearly revenues exceeding 30 billion USD. In recent years, the company has been under strong pressure to reduce operating expenses which have been constantly over expectations. The industry is starting to see a consolidation with many hardware companies facing shrinking margins. Sweden was the first market that the company entered in the Nordics and has therefore ever since been the regional center and saw the placement of the most senior people. Similar to the other technology companies in the sample, the local BU organization is focusing on sales. The legal entity in Sweden is equal to the business unit when evaluated for management purposes.

The transition towards centralized sourcing of F&A services started quite a long time ago with the placement of AR in Ireland primarily for tax reasons. This SSC was subsequently moved to its current locations in Eastern Europe and India in 2004, when the scope of processes also increased. 20 years ago Hardware Inc.'s Swedish subsidiary had around 45 people working on F&A services locally. Today, all that is done locally is some COR and forecasting performed by two business controllers as well as one employee each working with AR and GL. All other F&A services for Sweden, apart from AR collection and bad debt handling, are in captive SSCs owned and operated by Hardware Inc.

An interesting aspect with the setup is that the firm seemed to have an implicit agenda of replacing local positions with headcount in the SSC as people left the organization naturally over time. This was explained to us by one interviewee, who we would not like to quote explicitly. She mentioned that all local positions had been built up within the SSC as soon as people had left Hardware Inc. in Sweden, and even her own and the other remaining local F&A positions would very likely not be replaced locally in case the people would leave the BU or change to another position within the firm. This stands opposed to other case companies such as DeviceFirst, where headcount was moved from the BU to the service provider in one big move as soon as the new F&A sourcing setup was up and running. For Hardware Inc., when the transition of work to the current SSC started, this did not happen. Instead, as people left the BUs for other reasons their positions were replaced within the SSC rather than locally – surprisingly with tasks and reporting lines kept intact. This lead to a highly virtual organization existing today, with managers in many cases sitting in different locations than their subordinates which whom they work daily. In addition, this also meant that there was a mixed setup of reporting lines between the SSC and BUs, which will be elaborated on in more detail later.

The governance of the SSC strategy is more unclear versus the other companies in this paper. Decisions are made at an EMEA or global level, impersonated by organizational roles such as the global CFO. Organizational change in regard to F&A processes seems to take place in improvement programs that are run on a project basis with temporary managers implementing a certain change before moving on to other projects.

At Hardware Inc., a total of five interviews were held. They were conducted with one Finance Manager from Headquarters, one EMEA level FD and two local FDs, and one local accounting manager.

Planning controls

Both long range and action planning within Hardware Inc. for F&A services are driven primarily by function at headquarters called global F&A executive board. They decide the overall setup regarding F&A processes, including which locations SSCs are placed at as well as which processes they perform. As part of action planning, the different F&A processes are then reviewed yearly and the board further mandates investment allocations, sets cost savings ambitions and decides on a potential change in the sourcing of processes. Business units are represented through a regional F&A council in these decisions. They have the possibility to discuss both process solutions and service levels as well as escalate larger issues to the attention of top management. However, they do not hold any power over the actual decisions as this is in the hands of the previously mentioned Global F&A executive board and the global CFO. This means that, in general, the SSC itself is not empowered to take decisions regarding what processes to source centrally, or where to place them. This is illustrated by a recent change where the decision to move one process from the Eastern Europe SSC to the Asian SSC was initiated and carried out by the Eastern Europe SSC itself. However, the decision was triggered by demands from headquarters of 10% yearly cost savings in the Eastern Europe SSC and described as an exception.

Cybernetic controls

Within the SSC, daily metrics on service performance of the center are available; however the use of this information varies. While it plays a role for the evaluation of employees within the center, as will be discussed later, the usage of this data on the side of the BUs is rather limited. For some processes very close to the external sales, such as credit collection, the service provider's metrics are reviewed regularly by all parties involved, however for most processes performance reports exist but are not sent out to, or looked at by the BUs. Although the headquarters manager interviewed claimed that the company is and always has been quite metrics driven, local BUs stated that even though metrics from the SSC are possible to obtain, they need to obtain them themselves and rarely do so. Furthermore, the SSC does not know or analyze how often the BUs actually check their KPIs.

Charging of F&A services costs to the BUs does not exist for Hardware Inc. The management of local subsidiaries is generally charged through a commissionaire agreement, with them being allocated certain costs based on their revenues to reach net income. Although the specific content of these costs charged through the agreement were too sensitive to be disclosed, it was made clear that no explicit charge exists for F&A services or an F&A related control purpose – even if the charges might still implicitly contain some F&A service charges for other reasons. This became clear as neither local managers nor local controllers were aware of any cost related to their usage of the SSC services. Instead, the BU assumed that the SSC would try to keep their cost at a minimum by themselves. Accordingly, the SSC was evaluated as a profit center, with costs in combination with a service fee being charged towards the European headquarters.

Regarding the budgeting for SSC services, it became evident from talking to both the regional FD as well as the finance manager from headquarters that the BUs were not involved in the process, and the relevant budgets were made only at the SSC and in interaction with headquarters. In addition, there were no other non-financial measures in place such as for example measuring customer satisfaction scores.

Reward & compensation controls

For Hardware Inc. incentives and evaluation of employees in the BUs and the SSC look quite similar. The underlying logic is that the employees performing F&A services report to the same manager regardless of whether they are located within the SSC or within the local business units. Apart from fixed salaries, bonuses are paid out annually depending on the employee's achievements in comparison to a performance plan set by the managers. The performance plan is reviewed annually by the manager and employee together and consists primarily of soft targets such as adherence to company values rather than for example process based metrics, even for the employees in the SSC. The individual employee is graded by the manager on the different parts of the performance plan, which summarizes to an overall grade that results in an 80 to 110 percent payout of the bonus. Business performance is also one component influencing the size of the bonus, and the level at which this was measured was recently changed from being the local BU results to global company performance for all employees. The current bonus scheme was critiqued primarily from the employees of the SSC, who felt that evaluation on "soft metrics" (local FD, Hardware Inc.) done by a remote manager with whom they might never have met did not reflect their individual performance very well. In addition, shifting the focus from BU to overall company performance for SSC evaluation purposes was perceived as reducing the orientation of SSCs towards the BUs as their direct customers.

Administrative controls

The overall picture in Hardware Inc. concerning governance is that it is reliant on personal relationships to managers in a not overly formal setup. The key tool used to manage the organization was found to be the mixed reporting lines between the SSC and the BUs, creating a very virtual organization. The illustration below clearly shows the complexity of the setup.

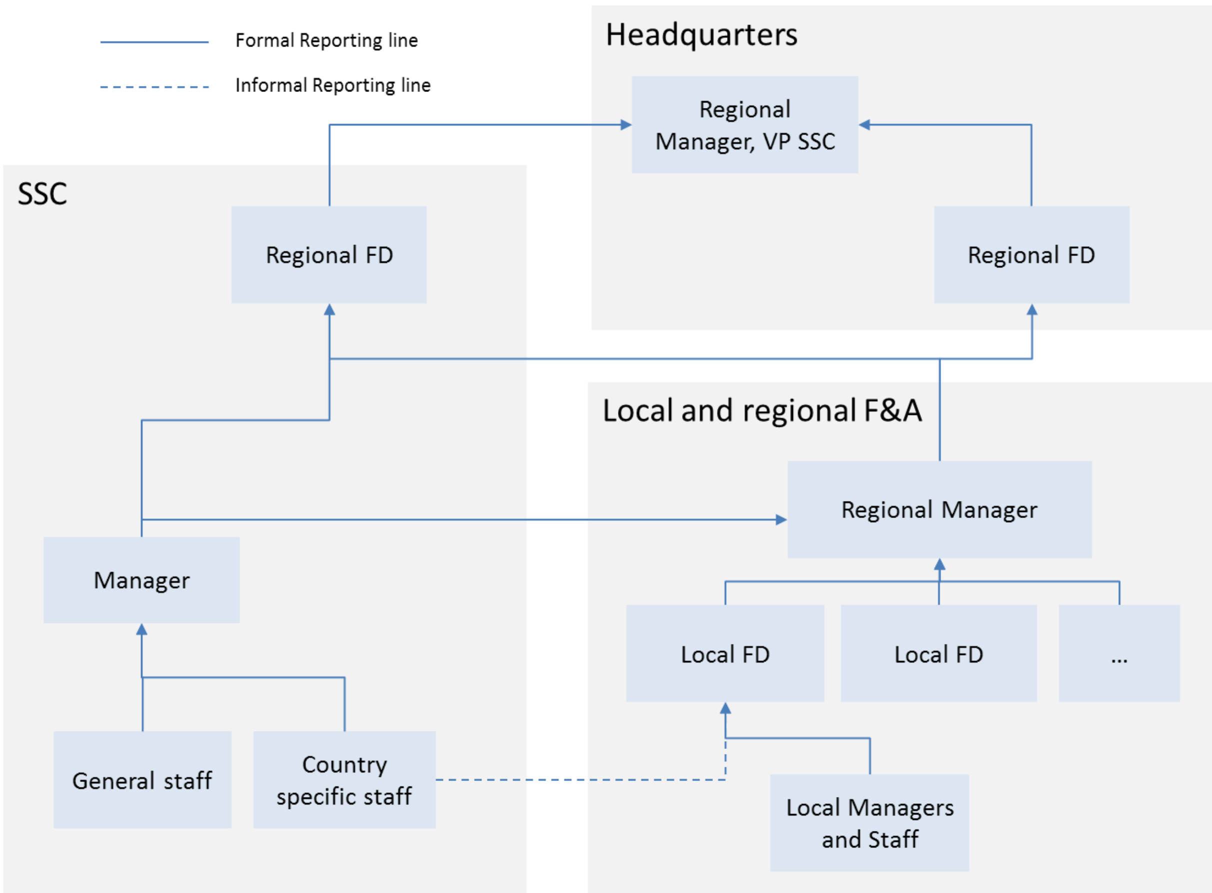

Illustration 8: Mixed reporting lines within Hardware Inc.

In practice, this means that there is a team working with F&A services for Sweden consisting of a regional FD for Northern Europe, a local FD for Sweden and then local accounting managers. The virtual part comes from the fact that the regional FD for Northern Europe sits in Ireland and is part of the Irish legal entity, while the local FD for Sweden is part of the Swedish entity, sitting in Stockholm. In addition, there are then dedicated accounting managers working for the Swedish BU, but sitting in the SSC in Eastern Europe. However, they report out of their legal entity to the regional FD for Northern Europe. To further complicate the situation, the FD for

Northern Europe in turn report to a higher-level FD who has a regional (EMEA) role, but is located in the SSC and part of the SSC legal entity. This creates a reporting line setup which can truly only be described as "mixed" between the SSC and BU.

> We don't care where people are employed, we care about the management reporting lines. So yes, I have three people. Yes, they sit in three different countries. Yes, I will do their performance plan and their review and yes, I will set their salary and (…) their bonus. (…) They in their turn have people in Bratislava. I don't have any direct report from Bratislava, (…) but they report to two different managers who report to me. But that doesn't matter where they're [located]. (Regional FD, Hardware Inc.)

This setup leads to a number of interesting situations. First, with the accountants in the SSC reporting to a manager outside of the center, there could be a risk of prioritizing the needs and wants of the BUs where the manager sits rather than those of the SSC. This could potentially lead to the goals of creating the SSC, such as cost reduction or effectiveness, getting lost. However, there has been no sign of such a development in Hardware Inc. as the SSC "works like a factory" (regional FD, Hardware Inc.) and the high pressure to reduce cost seems to give enough incentive. Another issue is that the local FD has more responsibility than power. While being formally responsible for legal books, the role is dependent on accounting managers to carry out much of the actual tasks. However, this role includes no formal power over the accounting managers who sit in the SSC, performing most of the work. Thus, the country FD role holds accountability without the power to affect the people supporting her. However, the country FD may take an in on a leadership role informally in order to make the system work, but it was described as very frustrating since situation very unclear. The problem was made worse by the fact that the accounting managers, due to physically being place in the same location as their manager's manager, sometimes get information such as "rumors and communication" (local FD, Hardware Inc.) before both the country FD and the regional FD for Northern Europe.

Looking at other formal administrative control tools, management level reviews of operations are in place and include corporate stakeholders such as tax, legal entity top-management and headquarters management. The frequency is highly dependent on the existence of pressing issues or the initiatives of individual managers. Service delivery issues on the operational level are primarily addressed when the regional FD hosts regular calls within his subordinates. However, there are no or at least highly irregular formal feedback sessions below that level, neither through meetings nor through surveys or other formal governance tools. No structured process exists for sub-manager level employees in the BUs and the SSC to meet and discuss performance, tasks, development, service levels and more without the involvement of their manager. This holds both for long term issues and for day-to-day operations which both are dependent on individual initiatives of escalation using existing reporting lines for discussion through person-to-person relationships. Formal task lists dividing the work between the F&A roles sitting in the BUs and in the SSC existed some years ago, but they are not used anymore. When issues arise, the country FD said that she first takes it up directly with the person responsible in the SSC and if the issue was not resolved, then it was escalated to their common manager. If the problem would still persist, she would be able escalate it herself one more level up. This was due to the fact that she had worked for Hardware Inc. for a long time and knew the people higher up in the hierarchy personally. She would probably give up at some point due to the lack of structure making the issue hard to follow up on.

In Hardware Inc., SLAs exist as a further administrative control tool. They play a role foremost with the outsourced services such as AR collection, where SLAs are actively used to make sure the outsourcing provider delivers what has been promised. For the internal SSC SLAs do exist, however they seem to play a subordinate role in comparison to other control tools. Only some of them are officially signed and others only exist in the forms of excel-sheets or emails stating in more or less detail what services is expected to be performed by whom. Regarding documentation, there is also a reported lack of training documents that provide guidance for new employees. This causes problems due to the relatively high staff turnover in the SSC and as a result the country lead in the SSC needs to get involved both in problem solving and education related to new staff, which is further complicated by the physical distance between the two. Previously, these issues where mitigated by a local team lead position working within the SSC and taking on exactly these tasks. However, this role got eliminated without replacement in early 2013 as it was deemed unnecessary by headquarters.

Cultural controls

With the management control setup of Hardware Inc. centering on the use of personal communication and informal meetings, culture plays a key role. It was stated both by the EMEA level FD and the country FD that the structure in place puts a lot of power and importance on the individual managers of the virtual teams:

> We are very metrics driven, and we're very remote and we've have always been that. I mean I've had a remote manager for 10 years. (…) I hope I'm a [good] manager for my direct reports, (…) I'm there for them, I communicate and I talk, I mean that's the challenge. I use (…) Lync so I always see [employee] when I speak to her. (Regional FD, Hardware Inc.)

People skills and company culture therefore have an increased importance role in the relationship between the SSC and BUs. Unexpectedly, formal cultural controls are scarce in Hardware Inc. However, there seems to be a strong corporate culture as interviewees repeatedly stated that "we're all one team" (Regional FD, Hardware Inc.) in the context of discussing any issues between the employees working tightly together sitting in different locations. Although the employees in the BUs are aware that if they leave Hardware Inc., their role would be replaced in the SSC and that positions there are preferred due to the low cost, it didn't seem to create a strong divide between employees. In addition, the goals communicated from headquarters seemed to be very well-known and agreed upon throughout the whole organization.

Summary

The control setup within Hardware Inc. is heavily focused around the tool reporting lines, rather than formal controls and metrics. By having mixed reporting lines between employees that are part of the BU and the SSC, alignment in the organization is created. Even if some parts of the description above at first may seem as potential issues could exist, the overall feedback was that the setup worked quite well. As with the example of adherence to company culture being part of the rewards systems, the tools that exist seem to be aligned around the reporting lines and may provide a way to solve most problems. It is also important to come back to the overall strategy mentioned in the introduction to Hardware Inc.; as people leave F&A positions in the BUs they are not replaced locally but in the SSC, thus reducing the virtuality of the organization and slowly changing the F&A setup and sourcing over time. It is likely that the dominance of mixed reporting lines is a result of the ongoing transition between decentralized and centralized sourcing of F&A process that has been in effect the last 10 years. Now the transition is almost complete within the Nordic organization and the control package might change as the new organizational forms starts to work.

Category	Subcategory	Hardware Inc
Overall information on F&A Sourcing Setup		• *Most processes in SSC, some outsourced* • *FD and 4 finance staff locally*
Planning	Long-range planning	• HQ drives setup, e.g. SSC location decision, BUs involved via regional F&A council
	Action planning	• HQ drives yearly review of sourcing, savings goals and investments on F&A processes
Cybernetic Controls	Budgets	• Budget SSC-driven
	Financial measurement systems (MS)	• No charging to BUs
	Non-financial measurement systems (MS)	• Daily process KPIs available as pull access for BUs • Low BU attention despite metric-driven culture • No formal customer survey
	Hybrid MS	• Not identified
Reward and Compensation	Reward and Compensation	• Similar setup for BU and SSC, bonus not based on F&A setup performance
Administrative Controls	Governance Structure	• Irregular, issue-driven meetings
	Organization Structure	• Mixed reporting lines between SSC and BU
	Policies and Procedures	• SLAs in place, but active use only with outsourcer • Limited training documentation
Cultural Controls	Clans	• No special SSC culture, but management culture is key given reporting line setup
	Values	• "We're all in one team" view between SSC and BU
	Symbols	• No special SSC artefacts

Based on Malmi & Brown (2008)

Illustration 9: Summary of Hardware Inc. setup

5.1.5. Summary: Charging not a Dominant MCS Tool in any of the Empirics at Hand

The preceding analysis of the four diverse empirical MCS setups have shown that in none of them, charging was used as a dominant tool in managing the F&A sourcing setup. Instead, it could be seen that in the cases of Datacorp and Hardware Inc., being the firms not charging their BUs for services received, the reporting line setup and headquarter-based planning of the sourcing setup were used as impactful control tools. At DeviceFirst, even given the presence of a charging mechanism, the relationship between BU and the service providers was much rather controlled through a combination of cultural and planning controls, with the BU trusting the SSC to manage the F&A sourcing setup in an optimal way. While the local BU FD at Finance Tech paid more attention to the charges received, it still became evident that charging was used as one tool in a set of complementing tools as part of the overall MCS setup.

The following table summarizes the individual MCS setups encountered across all of the four case companies. Its content is identical with the previously shown, individual company tables. A grayscale background color coding has been added for some of the cells to visualize the relatively higher importance of individual control tools. This is helpful in summarizing and illustrating the question posed by Sandelin (2008) of whether a given MCS setup features one dominant control tool.

A black background color indicates the tool which was perceived as most important by the authors throughout the analysis. Dark grey background coloring indicates a tool that was perceived as less impactful, but still had a key role in the setup. In all cases, this was the category of planning, where headquarters exerted a strong influence which created cost pressure and mandated the overall sourcing setup for F&A processes.

This visual representation highlights again that charging was not among the most dominant control tools in any of the four empirical control packages analyzed. Given this limited emphasis on charging across the cases, it is relevant to analyze in more detail whether and how the intended goals of using charging according to theory had been addressed instead. This will be elaborated on in the next part of the empirical analysis.

Category	Subcategory	DeviceFirst	Datacorp	Finance Tech	Hardware Inc
Overall information on F&A Sourcing Setup		• *Most processes outsourced, with an SSC organization in middleman role* • *FD and 1 Controller locally*	• *Most processes in SSC, some outsourced* • *2 FDs locally*	• *Split between SSC and outsourcing* • *FD and 12 people locally for region*	• *Most processes in SSC, some outsourced* • *FD and 4 finance staff locally*
Planning	Long-range planning	• SSC decides F&A sourcing setup	• HQ defines F&A sourcing setup	• HQ defines F&A sourcing setup	• HQ drives setup, e.g. SSC location decision, BUs involved via regional F&A council
	Action planning	• SSC manages improvement initiatives	• HQ sets SSC cost reduction goals, BUs focus on quality	• No formal action planning between BU and providers	• HQ drives yearly review of sourcing, savings goals and investments on F&A processes
Cybernetic Controls	Budgets	• Budget driven by SSC, limited discussion • Half-yearly true-ups	• Local FDs not involved in SSC-related budgeting	• Budget driven by SSC, but no feeling of controllability • Quarterly true-ups	• Budget SSC-driven
	Financial measurement systems (MS)	• BUs get charged for services	• BUs don't get charged for F&A services, costs are analyzed only at HQ level	• BUs get charged for services	• No charging to BUs
	Non-financial measurement systems (MS)	• Monthly process KPIs sent out by SSC • Limited BU attention • Yearly customer survey	• Limited KPI reporting to BUs • Limited BU attention • No formal customer survey	• Monthly KPI reports available for BU in system • Clear division of addressees between KPIs and charging • Transaction-based customer surveys	• Daily process KPIs available as pull access for BUs • Low BU attention despite metric-driven culture • No formal customer survey
	Hybrid MS	• Not identified	• Not identified	• Not identified	• Not identified
Reward and Compensation	Reward and Compensation	• No link of SSC reward to delivery, but linked reward for outsourcer	• No formal link of SSC delivery or BU performance to SSC manager pay	• Newly implemented link of BU satisfaction to SSC manager pay	• Similar setup for BU and SSC, bonus not based on F&A setup performance
Administrative Controls	Governance Structure	• Regular meetings of BU with SSC at management & operational levels	• No regular meetings, ad hoc issue resolution between BU and SSC	• Monthly calls to discuss process KPIs • Half-yearly reviews with detailed BU issue reporting	• Irregular, issue-driven meetings
	Organization Structure	• Different reporting lines for BU FD and SSC, reducing benefit of escalations	• Strong reporting lines along the business areas, used as key tool for issue resolution	• No special setup, both SSC and BU F&A reporting ultimately to global CFO	• Mixed reporting lines between SSC and BU
	Policies and Procedures	• SLAs in place between SSC and BU as well as BU and outsourcer, but limited use	• SLAs existent, but seen as generic and more for compliance purposes	• Limited use of SLAs and task lists with SSC and BU • RACIs being developed by SSC	• SLAs in place, but active use only with outsourcer • Limited training documentation
Cultural Controls	Clans	• Strong service culture, SSC communicates awards won	• No special cultural features at SSC or towards BUs	• No distinct SSC culture and positioning	• No special SSC culture, but management culture is key given reporting line setup
	Values	• "This is how we do things" culture regarding F&A setup	• Neither strong cooperative nor competitive values	• No special values, but SSC sometimes seen as external	• "We're all in one team" view between SSC and BU
	Symbols	• SSC has strong branding	• No special SSC artefacts	• No special SSC artefacts	• No special SSC artefacts

Based on Malmi & Brown (2008)

Illustration 10: Full summary of empirical cases

5.2. Part 2: Achieving Equifinality through internally consistent MCS Packages

This second part of the analysis aims to discuss in more detail the identified gap between the theoretical benefits and usefulness of charging and the limitation in the relevance and use of charging found in the analysis of our four case companies. It will do so by critically analyzing how the various MCS packages described above manage to work towards the same objective of helping the different companies to manage their F&A sourcing setup. Initially, a short review of Sandelin's concept of equifinality will help to create an understanding of how different packages can be geared towards achieving the same outcomes. Thereafter, following the emphasis on the (mostly small) role of charging in the MCS packages, the analysis is then structured around the various goals attributed to the use of charging throughout the reviewed literature earlier. Along each of these goals, it is analyzed how the same effects and goals are addressed through complementing or substitutive tools in the various MCS setups across the sample firms. This is sometimes done collectively for several case firms, if their setup is very identical – but for other aspects more detailed firm by firm if the setups are very different.

Before beginning the detailed analysis, it is important to review the concept of equifinality and how it is based on internal consistency of MCS package configuration. Following Sandelin (2008), different control packages can be potentially equifinal and thereby achieve the same "final state (…) in the face of similar contingencies", such as controlling a given F&A sourcing setup. Applied to the empirical cases at hand, this means that while previous literature attributes a high importance and key role to charging as a tool in the MCS setup for F&A sourcing, the cases at hand could help to identify whether there are configurations possible that place less or no importance on charging, but still have the same ultimate objective of controlling the individual F&A sourcing setups. Since the previous part of the empirical analysis has already shown that no firm seems to overly emphasize the role of charging in their F&A setup and some did not use this tool at all, this supports the theory that there are equifinal control packages with a lower or even no role of charging.

Given this finding, it is interesting to analyze in further detail how these equifinal packages are configured. On the one hand, Sandelin (2008) argues that a key factor is internal consistency, which can either be achieved through one MCS tool being dominant and all other tools being designed around it, or through a direct co-design of all MCS tools in a consistent manner. Taking this thought further, the concepts of equifinality and internal consistency directly imply that whenever the impact of one tool in an MCS package is reduced, other tools will have to compensate in a way with their unique characteristics in order to achieve a similar goal and maintain a balance in the overall MCS setup.

The rest of this part is therefore organized around the goals which have been attributed by previous literature to the use of charging as an MCS tool in an F&A sourcing context. Goal after goal will be introduced with a short summary of its key characteristics as presented in the previous literature parts 2.3 and 2.4 earlier. These control goals associated with the use of charging are also summarized in the illustration below. For each goal, it is then analyzed how it has been addressed through the use of other MCS tools instead of or in combination with charging across the various relevant setups from the empirical sample.

Charging goal	Description	Potential empirical manifestation
Strategic Alignment	Create and ensure strategic alignment of F&A service providers with BU's & overall firm's strategy.	• Service portfolio defined as basis for F&A services, aligned with BU and firm strategy • Charging used to link service provider's to BU goals, creating "overlapping accountabilities"
Cost Awareness	Create cost transparency & awareness for both service receivers and providers, including the aspects of external market comparability of services and performance and helping to keep use of F&A services at an economically reasonable level.	• Costs regularly communicated through push reporting to BUs at managerial and staff level • Comparison of F&A service cost with external market, or internal benchmark
Cost/Quality Discussion	Facilitate cost vs quality discussion of BU with provider(s), also including an education of the receivers about the services they get.	• Forums in place to facilitate a regular discussion on service quality expectations and cost
Efficiency Increase	Enable control for efficiency increases, incorporating both provider and BU views.	• Tracking of costs back to individual Bus
Capacity Control	Ensure operation at right capacity, to avoidcostly over- or especially undercapacity potentially impacting the BU's business.	• Charging used in budgeting process between SSC and Bus
Cultural Change	Drive cultural shift on both sides: Towards service orientation and a customer view on the provider side, but also attitudes of the service receivers, in order to create a mutual momentum for change & improvement.	• Vocabulary used similar to external market relationship, e.g. seeing BUs as"customers"

Illustration 11: Goals attributed to charging in F&A sourcing context

5.2.1. Ensuring Strategic Alignment

The first goal which charging can have in an F&A sourcing setup is to support the strategic alignment between the SSC and the overall firm as well as individual BU strategy. This should be the case through the SSC providing the right portfolio of services and formulating its strategies regarding, for example standardization and cost savings, in line with the BU and overall company priorities.

Regarding the formal dimension, this strategic alignment was in all firms found to be addressed not primarily at the level of the BU-SSC relationship, but rather between SSC and headquarters. This was reported as the level on which for example decisions about the – mostly global – scope of processes to be taken out of the BUs was taken. The same holds for medium- to long-term savings goals, which were normally top-down dictated from headquarters. This means that strategic alignment is ensured by the SSC on behalf of the various BUs or sometimes also globally, corporate-driven along the lines of business, as in the case of Datacorp.

This creates the potential challenge that regional or country business preferences and demands might differ to some extent from the global level and therefore could potentially suffer under the sourcing setup which was enforced by headquarters. Therefore, Hardware Inc. for example had a regional finance forum which was a governance tool for the country BUs to at least be on the discussion table and voice their demands, even if the last calls were still made by the global CFO which clearly illustrated the influence of headquarters:

So the BUs get involved when processes are moved which can have a big impact, for example when (…) different time zones are involved (…). Then the regional [F&A] council is representing the BUs in the discussions, and they might (…) suggest things and ideas, but they have no formal power, (…) [so] in the end (…) the global CFO makes the last call (Finance Manager, Headquarters, Hardware Inc.)

Regarding more informal mechanisms, Finance Tech showed one additional example of how strategic alignment can be achieved between the SSC and BUs. In this example, individual managers had been on the BU side as FDs before joined the service provider side, to become SSC leads for example. They mentioned that they were therefore in a good position to understand the priorities and needs of the BUs and take them into account in their decision-making. This is an indication for another possible way to also more explicitly and formally link the goals and interests of the service provider and receiver sides. DeviceFirst has decided for a setup where the SSC, as a representative for the BU's goals, has agreed upon joint goals, for example on cost reductions, with the outsourcer in the contracts, which meant the outsourcer's revenues were bound to the achievement of these goals. A similar approach was proposed by the procurement manager at Finance Tech, in that case in an SSC role, who said that she "would prefer to have [her] yearly goals coming from the BUs", since they knew their – potentially regionally differing – strategies better than the global team. As elaborated on in the previous literature section, a closer link between SSC and BU strategic goals was also proposed by researchers such as Kaplan & Norton (2006). However, since the target setting for the SSC was normally influenced mainly by headquarters and the BUs were not involved, this approach was not reflected explicitly in practice. At the same time, with DeviceFirst and Finance Tech, the two firms in the given sample which also had charging in place, used a reverse target alignment tool. Regular customer satisfaction surveys helped them to capture ex post the degree to which the BUs felt the services provided were of sufficient quality and aligned with their requirements.

Finally, the FD at Finance Tech also brought up another strategic viewpoint which hadn't been mentioned in previous literature in detail: the fact that SSC services can actually directly support strategic priorities of the business. In the given case, the handover of tasks to the SSC and outsourcing providers helped to support the enforcement of the strict external and internal controls and compliance requirements the business was facing. Since delegating out F&A processes meant that different parties were able to cross-check given tasks and transactions, this facilitated the fulfilment of a direct strategic objective for the business. At the same time, it needs to be considered that this might trigger a trade-off in return against the quality and cost requirements otherwise demanded by the BUs or headquarter. As mentioned by the purchasing manager at Finance Tech, the quality of the outsourcer used was not fulfilling the expectations of the BU, but at the same time the additional value add through the compliance assurance the provider could facilitate made up for this deficit at least partly.

In summary, strategic alignment is not always easily and directly created through charging, but there are other, both formal and informal, MCS tools as explained above which can be used to ensure the same or similar goals are addressed.

5.2.2. Ensuring Cost Awareness

A second goal desired to be achieved through charging of F&A services is to create cost awareness and transparency in the organization. When charging is in place, such as for DeviceFirst and Finance Tech, the local management should automatically become aware of the costs incurred to their management books for the F&A services provided. Before going on to the two cases without charging, it can however already be observed that even at these two firms using the tool, the cost awareness did not take a role as prominent as expected.

At DeviceFirst, the costs were not analyzed in detail since there were no major budget discussions and the local FD normally did not experience any surprises in the budgeting or true-up processes. Even in the case of major deviations, the follow-up process was not among the top priorities of the local team, and the follow-up did not happen with the SSC itself, but was mediated through the Western European headquarter. This limited attention was found to be due to the fact that the local BUs seemed to entrust and delegate the cost control and improvement view entirely to the SSC. Both local FD and FC argued that the "return on management" on cost analysis and reduction for them was very low and instead one of the key tasks of the SSC. At Finance Tech, the other firm using charging, the FD seemed to pay more attention to the costs and spend more time on analyzing them. However, at the same time it seemed that the more operational managers and staff, being the ones who primarily "cause" the costs through the F&A transactions they trigger, were not as aware of the charges. In addition, the FD had the feeling that even if the costs were transparent to the country management team, they didn't have the power to influence them.

These findings indicate that it might be worth revising the goals aimed for with the creation of cost awareness through charging, since they could explain why the importance of this factor seems to be lower than theory predicts it to be.

One key argument why cost awareness & transparency is key according to literature is to create comparability on the external market. In all firms, this was however a non-issue since the given F&A sourcing setups were mandatory for all BUs, thereby eliminating the need for external comparability. In addition, external market comparability or benchmarking of current service performance against other external options is in some cases done by the SSC or outsourcer themselves. This was mentioned by the FDs at both DeviceFirst and also Datacorp, who are not using charging. In addition, throughout all cases it seemed both service provider and receivers seemed to be focused much more on benchmarking against historical costs than the external market. According to some of the interviewees, this comparison was seen as more relevant given the mandatory nature of the sourcing setups as well as the fact that services sometimes were perceived as too specific to justify an external comparison.

At the same time, it could be argued that the aspect of external comparison could be a potential key benefit of charging which has not been replicated throughout all of the given setups. This could mean that some of the firms stay under their potential by excluding the external market view in their striving for cost improvement and reduction. One example illustrating this was the VP of Finance Tech's SSC who mentioned such improvement potential in the context of the aspect of their use of BU customer surveys:

> I think that this is the challenge with internal captives [SSCs], we're not as customer centric. (…) Externally to our customers, we're one of the best in terms of customer service and measurement of customer feedback. I think, internal service, we are not there yet. (VP, Finance SSC, Finance Tech)

This clearly shows that the use of charging, which was in place in this company, did not result in the creation of market-like conditions in the relationship between the SSC and BUs. The VP continued elaborating on this issue:

> Often times, (…) I find that many people in India and across Finance Tech do not do a good enough job of getting off of the structured KPI review to ask people, to build a relationship and ask them 'what are we doing, what do you hear, what is (…) the pain you have (…) and how can we help you?' (VP, Finance SSC, Finance Tech)

This addition furthermore shows that also other formal control structures such as KPI reports and their complementing governance meetings are also not a valid replacement for this drive towards increased customer focus.

Another key argument in literature for the use of charging is to keep the use of services at an economically feasible level and avoid an overuse. Throughout the empirical cases presented earlier, this was however mostly governed by the SSC or through top-down guidelines from headquarters. These parties did the budgeting together with the BU or based on the input received from the BUs, thereby being in a "last call" position regarding capacity use. As for the companies with charging, Finance Tech for example had a dedicated central role which ultimately set the service levels and budgets globally, and also at DeviceFirst, the BU did not have bigger budgeting discussions regarding capacity increases since the planning was done based on historical numbers. As for the companies not using charging, the budgeting for capacities and costs for F&A services at Hardware Inc. was completely in the hand of the SSC. Similarly, Datacorp had the aforementioned split responsibility with the BU pushing only for more and better service, while the role of SSC and corporate was to manage the costs and capacity planning. This latter aspect of only headquarters and the SSC looking at the costs (in detail) is therefore the reason why cost awareness is something that was not as high on the agenda of the FDs at Hardware Inc., Datacorp and DeviceFirst.

Summarizing the insights of these empirical cases, it therefore seems that cost awareness is in practice a less important goal of charging in the BU-SSC lateral relationship than in theory. In the MCS package configurations analyzed, this was due to the fact that the key goals attributed to cost awareness on the side of the BU were either irrelevant due to the chosen mandatory setup of the F&A sourcing or delegated to the service provider or headquarters, as for the avoidance of too excessive use of the services.

This however can pose the risk that the operational staff and potentially FD might overuse the F&A services, as mentioned by the sourcing manager at Finance Tech. The managers there had the chance to use certain back-office services without having transparency or getting educated or tightly controlled about the costs this incurred. Theoretically, it might have been possible to delegate a bigger part of the work than planned in line with the responsibility and task split defined by the service provider. In that case, this was however prevented through the fact that the quality of the services provided was significantly lower than when locally executed, and in addition it might still be possible that someone higher up in the BU or centrally at the SSC would be able to trace back this extra capacity which would be absorbed.

5.2.3. Ensuring a Discussion of Cost versus Quality

The third goal which charging can trigger in a given F&A sourcing context is to facilitate a discussion between BU, SSC and headquarters around the balancing of service quality versus cost. According to theory, a lack of charging normally would mean that it gets harder to involve the BU in a cost discussion, since they are not affected by any costs caused for services they receive. Therefore, the two cases of Datacorp and Hardware Inc. will be analyzed first, where exactly this problem should be occurring.

As described earlier, Datacorp actually seems to have willingly chosen to separate the responsibilities for the quality and cost side between the BUs on the quality and the SSC and headquarters on the cost side. This was achieved through not charging the BUs for services, therefore not making cost a relevant decision criteria for them regarding F&A services. Theoretically, this should be the basis for a fruitful discussion, since according to the FD the BUs would always push to get better service quality while the SSC on the other side would argue that they need to optimize the service delivery and reduce costs. However, it seems there was no structured forum, such as regular governance meetings, for such a discussion between the two opposing forces. Both the FD as well as the person interviewed from headquarters said that the current setup works, given the ad hoc resolution of issues through escalation along reporting lines. But closer questioning and the interview with the BU operational staff role showed there were exactly this setup caused a longer delay in the resolution of some issues. There was some work unofficially done locally, both by the FD having to create some non-standard local SE results reporting and local non-finance ops having to follow up on AP invoices. While these tasks meant rather small additional effort and were not a major issue, they still show that the lack of a discussion around the need for certain service quality aspects, such as specific local requirements, versus the centrally mandate striving for standardization resulted in some potentially suboptimal workarounds. Despite being small, these are clear deviations from global process standards and indirectly cost money since they take up working time locally, which however never shows in any official cost calculation. One potential additional tool to create a cost versus quality discussion, apart from governance meetings, would be SLAs. These had however not been kept up to date, so the BUs did not seem to be able to formulate their quality demands through them clearly. Finally, the way the BU brought up their quality concerns in the given situation was to manually analyze and describe the situation with the local workaround, and use the reporting lines to escalate this issue to a role at headquarters.

At Hardware Inc., also not using charging, a similar divide between the quality and cost perspectives also showed, although less explicitly described by the interviewees. It got nevertheless evident through the fact that the BUs seldom pushed forward improvement projects. The regional FD explained that normally the SSC came with such initiatives and then had to try to involve the BUs somehow. Although the F&A manager from headquarters interviewed described the organization as quite metrics-driven, it became apparent that the BUs only looked at a selection of KPIs regularly which were related to the qualitative or value-adding side of the business. While all this should not be an issue per se, and is probably even good for the business partnering part of the mission in an F&A setup, this control structure however does not facilitate a cost versus quality discussion in itself. Similarly to the situation at Datacorp, a forum to discuss the opposing priorities of BU and SSC would be needed. But also Hardware Inc. lacked an overly formal setup. There were only irregular operations reviews, but "no structured process" to discuss performance with the BUs as the interviewees commented. One regular formal activity between the BU and SSC were team calls, which however focused more on operational issues. A special feature about Hardware Inc. in this context is however the reporting line setup as explained earlier. This could have an influence here as it implicitly brings together the demands for cost as well as quality since people from both the SSC as well as the BU report to the same manager and work together as a team operationally. While lacking a formal, more strategic and regular discussion of the balance between cost and quality in F&A services, this setup therefore facilitates at least more operational, informal and issue-based discussion between individual team members and managers along the mixed reporting lines between BU and SSC.

As for the cases in which charging is used, this means that the BU is incentivized to look both at the quality as well as the cost side of the F&A service provision.

For DeviceFirst, while this might be the case, it however showed that the local FDs do not look at the cost side in much detail, but rather trust the SSC to deliver on this and therefore delegate the cost aspect back to the SSC, resulting in a split responsibility similar to the cases without charging. This is quite interesting, and based on several factors partly introduced already earlier. Firstly, the SSC has a strong image with a clear vision and mandate from headquarters, justifying the trust placed by the BUs in the delivery of the SSC on both the quality and cost side. Furthermore, the F&A processes handed over were seen as non-core by the remaining local BU F&A team, which implies a reduced quality demand on them from the side of the BUs. In combination with the fact that the service delivery had so far more or less lived up to the expectations of the BUs, it seemed almost as if the BU's FD saw the setup as "business as usual" and actually wasn't too worried about either the cost or the quality side of things. Similar to the study by Langfield-Smith & Smith (2003), trust between the BU and the SSC played a key role in the setup. But even if this situation were to change, or might potentially already be different in other countries, the BUs would have the possibility to analyze the charges they receive and address them in a quarterly forum with representatives from both the SSC and outsourcer. In addition, while the SLAs between BUs and the SSC had reportedly not been updated too often, the SLAs between the SSC and the outsourcer were more up to date and more actively used for controlling the quality of the F&A service delivery. Therefore, these could additionally be used by the BUs as a discussion basis in the quarterly governance meetings to formulate their demands regarding service quality. In summary, the setup at DeviceFirst could work as described in theory, but given the current business priorities and perceived satisfactory performance of the F&A setup, charging and the complementing tools of governance meetings and SLAs are not used for creating a cost versus quality argument between BUs and SSC or outsourcer.

Since the BUs at Finance Tech also get charged for the F&A services they receive, they are theoretically also incentivized to look at both the cost as well as the quality aspects of the services. However, in this case the BU management had the feeling that they could not impact the charges, meaning there was no feeling of empowerment or formal possibility to discuss this issue. In addition, as mentioned before, there was also a limited cost transparency and awareness especially at more operational levels. Finally, the VP of one of Finance Tech's SSCs commented that there is also a difference in the way local management thinks about the cost versus quality discussion for SSCs compared to outsourcing, which might limit the participation and desired influence of the BU in such discussions:

> Is there an effective connection of 'you charged me 100 dollars for this, and I feel like I did not get my 100 dollars' worth'? I don't think that that connection is as strong with internal captive companies in offshoring as it is direct with outsourcing to a third party. (VP, Finance SSC, Finance Tech)

Therefore, even if the formal prerequisites were in place, it seemed like the SSC and headquarters seemed to be primarily taking on the role of caring about costs, while there was no regular, explicit discussion of cost versus service quality with the BUs. On the quality side there are however, similar as for DeviceFirst, regular formal forums in place for bringing the BU views to the table and contrasting them with the SSC's views on quality. So indirectly, in what was referred to as a "two-way discussion" (Regional FD, Finance Tech), the SSC would bring up their take on the balancing of cost versus quality and discuss it with the BUs, which however felt they were not or did not want to be in a position to argue about the costs they get charged for the given quality they received, following the arguments described above.

To conclude, similar as to the three other cases, charging therefore does not seem to facilitate a true cost versus quality discussion. Instead, also here the two sides were "owned" by the BU as for quality and the SSC regarding cost, respectively, which means charging did not succeed in putting the cost aspect on the agenda of the BUs directly.

Summarizing all cases, it therefore seems that charging alone is not enough to facilitate a discussion around the balancing of cost versus service quality between BUs and the service provider. Other factors, such as the actual use and role of the charging especially on the side of the BU, as well as the complementing control tools of governance meetings and SLAs, had a big role in this facilitation as well. The real challenge in this context is then not to confront the BU with the cost side, which is what charging would theoretically help with. This confrontation can be achieved in other ways, such as through cost saving measures decided by the SSC which might impact quality negatively or at least change the service levels objectively. The real challenge is much rather to get a real discussion going on this trade-off between cost and quality, and in order to do so it seems necessary to put the right combination of different management tools in place.

5.2.4. Ensuring Efficiency Increase

A fourth goal of using charging in F&A sourcing is to ensure the identification and implementation of efficiency increases over time. This can be seen as an extension of the previous effect of enabling a discussion around the balancing of cost versus quality; however this effect is closely focused only on the cost side of this discussion. It addresses the question of who is responsible for cost efficiency issues, such as cost reduction programs as well as for example standardization efforts, and whether or how the BUs are actually involved in this context due to the fact they're receiving charges.

As for the firms using charging as a control tool, it has been seen that at DeviceFirst there was no true discussion between BU and SSC about efficiency, such as cost reduction demands by BUs. Instead, as described earlier, the SSC drove this aspect unilaterally, having the BU's trust to reduce cost over time.

> I think that people who kind of spend all their time looking at these SSC structures are gonna do a better job than I would, micromanaging that (…) just for Sweden. (Local FD, DeviceFirst)

Nevertheless, the global sourcing director mentioned interestingly that charging still has an indirect effect on BUs, drawing them into the efficiency discussion. According to him, the charges have a sort of deterring effect on local FDs. By charging more if they insist on specialized services which do not conform to company-wide standardization and efficiency guidelines, the SSC gives the BUs a monetary incentive to stick to the standards and thereby contribute to efficiency.

> There are very few exceptions that we do, and they are law driven in 90% of the cases (…). [And] they pay extra, on what it is that they have. So it will be a change order that will be marked with the country. (Global sourcing director, DeviceFirst)

A similar situation was given at Finance Tech, where BUs had to pay for the services provided. However, even if the country FDs were said to of course strive for cost reduction, the FD interviewed said she felt the local or regional FDs and CEOs "can't impact" the costs they get charged. This indicates that, potentially due to a lack of education about the charges, a similar push for adherence to standards and contribution to efficiency as at DeviceFirst was not effectively achieved at Finance Tech's BUs through the use of charging.

Regarding the firms not charging for F&A services, at Hardware Inc. it seemed that local BU managers did not think about standardization or other cost efficiency measures due to the lack of charging. Nevertheless, there was another way in which the BUs were bound to get engaged in efficiency discussion with the SSC, namely through the mixed reporting line setup. Since the mid-level managers for both the BU F&A people as well as SSC staff were the same for those two groups and sitting in the SSC, they represented (amongst others) the cost efficiency plans of the SSC and therefore their subordinates at the BU were bound to be educated about or otherwise encounter those plans. In the case of a conflict, such as for example demanding locally specific processes clashing with the strive for cost-efficient global standardization, the escalation path would go through an SSC-based manager. He in turn would therefore be able to ensure the cost efficiency perspective was taken into account or weighted appropriately against the needs of the BU as represented by his subordinates sitting in the BU.

At Datacorp, as explained earlier, the BU ultimately only cared about getting high service levels, which would imply additional resources committed to service delivery to ensure faster and potentially more customized processes according to the demands of the BUs. The cost side would theoretically be disregarded more or less completely, which were left for the SSC and headquarter central units to be taken care of. While this theoretically facilitates a cost versus quality discussion as analyzed earlier, it arguably creates an issue for the SSC trying to cut costs over time. They are likely to only face a constant push by the BUs to keep the quality up, since they in turn have no incentive at all to consider cost in their decision making, which might make it harder for the SSC to find and enforce ways to actually reduce costs. However, similar as in the other cases, there were some other tools in the overall MCS package which can be used to explain why and how the cost efficiency aspect of the F&A setup was still considered and enforced sufficiently in this setup. Firstly, looking at the SLAs, the FD mentioned that they had not been updated. This could either mean that the BUs are not too aggressive and not too detailed in their articulation of the supposedly high quality standards they demand, or even if the BUs were to have very high quality demands, voicing these would cost them relatively much time because they didn't have structured SLAs to communicate their needs. Independently of that, the other aspect limiting an overly heavy push from BUs towards more quality and at the expense of efficiency would also be limited due to the fact that the F&A setup at Datacorp, as at all other case companies, was mandatory. That means that the headquarters and SSC functions, with their focus on cost efficiency and standardization, have the last word. In several interviews across the firms, it has become obvious that in cases of doubt, it is in the end the SSC or a headquarters role such as the "global CFO [that] makes the last call" (Finance Manager, Headquarters, Hardware Inc.), enforcing the setup and related efficiency or other goals.

The question in these contexts then would rather go back to the previous part and the argument how well these cost goals were then balanced against the quality needs.

In summary, even in those cases without charging, there were aspects of the MCS package in place which ensured the consideration of efficiency increases. In most cases, this was due to an ultimate drive towards these goals by headquarters and SSC, and even the firms where charging was used did not show that purely the use of charging actually helped to get BUs actively involved in for example cost efficiency measures, although in one case it did show that charging could drive standardization and deter BUs from specialized solutions.

5.2.5. Ensuring Capacity Control

Another goal which is related to the use of charging is that it is described as helping to ensure capacity controlling for the SSC or other service providers. They can use charging to ensure keeping their operations at the right capacity (Brignall et al., 1991; Kaplan & Atkinson, 1998), which means ensuring that enough resources are in place at the service provider given the expected needs of the BUs. When BUs receive charges for F&A services provided, these prices can be used together with planned transaction volumes in the budgeting process between the BU and service provider (ibid, Quinn et al., 2000) and would therefore be part of the providers' capacity controlling process. As Dewan & Mendelson (1990) have argued, ensuring an appropriate capacity is in place is a critical aspect in the relationship between support service providers and BUs, since a mismatch between capacity requirements and provision could result in substantial costs to the overall company.

Looking at the setups across the empirical cases, it can be noted that at the two firms not using charging, the BUs were not involved in the budgeting for F&A services. Neither at Datacorp nor at Hardware Inc. did the SSC even inform the BUs how they were setting up their budgets, and what information from the BUs other planning documents, such as sales forecasts, they were using.

> I assume they [take the sales budget], but I don't see it. So no one will come to me and say what support requirements do you have. So they do budgets and (…) we don't get asked. (Local FD, Datacorp)

This could imply a certain risk in the case of not using charging in F&A controlling, since the capacity requirements of BUs might not be taken into account sufficiently. But interestingly enough, even at the two firms using charging, the BUs also did not seem to be included in the F&A services budgeting process to a great extent. Instead, in both cases the budgeting was driven by the SSC, with limited consultation with the BUs.

At Finance Tech, the budget was set by the SSC and the BU FD indicated she had limited control and insight into this process. However, there were quarterly true-ups, which were accompanied by discussions between the BU and SSC on any deviations. The setup at DeviceFirst was very similar, where the budget was calculated by the SSC based on historical information adjusted for recent business developments reported by the BU. There was no real discussion between the BU and SSC around the volume or prices during the ex ante budgeting:

> The target setting would be based… it costs you X dollars, so you get X dollars in target. (…) I remember working for [another multinational company], I spent more time negotiation internal rates for supply, now (…) I don't negotiate with [the SSC] how much they charge me. (…) (Local FD, DeviceFirst)

Instead, a discussion was also only initiated when volume deviations lead to a cost over- or underrun, which could be detected during the half-yearly true-ups. But even in situations when deviations occurred, the interview with the financial controller revealed that the SSC did not actively follow up with the BU on them. Similarly, at Finance Tech, the budgets for F&A services were also driven by the SSC and followed up with quarterly true-ups, while the FD still mentioned that local management was not in a position to have any control or impact on the charges.

In summary, it therefore seems that the potential goal of using charging to manage capacity control and budgeting in the relationship between BU and service providers is not realized or of high relevance in the practical cases analyzed. A potential reason for this could be that, as explained by the Datacorp FD, the SSC is using certain other planning information from the BUs in their internal capacity budgeting. In addition, it needs to be noted that the issue of capacity is also something which will surface and might therefore be controlled through other control tools. These include process performance KPIs, which would suffer if the SSC capacity is too low and existing resources can't keep up with increasing transaction volumes.

5.2.6. Ensuring Cultural Change

A final effect attributed to charging is that it can help to create a cultural change momentum at both the SSC as well as the service receiver side. Through using charging, market-like conditions are created, which signal to the organization that things have evolved from the previous setup and are now operated in a different way, with a focus on service and improvement orientation for example. One aspect named by previous literature was also the use of charging-related terms for the parties involved, such as customer for the BUs and service provider for the SSC or outsourcer.

In the empirical sample at hand, none of the interviewees mentioned such terminology explicitly. DeviceFirst however chose to create a strong branding for their combined SSC and outsourcing setup, during which they referred to the BUs as "business partners" or, from the view of the external outsourcer, as "customers". This became evident from the artefacts received, as well as the communication of the various awards the company had won for their F&A setup. This was seen as an aspect motivating employees at the SSC and demonstrating the SSC's status as good service provider to the customers. A final aspect of strong cultural change momentum in the setup was the trust by the BUs in the SSC and for example their responsibility to increase efficiencies. As mentioned earlier, this was also partly attributable to a strong top management commitment leading to understand the whole organization that "this is how we do things" (repeated independently by both FD and global sourcing director, DeviceFirst). This culture of commitment and trust was further supported by the handling of BU representatives who deviated from it, as mentioned in the initial description of the DeviceFirst setup.

Also at Hardware Inc., there seemed to be a relatively strong cultural element present, also created through other aspects of the MCS setup than charging, which was not used at that company. Enabled by their strong interlinked reporting lines, the firm created a culture of "we're in this together", illustrated by the regional FD saying "we're all one team". Cost reduction was done in what was referred to as "the Hardware Inc. way". Given the relatively high degree of virtuality in the organizational setup, such a mindset and communication seemed necessary and positive to create a sense of urgency, commitment and to motivate employees to continue supporting the chosen setup.

Regarding both Datacorp and Finance Tech, the use of cultural change momentum seemed to be much less intensive as with the other two cases. No special cultural traits about the SSC or the sourcing setup could be named at Datacorp, who did also not apply charging. This fitted into the overall perception of the setup as being limitedly structured in terms of the relationship between the BU and SSC, while the effort was concentrated on the creation of a working SSC setup and global, top-down enforcement of adherence to it.

At Finance Tech, the SSC lead summarized the situation well stating that

> culturally, I think Finance tech is not as robust in its governance as probably companies that have gone significantly to a third party, because we're largely captive (VP, Finance SSC, Finance Tech)

This is exactly in line with the phenomenon explained by previous literature, stating that internal SSCs do not inherently feature the same cultural aspects as outsourcing setups. However, it also shows that charging in this case has not been able to achieve its goal of bringing about a cultural change similar to market characteristics or a third part setup. Also during the other interviews conducted, not many distinctive cultural features were identified in the BU-SSC relationship either. The only noteworthy aspect seemed to be the SSC referring to the BUs as "business partners" (VP, Finance SSC).

Looking back at all cases, it became evident that in all setups apart from Datacorp, the companies had some – though mostly informal – mechanisms in place to achieve similar cultural change effects as what charging could have triggered according to literature. In addition, in the cases where charging was in place, its pure existence was not enough to bring about significant cultural change in the F&A setup.

5.2.7. Summary: Different Models of seeking Equifinality

This second part of the analysis has complemented the previous, case-by-case analysis of the empirical F&A control setups to highlight whether and how these setups have addressed the effects which motivate a more intensive use of charging as a control tool according to theory. After discussing the individual effects which are mentioned as intended outcomes of the use of charging in an F&A sourcing context, it became evident that the four companies studied had employed several alternative MCS packages which helped to address the same ultimate effects. While some of them still featured charging in a role as complementing tool, others were set up to aim for the creation of similar or substitutive effects as if charging were in place, even though it was actually not implemented in the relationship between the BUs and F&A service providers.

These findings imply that, given the individual situations at the case companies, potentially equifinal control packages could be set up with or without the use of charging as control tool. The previous analyses has shown that in this context, the interplay and consistency of various other control tools plays a central role in many of the MCS package configurations. An informative example in this regard is the case of Datacorp. Here, the governance setup did not facilitate a good discussion around the tensions between SSC and BU which were created through the planning setup, which shows an inconsistency between these tools. As a result, the reporting lines had to be used as a tool to escalate issues ad hoc, which complicated the resolution of specific cost versus quality balancing issues which had occurred.

While the consistency across the other setups seemed to be more pronounced, it showed at the same time that only on very few occasions, one of the control tools was dominating the setup. This indicates that the consistency in the setups was not achieved by centering the MCS design on one key tool, but rather by designing the MCS as a consistent package configuration. At Datacorp and Hardware Inc., the most dominant tool was the organizational setup with strong reporting lines, which in the case of Hardware Inc. were even mixed between the SSC and BUs. At the same time, the planning-related control and standards exhibited by the respective headquarter functions were another influential control tool in both cases, so that the reporting line setup was not a truly dominant tool alone. As for DeviceFirst, the most dominant tool category was that of cultural controls. However, the control setup still featured a complementing set of cybernetic and administrative controls, which were just not used currently, given the situation of the business and the perceived satisfactory performance of the setup. And for Finance Tech, charging was explicitly mentioned as a complementing tool together with the KPI reporting and the governance setup.

In short, it was seen that regardless of whether charging was used, different control packages could address the same goal of managing the F&A setup, thereby being potentially equifinal. The table below contrasts the key goals of charging introduced earlier with whether charging was actually found to be used in an attempt to achieve these goals across the four cases. In cases where charging was in place but not the main tool or used in combination with other tools, the replacements or complements are mentioned.

Charging goal	DeviceFirst	Datacorp	Finance Tech	Hardware Inc.
Strategic Alignment	Replaced by culture of trust and customer surveys	Not in place	Used , but in combination with customer surveys	Not in place
Cost Awareness	Limited attention of local BU due to cost as expected		Used, but no operational level awareness	
Cost/Quality Discussion	Replaced by strong HQ mandate and a culture of trust		Used, but BU focused on demanding quality	
Efficiency Increase	Used, mainly to enforce standardization		Not used, limited education and involvement of BU	
Capacity Control	Not used, budgeting driven by SSC		Not used, budgeting driven by SSC	
Cultural Change	Used, complement to SSC branding and culture of trust		Not used, limited specific cultural characteristics	

Illustration 12: Overview of charging goals versus charging use across cases

6. Conclusion

6.1. Summary and Main Findings

This thesis has investigated four empirical cases of multinational, US-headquartered companies whose Swedish BUs received F&A services from centralized units such as SSCs and outsourcers. The goal of analyzing these cases, as formulated in the research question, was to identify how different MCS setups are configured in their attempts to control the relationship between local BU and the service providers, as well as to look at what role charging played in these MCS setups. Previous research had attributed a potentially high impact and central role to charging as a tool in the overall MCS setup regarding F&A sourcing. At the same time, several limitations had been named and it was argued that charging might be reliant on the parallel existence of complementing MCS tools.

The analysis of this issue was possible by using a theoretical framework based on the work of Malmi & Brown (2008) as well as the important addition of Sandelin (2008). Malmi & Brown's MCS categories allowed for a comprehensive understanding on the MCS setup at each individual firm, facilitating an interpretative research methodology and abductive reasoning. When synthesized in this thesis, the different cases could be used to compare and contrast different solutions to each other and to understand how different tools in a given control package can be configured to address the potential equifinal goal of managing a given F&A sourcing setup. The extension of the framework with Sandelin's theories (2008) allowed to also shed light on the interplay between different control tools, with a special focus on the role of charging. It showed that the aspect of whether and how various packages of MCS tools were internally consistent was very important, similar to the question whether a given control tool, such as charging, was dominant in the overall MCS package.

The analysis of the cases in our sample brought about three main findings.

(i) Charging can be substituted through another single or a combination of other control tools

The view in previous literature is that in organizations where charging is not present, certain desirable control objectives would be harder to address. However, in this thesis it was found that charging could be substituted through a combination of other control tools which allowed to address the same goals. For Hardware Inc., a management setup dominated by mixed reporting lines solved many issues, in combination with a clear top-down cost pressure from headquarters. Although the highly virtual organizational structure required much from managers in terms of communicative skills, together with strong corporate culture, the setup ensured a functioning F&A service without the use of charging as control tool. Datacorp also used similar measures. Alignment was achieved by using strong reporting lines, running vertically through the organization for every business area. Discussion and resolution of issues along these reporting lines was however not supported by a formal governance setup, with which a better discussion between the opposing interests of BUs and service providers could have been facilitated.

(ii) Charging can be of less importance in the overall MCS setup given the dominance of another single or a set of other control tools

In one of the cases that were studied, it could be observed that charging of costs to the BUs played a relatively small role in the overall MCS packages even though the firm formally used it as a control tool. For DeviceFirst, where the calculation and subsequent distribution of cost to BUs were conducted in a structured and technically sophisticated manner, charging still was not the dominant control tool. Although it did play a limited role, mostly related to ensuring effectiveness through standardization, the emphasis seemed to be on other control tools in the package. Constantly good performance of both the company as a whole, with consistently high margins, and the service provider made issues scarce and allowed the company to focus on softer forms of control. Culture and trust was important, ensuring alignment between BU and centralized services.

(iii) Charging can be of less importance in the overall MCS setup since its use can be dependent on the interplay with other complementing control tools

Finance Tech on the other hand was not using charging as a primary tool to control the relationship between BU and SSC, but rather used it in combination with other control tools. External and internal benchmarking of costs was identified as more important than for DeviceFirst as Finance Tech received their services both from internal and external providers. By having regular KPI reports and governance meetings where also charged costs were a part of the discussion, charging seemed to have played some of the roles attributed to it in previous literature for Finance Tech. What limited the use was that even though local managers looked at the charges, more operational employees that incurred the costs were not aware of the charges and management at the same time felt they could not impact them.

6.2. Limitations and Further Research

The findings above may help to clarify how packages of control tools are used by multinational companies using centralized F&A sourcing solutions. However, given the complexities and dynamics as well as potential locally different setups at the multinational companies covered, as well as time and resource constraints present in a master thesis, this research naturally has its limitations. Firstly, regarding the data collection process and number of interviews, Silverman (2013) suggests that selecting the number of interviews should be related to the specific research question. Given a defined time limit, a balance needs to be established regarding the collection of new knowledge through more interviews and the detailed analysis of collected data to reach meaningful conclusions. Purposive sampling as argued for by Silverman (2013) helped to realize such a balance in this thesis and to reach credible solutions given the number of interviews which could be conducted.

Secondly, although considerable effort was put into finding companies that were not too similar in their characteristics while still fulfilling the criteria of being large enough for the desired complexities to arise, similarities unavoidably exist. The chosen companies are part of the globalized, competitive marketplace mentioned by previous literature, which strengthens the thesis in terms of relevance while inevitably creating similarities between the companies. All companies finally included in the study are headquartered in the US and three out of four are active in the global technology and software industry. Thus, certain homogeneity may exist regarding the circumstances that impact the design of the MCS packages, such as external regulation or especially high flexibility demands. This potentially limits the study in terms of the findings being applicable to companies in different industries. Another less pronounced but related limitation consists of the fact that none of the studies companies had production within the BUs that were studied, something that might have an effect on the F&A services performed and thereby the findings. Another similarity between the BUs was that they were all Swedish subsidiaries. Even though very little adaptation to local conditions was observed in the control packages, it cannot be excluded that at least some part of the findings might be due to Swedish national culture, especially related to the cultural controls category of MCS packages.

Our resulting suggestions for further research can be divided into four areas. Firstly, future studies could expand on the range of industries covered to see if the control packages used with regard to centralized F&A sourcing is substantially different from the findings in this thesis, for example in pure manufacturing companies. Secondly and related to this, further research could look into whether the situation might look different in a relation where the local BU that is receiving services from the centralized provider is not only selling but also producing locally. Thirdly, this thesis could be complemented by a research looking at control tools such as charging in a context where the BUs are not located in Sweden or the headquarters are not located in the US, or both. Fourth and lastly, one could look at topics that relate to the overall issue of changing organizational forms in multinational corporations. For example, previous research such as Bergeron (2002) suggests that centralized sourcing of services goes through an evolution with identifiable steps taking place sequentially. An interesting aspect in this would be to look at whether such an evolution exists and, if so, whether different control tools play different roles in the control of the F&A setup at different stages of the evolution.

6.3. Contributions

Our study contributes to the existing literature by extending our theoretical framework in two ways. Firstly, this thesis has answered the call from Malmi & Brown (2008) for a more comprehensive view of control tools as a package and more practical research applications of their theory. In addition, the thesis expanded on a limitation of Sandelin's (2008) study. By expanding the notion of equifinality to several large multinational companies, the concept is further developed and validated, as asked for by Sandelin. By using Sandelin's work to complement the comprehensive structure by Malmi & Brown, a theoretical framework was created that allowed for a comprehensive analysis of several MCS setups, while also facilitating an analysis of the interdependencies and consistency between the control tools making up these setups. This helped to answer the research question of the role of charging as a control tool in the overall control setup for F&A services performed by service providers for local BUs.

Thereby, this thesis has also further explored the issue of how control setups evolve with new organizational forms as described by previous research (Ezzamel et al., 2005; Herbert & Seal, 2012). As mentioned in the introduction, continuing global pressures such as increased competition and market uncertainty make companies build strategic flexibility into their organization, which results in new or changed organizational forms. It is against this background that changes such as the movement towards centralized sourcing of F&A services must be seen. Such new solutions require new or changed control setups that span across organizations with blurred lines in between them. In such complex global settings, looking at single control tools without understanding the context in which they operate becomes one-dimensional and limited. The research question discussed and answered in this thesis has helped to shed some new light on how various configurations of control tools can help to manage the new realities at multinational companies.

7. References

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8. Appendix

8.1. Appendix 1: Overview of Interviews Held

Company	Role	Level / view	Date	Length minutes	Type	Method
DeviceFirst	FD/CFO	BU F&A	31/01/2014	60	Pre-study	In person
	FD/CFO	BU F&A	07/02/2014	60	Pre-study	In person
	FD/CFO	BU F&A	17/02/2014	80	Normal	In person
	Financial Controller	BU F&A	24/04/2014	45	Normal	In person
	Sourcing Director	HQ F&A	06/03/2014	60	Normal	In person
Datacorp	FD/CFO	BU F&A	21/02/2014	60	Normal	In person
	Tax Director	HQ other	18/03/2014	30	Normal	Phone
	Paralegal	BU other	01/04/2014	45	Normal	In person
Finance Tech	FD/CFO	Regional F&A	26/02/2014	60	Normal	In person
	Purchasing Manager	SSC & BU other dual view	08/04/2014	60	Normal	In person
	VP Finance SSC	HQ and SSC	18/04/2014	45	Normal	Phone
Hardware Inc	FD/CFO	Regional F&A	21/02/2014	60	Normal	In person
	Finance Manager	HQ F&A	18/03/2014	60	Normal	Phone
	FD	BU F&A	03/04/2014	60	Normal	In person
	Accounting Manager	Regional F&A	24/04/2014	30	Normal	Phone
	FD	BU F&A	24/04/2014	30	Normal	Phone
Packers	VP Finance & HR SSC	SSC & BU F&A dual view	07/04/2014	60	Excluded	Phone
	FD/CFO	Regional F&A	05/05/2014	30	Excluded	Phone

8.2. Appendix 2: Full Questionnaire for Interviews

Before start

- Can we record the talk?
- How much time do you have? (to ensure pre-booked time is still valid)

General & Background

- Explain our definition of SSC and outsourcing, which control management aspects we are primarily interested in (relationship BU with service provider(s) and charging especially)
- What are your (formal) role and key responsibilities in the organization? How long are you in?
- How is your role and daily work related to the execution of the support processes in scope, and to the SSC or outsourcer?

Sourcing of support processes in scope (most relevant only in first meeting with each company)

- Which parts of the organization or third parties conduct the different (sub)processes in Finance & Accounting? Do you have or can illustrate a formal overview, e.g. a process map or task and responsibility list?
- How did this sourcing logic evolve over time (or: since when is the current setup in place)?
- Who decided on this sourcing setup of the processes? How was the collaboration of the BU with the service provider(s) and headquarters in the setup phase?
- What are/were the key drivers behind the allocation decisions for the various processes?
- What are the key drivers behind the decision to centralize certain processes in Shared Services?

Charging of services & effects

- Are some or all F&A services not conducted locally in the subsidiaries charged to their P&Ls?
- If yes, based on which logic(s) across processes? Is there a product/service catalog?
- What are the main reasons for (not) charging the subsidiaries, based on your own view but also other involved parties' (such as SSC, headquarters) communication?
- Is all relevant information about the pricing and charging of support services transparent for all parties and across all hierarchical levels involved?
- How often do you go through the information, and with whom (do you follow up)?
- Are you discussing budgets for volume & prices of F&A services to be conducted with the service provider(s) on a regular basis? When and with whom are you discussing with?
- Are charges compared to costs from an earlier setup, or to any market benchmarks?
- Do you have transparency or awareness of the F&A services cost? Why (not) and how? If no, do you see this as an issue? Why (not)?
- Are you engaging in a cost (reduction) versus quality discussion with the SSC? Why (not)? If yes, how? If no, issue?
- Is there a charging of services to the legal entity books due to e.g. tax rules? Who should we talk to regarding this?

Service provider control

- Is the SSC run as a deficit, cost or profit center or any other logic applied? Why?
- Is the SSC selling to external customers?
- Are the cross-charges to subsidiaries used for controlling and e.g. improving the service provision processes within the SSC? What other controls are used for this (e.g. KPI measurement & reporting system, regular internal and/or external benchmarking)?
- What is the role of corporate HQ (or any other unit the SSC is reporting to) in the question of management control and especially performance management for the SSC?
- Outsourcing: how are the prices handed on to customers? How often are suppliers, prices & volumes reviewed?
- How are you deciding on your ideal operating capacity?

Other

- Who are the main persons in contact with the SSC – operational/daily vs. service management/governance & control side? (i.e. who can & should we talk to next)

For SSC high level management only

- Can you provide us with a sample charging report and/or overview of volume drivers per process?
- What are/were the key reasons to set up the charging like this?
- Did you think about behavioral / complexity based charges, or how is the issue of input quality managed – SLA only, and then escalation talks with service provider such as outsourcer?
- How often do BUs follow up on the charging and question or challenge you and/or the outsourcer about price/quality issues?