VAASAN AMMATTIKORKEAKOULU
VASA YRKESHÖGSKOLA
UNIVERSITY OF APPLIED SCIENCES

Santtu Olavi Säisä

RISK ANALYSIS AT SHARED SERVICE CENTRES – A CASE STUDY

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VAASAN AMMATTIKORKEAKOULU
UNIVERSITY OF APPLIED SCIENCES
Liiketalous ja matkailu
(ylempi AMK)

ABSTRACT

Author	Santtu Säisä
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The shared services concept in large Finish companies has experienced a strong growth during the past fifteen years. Companies have with great speed centralised services into big service centres, where from a substantial number of the companies support processes are carried out for the rest of the company. The main reasons have been to maximize cost efficiency and the quality of the support processes. Growth has been fast in, acquiring new customers to serve and new processes to take care of. Risks have, however, not been analyzed systematically. The same applies to the shared service centre of this study, which carries out several financial support processes for the case organisation globally.

Risk management has gained popularity among a wider and wider range of organisations and companies during the past years. Also the case shared services centre of this study has expressed an interest in having risks identified, analysed and planned. As the SSC operations have been running for six years and the number of clients is already over eighty in some processes, the investigation is quite large, taking in account all processes and functions of the case SSC. A combination of risk theories and the case organisation risk management guidelines has been used to support the investigation. The aim of the investigation was to identify, categorize and class the risks according to their nature in the case SSC. Further the investigation analysed each risk and gave proposals on how to continue in order to avoid or mitigate the effects of the most severe or likely risks.

The result of this study was very positive for the case SSC; it identified and classified all the risks threatening the case SSC. The study was adopted as the starting point of a full risk management process at the case SSC.

Keywords	Shared Service Centers, Finance, Support Processes, Risk-Management

VAASAN AMMATTIKORKEAKOULU
UNIVERSITY OF APPLIED SCIENCES
Liiketalous ja matkailu
(ylempi AMK)

TIIVISTELMÄ

Tekijä	Santtu Säisä
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Palvelukeskusmalli on kasvanut suurissa yrityksissä Suomessa nopeata tahtia viimeisen viidentoista vuoden aikana. Yritykset ovat nopeaa tahtia keskittäneet palveluita suuriin palvelukeskuksiin, joissa suuri osa koko yrityksen tuki-prosesseista hoidetaan. Suurin syy tähän on ollut kustannustehokkuuden ja laadun parantaminen tukiprosesseissa. Kasvu on ollut nopeaa ottamalla uusia asiakkaita ja uusia prosesseja palvelukeskuksiin, riskejä tosin ei aina ole analysoitu tarpeeksi. Sama koskee myös tämän tutkimuksen kohdeorganisaation taloushallinnon palvelukeskusta, joka hoitaa monia case yrityksen taloustukiprosesseja kohdeorganisaatiolle maailmanlaajuisesti.

Riskienhallinta on saavuttanut enemmän ja enemmän jalansijaa yritysten ja organisaatioiden keskuudessa viime vuosina. Myös case yrityksen SSC kiinnostui riskien analysoinnista ja suunnittelusta. Palveluskeskustoimintaa on jo jatkunut kuusi vuotta, mikä vuorostaan tekee tutkimuksesta suurehkon kattaen kaikki palveluskeskuksen toiminnot ja prosessit. Tukena tutkimusta tehtäessä on käytetty sekä kohdeyhtiön riskihallintaohjeita että yleisiä riskiteorioita. Tutkimuksen tavoite oli tunnistaa, luonnehtia ja luokitella riskit riskien luonteen perusteella case palveluskeskuksessa. Tutkimuksessa analysoidaan myös jokainen riski ja pohditaan vaihtoehtoja, joiden kautta kriittisimpien riskien vaikutuksia voi lähteä pienentämään tai välttämään.

Tutkimuksen tulos oli selvästi positiivinen case palveluskeskusta ajatellen; tutkimus tunnisti ja luokitteli riskit, jotka uhkaavat case palveluskeskusta. Tutkimusta käytettiin palvelukeskuksen riskihallinnan prosessin perustana.

Avainsanat: Palveluskeskus, Taloushallinto, Tuki-prosessi, Riskihallinta

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1. Introduction

1.1. Problem area

This thesis will concentrate on the area of risk management in large organisations. The objective is to identify and analyse the existing risks that may threaten the shared service centre at the case organisation. The shared service centre is responsible for financial sub-processes for all the case organisation´s companies globally, belonging to the group within the total corporation and it is thereby a very critical function for the whole case organisation.

The case SSC has been operating for seven years with great success. This has meant taking care of transactions for more and more companies with increasing efficiency. However, now the number of companies using the current processes is almost complete and it is time to manage the operations in the best possible way.

In the growth phase the main objective of the operations has been on increasing the number of companies whose sub processes are taken care of by the case SSC, with actions related to hiring new people, adjusting hardware and software to serve an even wider scope of companies and processes. With regards to risk management, the actions before this investigation have been on case by case basis and often when risks have already been realised. It is now clearly seen that a risk analysis and well managed processes are needed.

1.2. Purpose and scope

As described, the case organisation´s shared service centre is now in the correct phase of establishing a proper risk management process. The aim of the thesis is to identify and analyse all the risks that are threatening the case SSC or case organisation because of the case SSC in any way. The risk identification will give the case SSC a comprehensive picture of the situation of possible risks that may

need attention. The risks will also be categorized according to in which area the risks are possible. This will help to understand in what proportion each area is threatened and give insights and help when creating strategies for avoiding the risks. The risks will also be classified according to how severe and how likely they are to occur in order to assist the case SSC in prioritising actions. Finally, proposals of next steps and processes on how to continue the risk management and process will be described.

In total summary, this investigation aims to identify, classify, analyze and create a risk management process for the case SSC. The actual follow-up and risk mitigation work will not be researched. The investigation will give the basis and tools for an effective and structured way to realize risk management work at the case SSC.

1.3. Outline

The first part of the thesis will concentrate on providing a theoretical basis for risk management, that is which types of methods and means exist in order to identify, classify, prioritize and make action plans regarding risks in an organisation. This will be followed by explaining the shared service environment in general as well as the environment that the thesis will focus on. The empirical study focuses on the case organisation´s shared service centre and the interview group is the management team. The investigation itself is divided into the following areas: Identifying and describing the risks, classification and categorisation of the risks, analysing probability and severity of the risks, identifying existing risk mitigation tools, and mapping the need of new actions/risk mitigation tools. The investigation was conducted through work-shops, which were prepared by the researcher. At the end the thesis will include an analysis of further actions and recommendations as well as a conclusion.

2. Risk Management

2.1. Introduction

Risk management is a process that seeks to avoid, mitigate or control pure risks, such as safety, fire, security and environmental risks. Risk management must also try to achieve possible new benefits and avoid errors in the field of speculative risks, such as financial investment, marketing, human resources IT and business-risks. (Waring and Glendon, 1998, 3)

Risk management is also used in many organisations to prevent loss of earnings and making sure of sustaining a competitive advantage in the market (Walker et al., 2002). In the modern era businesses also needs to expand the focus on risk management beyond traditional risks, so that all economical and political risks as well as risks related to ethics, data integrity and reputation risk aspects are noted (Pricewaterhouse Coopers 2002). What is important in risk management today is that risks are foreseen and dealt with before the risks occur, instead of reacting and taking actions only after the risks have realized and damage has been done. (Barton et al. 2002).

Risk management is an area that is gaining interest among companies and organisations today as the value of avoiding severe risks or to have plans ready for them may be quite vital in the modern world's tight competitive market. The field of risks today is very scattered. The types of risk and how and when they are threatening companies and organisations is changing very fast today. Enterprises today may see risks divided into different categories, such as; disturbances in production, loosing key personnel, problems in cooperative networks, changes in legal requirements set by authorities. As stated earlier, risk types that are more active may change quickly due to different circumstances and thus create unexpected outcomes. The September 11, 2001 terrorist attack and disaster in New York is an example of how "good and safe" methods of safety organizing may scatter in just one day. As a result of this terrorist attack airline companies

faced huge problems and where forced to develop new and more effective ways of avoiding such risks, as the situation had changed dramatically and the old risk mitigation processes could not any more provide the required safety.

Risks are often divided into different types or sorts. The basis risk type is often classed by how large the probability is for a risk to realise, or depending on what consequences the risk may cause. When a risk is happening and only causing damage, the risk is categorized as a damage risk (Harrington and Niehaus 1999). If the risk also affects planned production, it is classed as a business risk. Business risks are realised when the business operations are not reaching what was expected for different reasons.

When a company starts to analyse and document risks in a unified way and to a large extent, a *risk map* is born. A risk map typically contains all the identified risks of an organisation in a logical order. The risks may then be analyzed from the risk map according to consequences and probability of realization.

In order to start up a risk managing process for a company, support tools are needed for analysing and identifying the risks in order to get an accurate overview of the situation. Typical tools for this step are different risk maps (risk map examples by Suominen 2003, Eldrich 2003, Book 2004). With the help of risk maps the company can develop so called *risk profiles* for each risk with critical points regarding the risk. This will help the company to understand each specific risk better and to coordinate resources and actions better in order to avoid the risk. (Kuusela & Ollikainen, 2005, 148-150)

The actual management within risk management is a very critical step. Risk management is business management and it does not differ from other management tasks. The basic steps for risk management (planning, realisation, monitoring, feedback and steering) can be set as for any other management functions. Only to measure risks and acquire a risk management tool does not create a sufficient risk management process for the organisation. If not all aspects

in risk management are taken into account, the end result is not relevant, the process is only a tool. Management should not be forgotten.

Each organisation needs to analyse and decide what kind of risks there are, what actions are required to mitigate or avoid the risks and fit its operations accordingly. One of the main issues and decisions to make is the measurement of risks and the aim is to be able to measure the risks that the organisation wants to prepare for. (Jauri, 1997, 16-17)

2.2. Risk Planning and Processes

2.2.1 Enterprise Risk Management - ERM

The ERM, or ERM frame is a systematic and universal way of approaching risk, establishing a common language, identifying and action plan, when speaking of risks. The ERM frame will support the organisation to achieve a total implementation of ERM for the organisation, with a better approach to evaluate and improve the organisations risk management and control of it. (University of Regina)

As a good frame for risk management is the framework model COSO 2004 (developed by the committee of sponsoring organisations of the Treadway commission). The COSO risk framework model concentrates on describing the risk management process of an organisation for identifying, and managing risks that could affect the organisations. The COSO model includes eight main aspects that need to be covered in order to gain an effective organisation wide risk management process.

The first step in the COSO model is to establish an internal environment within the organisation that makes sure of good competence, discipline and good governance for the risk culture itself inside the organisation. The second step for the organisation is to make sure that the business process performance objectives

are in line and supports the strategic objectives of the organisation. The following steps are for the organisations management to create a list or table of happenings that could impact the business performance of the organisation. After this done the management needs to assess each event that may impact the performance. Usually this assessment is made on how likely the risks are and what impact the risk has if it happens. Following this step the management needs to make an action plan on how to react if risks are going to realise and also to create an appropriate control mechanism to make sure that actions are carried out. After this the organisation must establish a proper process for communications in order to make sure that responsibilities are carried out properly and that management receives feedback at the correct time of how well the organisation is reaching its goals. As a last step an overall mechanism of tracking how well each part of the organisation is working and to track performance over time needs to be developed and launched. (O´Donnell 2005, 178)

2.2.2 Risk Analysis - Processes

When risk management in an organisation is proceeding with a specific planned order, one can start to speak of a risk analysis. The risk analysis should cover the following areas:

- Risk objectives
- Risk probability
- Risk severity
- What the risk is causing

A risk analysis can be done in the “narrow” way or in a “through-out” way. In the narrow analysis, the company focuses, for example, on possible risks of the production environment in relation to or to itself. With the help of a risk analysis the organisation tries to discover the probability and consequences of the risks. All the risk objectives are gone through systematically following a certain rule.

There are several different tools for discovering and analysing risks. One example is the risk tree model developed by Johnson 1989. The idea with the risk tree is to insert the function facing the risks on top of the risk tree and then insert different options that may occur during the function and which faces during the process of the function may cause risks to occur. When this is mapped and ready the organisation has a good tool and a map to analyze and concentrate on efforts in the problem areas. (Suominen, 2003, 35-36)

A basic risk analysis and actions needed model can also be devised as Figure 1 indicates.

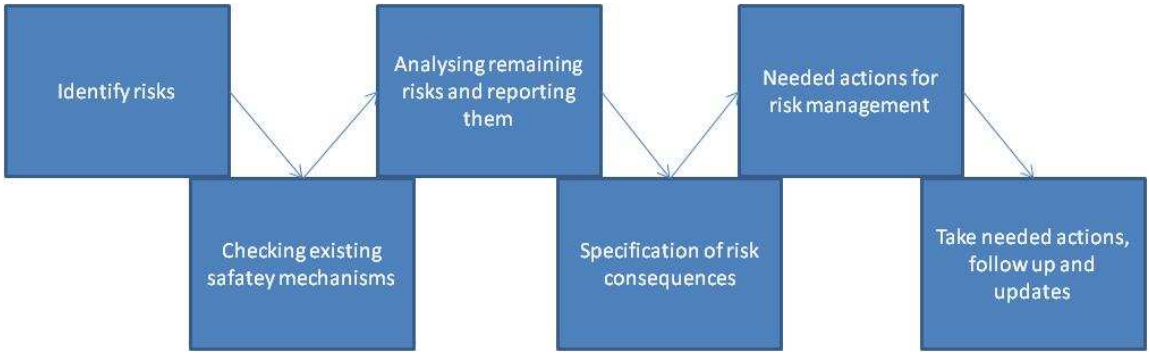

Figure 1. Risk analysis and order of risk management (Suominen, 2003, 38)

Risk management could also be seen as a form or part of a company's anticipation strategy. The biggest difference between anticipation management and risk management is, perhaps, the thing that in anticipation strategy both the negative and positive aspects are identified, classed and plans are made on how reach the positive areas and how to avoid the negative ones.

A good example of anticipation strategy building methods is the future workshop methods built by *Robert Jungk*. In a nutshell, the method is divided into four sessions, where the first session is introducing the meaning of the exercise to the work-group. In the second session or workshop the participants are brainstorming around possible problems or threats that could face their organisation (key word – negative). In the third workshop the participants are brainstorming of possible

positive aspects that could occur for the organisation by plans made for avoiding the negative aspects from the previous session (key word – positive). In the last workshop in *Robert Junk´s* model the participants gather once more and look critically on the possible positive and negative aspects and after that draws up plans or decisions on the company's future areas of importance (key word – realism). (Department of political science Hawaii futures)

A SWOT analysis can also be used as a basis of the risk analysis in a company. This is often an effective model for small and medium sized companies. In a SWOT (SWOT = Strengths, Weaknesses, Opportunities and Threats) analysis the company makes an analysis of the basics on where the company stands in matter of where the company is strong, weak, has opportunities and has threats. When speaking of risk management, the weaknesses and threats are taken into more special attention and risk analyses can start on those items. It is advisable that the management of the company will at this point draw up the objectives, targets, resources to be used and what risks are to be analysed further based risks identified in the SWOT. The analysis is often made by the key-persons in the company, but also external experts may be used. It is also important that enough key-personnel are participating in the analysis process and that possible external help is reserved in time if needed. Important in this kind of analysis is that all key-personnel, covering all parts of the business is interviewed in different forms, such as direct interviews, questionnaires or small group interviews. This because it is important to obtain feedback on the different risks from many angles, the material from this information gathering will then be to great help when making further action decisions.

After that the material is collected the risk project group should analyse the material with key personnel in order to get a common view of the material. After this the risk manager or the risk group needs to make a proposal of the further actions that should be done and present it to the management of the company. Depending on what the management then decides, it is recommendable that the management is executing and monitoring the actions. (Suominen, 2003, 55-59) In

Figure 2 a typical high level overview of a risk analysis process is presented, with a good overview of action steps how to carry out the analysis.

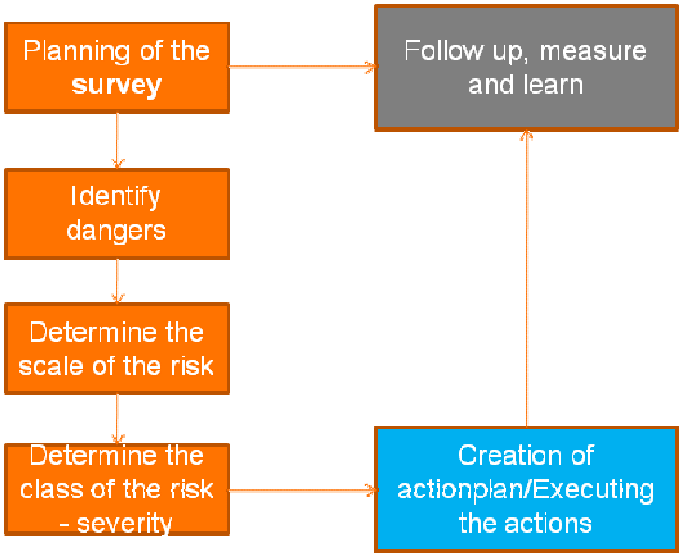

Figure 2. High level risk process
(Valtionkonttori)

2.3. Risk Identification

It is very essential in a risk analysis to identify risk objectives. This means that the company can identify different risk situations by different means available. In order to make these identifications the company will need a variety of tools in order to determine if the risk is possible. With the help of these risk identifying tools the company may also discover hidden risks, which the company had not anticipated. (Suominen 2003, 40-41)

Risk management is a continuous process where the following points are included:

- Risk evaluation
  - Identifying threats
  - Evaluation of risks realizing from this
  - How sever the risk is

- Create and maintain plans and processes to mitigate or avoid the risks
- Follow up of the results of the risk management

(Suominen 2003, 43-44)

2.4. Risk Category

Risks should be categorised when the identification is done, in order to have a clearer picture where the risks are, before making plans.

For example, in the field of information technology, typical areas of risks are, human (both accidental and malevolent), natural and technical. These are proposed by various risk management authors such as Peter Neuman 1995 and Tom Peltier 2001. The human category contains both the accidental and the malevolent sub category, where the accidental aspect means that something is done by accident of the personnel, meaning that some damage is done by the personnel not meaning to do it. The malevolent category again means that the person in the company is doing something damaging to the company on purpose.
The natural category again correlates to natural problems, such as earthquakes, tornados or flood waves. The technical part is covering non anticipated malfunctions in, for example, computer hardware, causing damage to the organisation. (Bornman, 2004, 18-19)

A very typical way to categorize the risks is to divide them according to the following example (also used in the case organisation):

- Strategic risk, which includes risks related to the strategy, political risks, economical- or global risks.
- Operational risk where risks related to the organisations activities, personnel and process etc. are listed.
- Financial risk, relating to the organisations risks in the field of finances examples are currency risks, liquidity risks and credit risks.
- Hazard risks includes, natural disasters, fire and accidents.

If the key risks are identified and sorted to the risk categories, it will help the organisation to manage the organisation much more efficiently. Often when organisations fail in some way it is a result of not managing to identify the key risks. (Institute of Management Accountants, 2007)

2.5. Risk Classification

After risks are identified, the company can start to evaluate the risks. With the help of the evaluation, the risks can be sorted by probability and consequence, meaning that the company can see, for example, how often the risk may realise and what losses may occur if realising. Examples on probability or how often a certain risk may happen: once every 200 years = very rare risk or once a month = very probable risk. An example on consequence may be: loss of under 200 EUR = minor damage or losses of at least 200 000 EUR = catastrophically consequences. From history it seems that the more likely the risk is to occur, the less severe it also is. Another point is that it seems to be difficult to predict the risks with severe consequences and easier to predict risks that occur more often, but have less consequences.

Risks can also be monitored according to their consequences and size. One way to do this is to create a “damage frequency” pyramid, developed by Hamilton (1996). In the pyramid the damages can be classed into four different parts; minor-, small-, intermediate- and big damages. As research in Hamilton’s model shows, 93,7% of the damages in the pyramid belong to minor risks, 4,7% belong to small damages, 1,6 to intermediate damage and that leaves the probability of big damages to only 0,0016 (Suominen, 2003, 20-22). The main point here is that the company can focus on the correct risks in the correct order, when the probability and how severe the risks are, are known. Naturally resources should be focused on risks with both high probability and high damage potential and after that on risks with high probability or high damage potential.

Further, risk exposure is a very important part of putting the risk into the correct class, meaning that it needs to be analysed for how long the risk effects will effect the target organisation. (Waring & Glendon, 1998, 28)

2.6. Risk Prioritization and Decisions

As described in the previous chapter, it is important for the organisations to understand in what order the risks should be prioritised, as few organisations can afford the resources needed to immediately put efforts on all the identified risks.
One good way is to first give points to the different classes of risk, for example 1-5 points depending on how likely the risks is (1 point if not likely at all and 5 points if the likelihood is big). Similar points should then be given to the exposure, how long the risk effects are and also 1-5 points on the damage the realised risk would bring. Each risk is then to be analysed and given points according to its nature and the points described, then the points can be multiplied in order to see the total points per risk. In this model the maximum points would be 125 points and a scale of priority can be made, for example: High risk is 75 points and above, 27-74 is medium risk and below 27 points is low risk. (Waring & Glendon, 1998, 28)

After analysing the risks and scoring them it is time for the organisation to evaluate if the risk is acceptable or if something should be done. If the model in the previous part was used, the risks classed as high risks would need immediate actions and would be prioritised first. The medium risks would be prioritised to be done after the high risks. The exception is if the medium risk is close to the high risk points, in that case a re-evaluation might come into place to see if those kinds of risks should get higher prioritising. Low level risks should be carefully analysed and decided if they are acceptable and can be left as they are or if something needs to be done, possibly depending also on what line of business the organisation is in. (Waring & Glendon, 1998, 29)

3. Financial administration and Shared Service Centres

The task of the financial administration in the company is needed to support the processes mentioned in Figure 3 and to provide critical information regarding the financials of the company. The financial administration also sees that the company has sufficient financial knowhow in order for the company to function effectively and make a profit. The legal requirements in form of reporting the financial status of the company is taken care of by the financial administration.

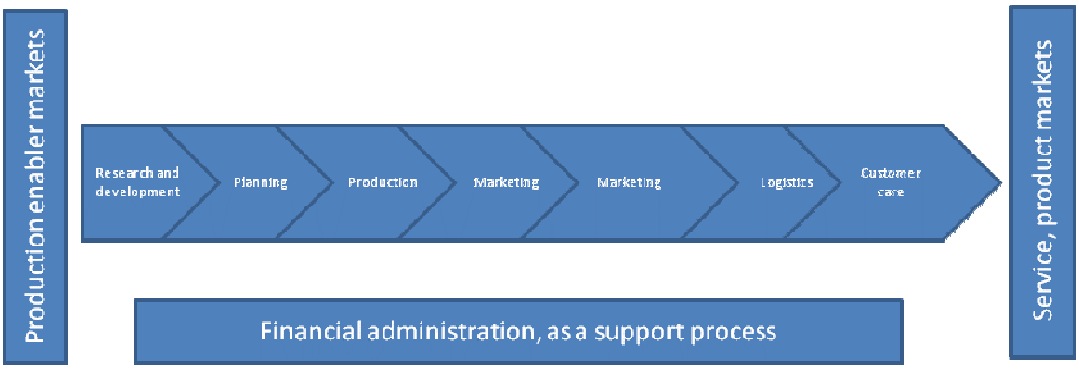

Figure 3. Financial administration as the support of the business processes (Eskola & Mäntysaari, 2007, 7)

Financial accounting works as a support function for the financial administration. Financial accounting systematically gathers, registers, combines and analyses data about the company's financial situation. *(*Eskola,& Mäntysaari, 2007, 7-8*)*

3.1 Shared Service Centres

Shared services means that one section of the organisation is taking care of a certain service, which earlier has been taken care of by many units within the organisation. However, the funding and the resourcing of the shared services are shared within the organisation. With these aspects filled the shared services becomes an internal service provider within the group. A typical start of shared

services may be that a company simply consolidates its finance, HR (human resources) or sourcing functions into one place, for different reasons. Other possible scenarios are that finance support process, purchasing or even the general ledger operations are consolidated into one unit. (Ohio University)

The idea with a shared service centre is to make the processes in the organisation more streamlined and efficient, which is easier if they are carried out in one place. Other benefits that organisations seek with the shared services are economies of scale, meaning that the company will actually save money when consolidating, less FTE (full time equivalent) are needed when consolidating services. (Ohio University)

Shared services and outsourcing, which is also very common today, are basically the opposite of each other as the outsourcing company is an external service provider and the shared services are an internal service provider. In other words; when using an outsourcing company, the buyer pays money an external company for taking care of some of its support services and in a shared services concept the company or organisation establishes its own organisation to take care of the same thing. The discussion about prospects and consequences when comparing outsourcing services and internal service centres has been going back and forth over decades. (Ohio University)

It could be argued that a big difference between an internal shared service centre and an external is that an internal shared service centre always aims to reduce costs for its customer, while it may not be the strategy of an outsourcing company. On the other hand the service buying company can have less HR issues if buying from an outsourcing company.

An additional basic feature for shared services are benchmarking and measurements on the service and process performance. It is very important to measure the efficiency and quality on the services in order to know where improvements are needed. Also the benchmarking aspect is important, meaning

that the shared service organisation compares its own performance against the average and best in class level in its field in order to know where it stands and can better line up its strategy, depending on where they want to be in long and short term. (PricewaterhouseCoopers 2008)

As a natural addition after shared services are established and efficiency is monitored the shared services starts to develop the services to be more efficient and have better quality, the path to an "internal advisory consultant" has started.
In time shared services can also mature to the point where shared services skills and values are recognized and that often leads to enlargement of shared services scope in form of more services. (PricewaterhouseCoopers 2008)

In the last phase today the shared services within an organisation can even reach a point where it plans and executes improvements for the whole company both strategically and in operations, as the shared services understands the whole company's needs due to its central and professional role. (PricewaterhouseCoopers 2008)

Shared services locations are often classed depending on which shared service provides its services, in geographical terms. There are three different options:

- **On-Shore**: Services are provided within one country
- **Near-Shore**: Services are provided within one contingent, e.g. within Africa
- **Off-Shore**: Services are provided globally (the case SSC is belonging to this group)

(Shared Service News Volume 7, Issue 5/6, 2005)

3.2. Organisational design and governance

When speaking about shared services (or BPO – business process outsourcing) and the set-up or organisation created for it, there are three main areas to think about:

- **The service management organisation**: This is where the shared service operation itself is taken care of, the unit producing the service to others
- **The retained organisation**: Is the operations that is left in the companies that outsourced a certain part of services to the shared services or BPO.
- **The governance layer**: is the organ or activities to maintain a good relationship between the service provider and customer also takes care of monitoring the service and are involved in other management tasks as creation of service level agreements between the parties.

All in all it is very important that the cooperation between these three parties is working well in order to maintain a functioning shared service operation. Especially between the shared service centre and its customers, the work split in the business processes and interfaces between processes needs to be very clear in order to work and a lot of work is needed.

An important point is also the operating model, how the operations are described and planned to work in the most optimal way for the target organisations. Important key points needs to be planned, as how customers and shared services and possible other interested parties are going to work and interact.

The next diagram (Figure 4) presents an example of a possible shared services set-up, including interaction between four main parties: external customers, internal customers, other business units and the corporation.

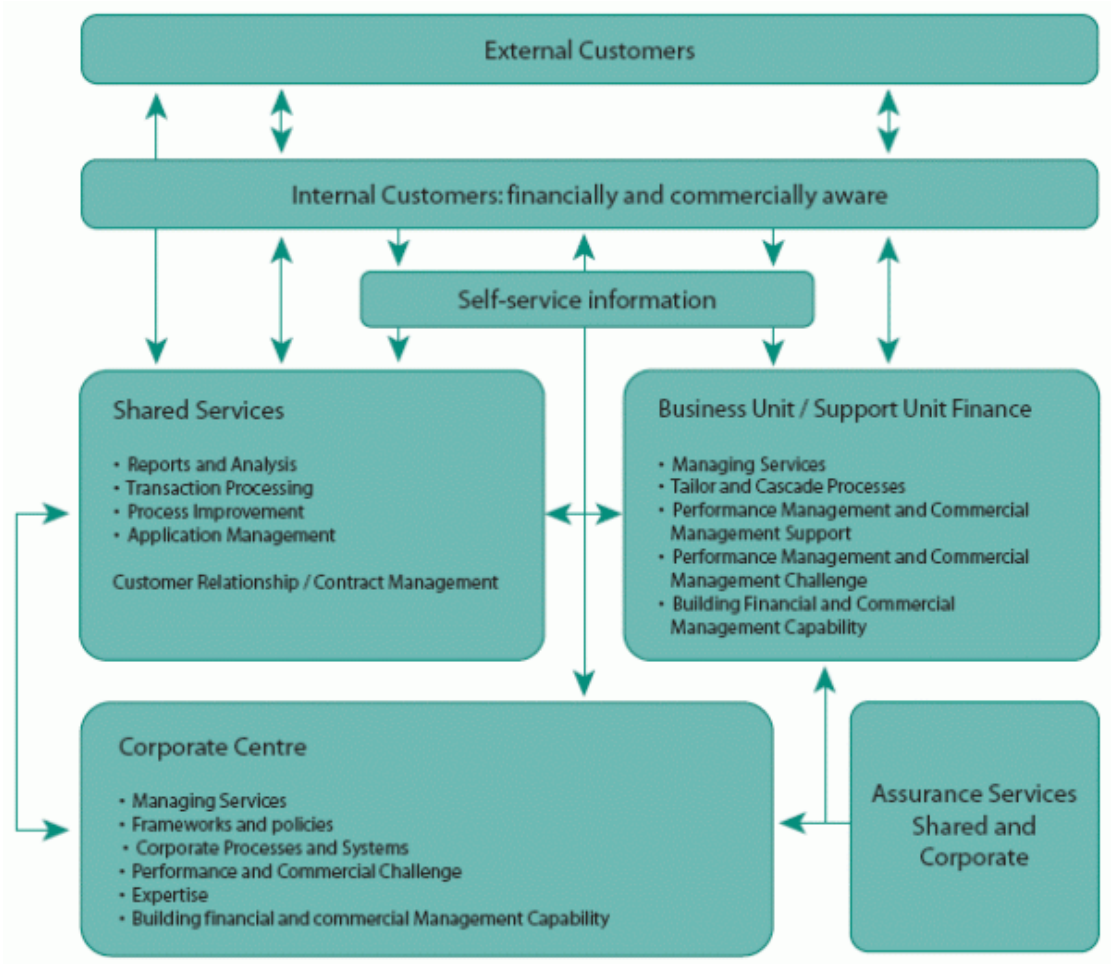

Figure 4, Overview of organisational model and process
(Sourcingmag.com)

Figure 4 is a good example of a high level set-up and a good base for strategic purposes and a starting point for creating more detailed organisation models and processes. (Sourcingmag.com)

3.3. Shared Services in Finland Today

Between 1996 and 2006 shared services in financial accounting have been adapted to various organisations worldwide. Further, in Finland shared services have been established to about sixty different organisations in the same time-span. As it seems most of the shared services in Finland have achieved their main objective,

the trend is now to focus more on the strategic possibilities than cost savings in other words, other benefits than pure cost saving. (Deloitte)

Economies of scale have been the main driver of establishing shared services in most Finnish companies, meaning that the company harmonizes processes to one location instead of several, consolidates systems where accounting is done and most of all consolidates the base of operating certain accounting services to one or few locations instead of several. Today most Finnish shared services have achieved the benefits of the consolidation and even done better than expected, in terms of cost savings. The problem is that the Finnish shared services have relatively small transaction volumes, for the cost savings to have a longer effect. In order to further improve the cost efficiency many shared services organisations have invested in improving the tools and processes in following areas:

- ➔ Invoices in electronic formats
- ➔ Consolidated data registers
- ➔ Workflows for travel and purchase invoices
- ➔ Automated credit application processing
- ➔ Payment systems
- ➔ Automated general ledger transactions
- ➔ Consolidation systems

However, in addition to the automation and process development another very important driver is the volume (economies of scale). Future plans on how to gain more volume could be to gain more processes to the shared services, consolidate shared service centres or to outsource shared services to a third party. For the near future, however, it seems that the main focus for Finnish shared services would be to obtain more customers or to increase the services, outsourcing seems also to be interesting but a bit more into the future.

Governance structures in Finnish shared service centres are often built with focus on customer and process care. Most of the Finnish shared services have processes

owners in place to take care of the process related items and account managers to take care of customer topics. In addition, most Finnish shared services have some kind of customer forum or steering group, with participants from the key customer companies, in these forums strategies can be discussed and agreed and also customer feedback can be delivered.

It is very hard to keep employees satisfied in a shared service centre environment as the shared services aims to keep costs down, it may be hard to get enough motivators to a daily transaction work with few career possibilities within the shared service centres. This is an imminent problem and many Finnish shared services are planning to improve both the monetary bonus systems as career planning in order to keep the good workforce.

As many shared service centres in Finland now have established services for basic transactional processes, the next step seems to be that companies also focus on value adding services, such as accurate financial reporting and automation of support processes in order to support the business control and business even more and in order for them to have more time for the actual analysing and decision making. Thus, the end target for now seems to be that in addition to the efficient transaction work also value adding work should be in the scope of Finnish shared service centres, the change could be described so that shared service centres aim to transform to total business supporting competence centres instead of being traditional transaction handling centres (*Deloitte, 2006).* Figure 5 is an illustration of the traditional chain of events from decentralized transaction work to shared services integrated to business processes:

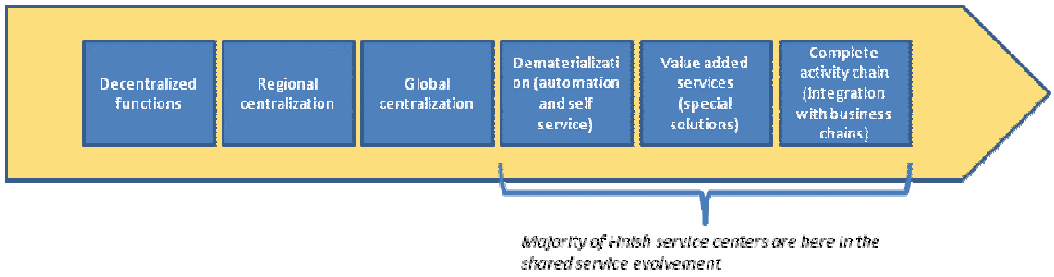

Figure 5. Shared services life cycle (Deloitte 2006)

4. Research Methods

4.1 Research design and data collection

As the theoretical study indicates, there are several research methods to use when making a risk analysis in a company or organisation. For example, SWOT is a good tool to use and it could also have been good to apply in this investigation. But as the aim in this investigation is to go very deeply into the risks a SWOT would give a too broad picture of the situation.

The research has been conducted through combining steps from several risk analysis methods, using a group of specialists to cover all important areas of the organisation of the case SSC. Methods of collecting and analysing data have been done in group sessions and parts by the researcher (acting as the risk project manager). Decisions of scope, responsibilities and follow up has been made or are done by the case SSC management team, as recommended in most models for risk management.

The actual data collection at the case SSC needs to start from zero. As indicated earlier the case SSC does not have any risk management components installed at the moment. As a basic setup for the investigation or risk analysis the intention is to use a mix of methods found in the theory study and follow the official risk management guidelines of the case organisation.

As the focus group for the investigation I have chosen the case SSC´s management team, consisting of 12 persons. All the persons are currently in following managerial positions:

- General Manager, case SSC Global Operations (1 person)
    - Overall responsibility of global case SSC operations
- General Manager, Financial Accounting Services (1 person)

    - Overall responsibility of accounts payable, travel expense handling, payment handling and accounts receivable processes at case SSC operations
- General Manager, Period end Closing Services (1 person)
    - Overall responsibility of fixed assets and period end closing processes at case SSC operations
- Process Managers (7 persons)
    - Overall responsible persons for the different processes at the case SSC
- Manager, Development (1 person) (RESEARCHER – only coordinating)
    - Overall responsible of development and incoming customer process to the case SSC
- HR Specialist (1 person)
    - HR coordination and support

As the author and researcher of this project, I will not participate in the actual investigation work, only the coordination of it (currently I hold the position of Manager, Development).

The aim is to arrange three (3) different work-shops in order to:

- Collect valid information of current risks
- Make a risk classification according to severity and probability
- Create plans on how to mitigate or avoid the risks and agree on the correct follow up model
- Document possible opportunities discovered in the workshops

Between and after the workshops the researcher will document and finalise all the related material, in addition to the thesis material also necessary documents and material for the client (case SSC) will be made.

4.2. Description of the case organisation

The case organisation, where the case SSC is active, is a global power providing business. The case SSC is a financial shared service centre, which provides financial support services for companies within the case organisation. The case SSC is also an own department within the case organisation – inside one of its subsidiaries, but services are provided against payment to the internal customers.

The case SSC has two locations, one in Finland and one in China. The case SSC in Finland is the main point of operations. It serves all the case organisation companies; expect the ones in China because of legal reasons. The legal reason is also the main reason having a shared services operation in China for the Chinese operations. Today new technologies (mainly electronic format and flow of documents) makes it possible to have support processes independent of location, which is the reason why the case SSC can provide service to customers globally only from Finland (Case SSC internal documentation). In addition to this, the case SSC is performing development actions to the mentioned processes, in order to make them faster, more accurate and cost efficient. Maybe this is one difference between an external and internal service provider, as one of the case SSC targets are to reduce costs from the customer point of view.

The case SSC is its own unit under one subsidiary at the moment, but governance is mostly coming from the case organisations Mother Company, as the case SSC serves all the companies within the case organisation by the same terms. The management of the case SSC, from a broad perspective is the following: the processes are divided into two main categories: 1) Financial accounting services which includes purchase invoice handling, travel expense handling, payment handling and accounts receivable 2) period end closing services, which includes fixed asset accounting and period end closing. The two main fractions within the case SSC is coordinated by one General Manager each, both General Managers in turn reports the General Manager of the case SSC on global level. The Chinese

SSC is headed by one person, with the title “Head of SSC Operations, China”, who also reports to the General Manager, SSC Global operations. Development and migration (intake of new customers) are one small team, reporting directly to the global general manager of the case SSC.

The case SSC in turn reports to the global director of financial accounting and business control at the case organisation, who in turn reports to the CFO of the case organisation.

Another crucial part of the case SSC governance is the case SSC customer council, which consists of the customer’s companies’ company controllers. Meetings are held a few times a year for this council, where the case SSC presents statistics from different operations as processing efficiency and transaction prices and new development projects and their status. In these meetings each company also gives feedback about the case SSC operations, which is discussed and noted for further actions, after need (The case SSC organisation see appendix 1). (Case SSC internal documentation)

Processes Partly Taken Care of by the case SSC

Today the case SSC provides the following services in the following business processes:

- Purchase invoice handling
- Travel expense handling
- Payment handling (outgoing payments)
- Accounts receivable (incoming payments)
- Fixed asset accounting
- Period end closing (monitoring of automated tasks)

The processes are provided to over eighty companies worldwide, some process can be provided to a larger group than others, due to technical and legal issues.

The aim is to include more companies to the processes where the case SSC is not present yet, when laws change or new technical features will enable the case SSC to give services to them. However, the operations are off shore as the case SSC handles processes to customer globally.

In order to succeed in this, technical tools like electronic workflows have been implemented in order to be able to serve companies around the globe. This means that paper documents are converted to electronic documents by scanning, where after they can be electronically circulated within the case organisation Group without time penalty. Some companies scan the documents themselves and some send them to the case SSC for scanning.

Some documents are only in electronic form, (meaning that they never needed scanning) which is also the aim for all documents in the long run.

Illustration of operations on high level in Figure 6:

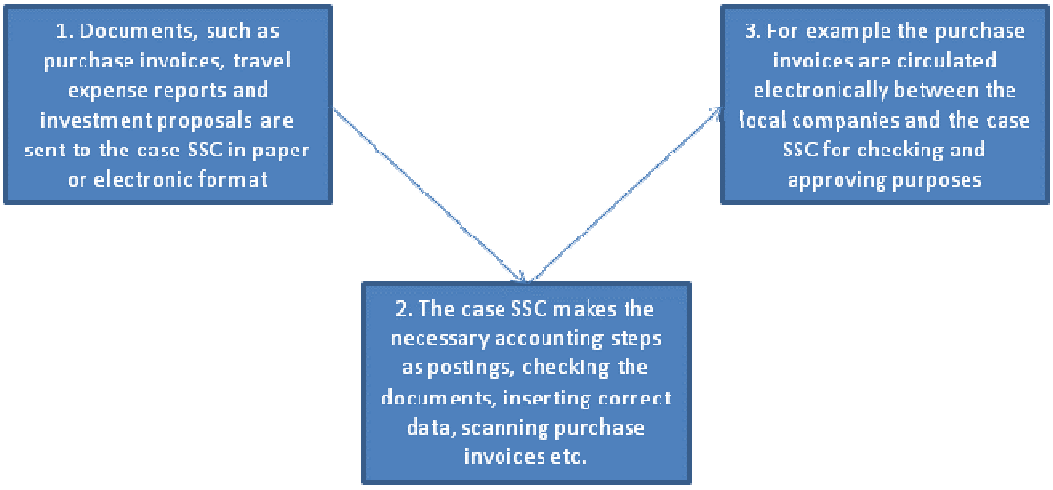

Figure 6, The case SSC operations

The case SSC operations are currently taken care of in Finland and in China. In Finland the case SSC delivers service to customers globally. The operation in China takes care of the case organisation´s enterprises within China. This is due to

legal requirements, as it is forbidden to send out any documentation from China, in paper format or electronically. (The case SSC´s internal documentation)
Each process is global and has a detailed responsibility division, which describes which parts of the process is taken care of in the local company and what is taken care of at the case SSC. The purchase invoice handling process is a good example, which is described in Figure 7.

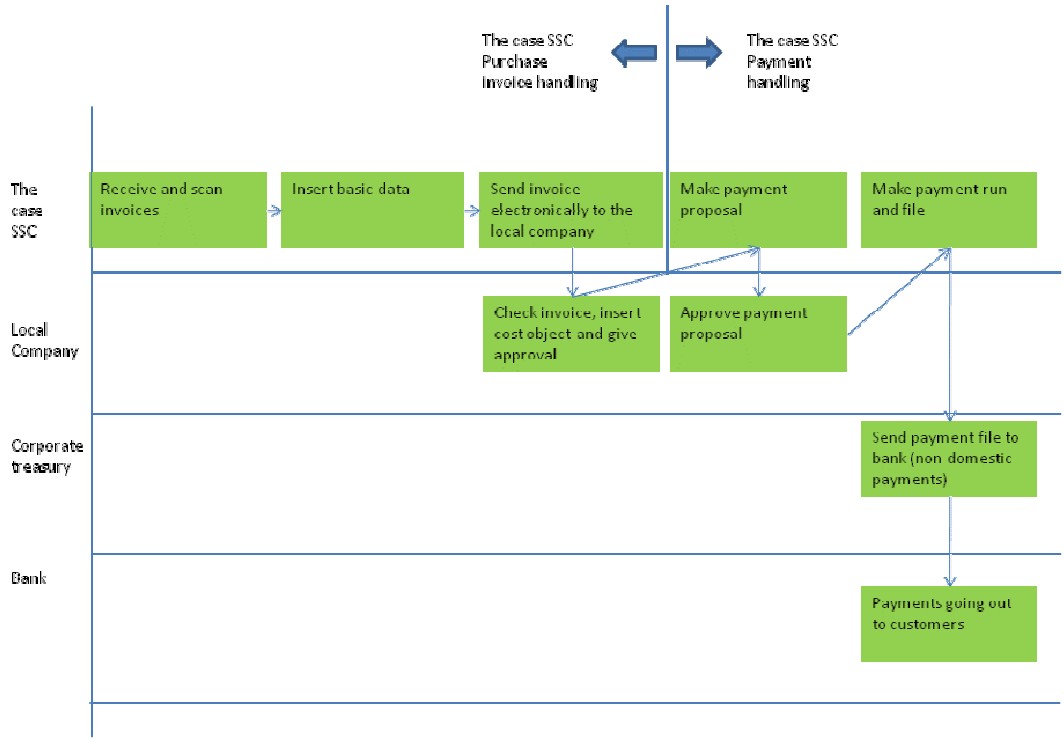

Figure 7. Purchase invoice and payment handling at the case SSC

In this specific process model both the purchase invoice process and payment process are described. The purchase invoice part in this specific example is a purchase invoice without a purchase order and needs therefore go to the local company for checking and approving, if there are a purchase order that matches, the case SSC can make the approval, where after it is paid.

The payment itself in the example is foreign payments, meaning that the payment goes out to a customer company's suppliers outside its country. The payment proposal is made by the case SSC by running a specific transaction, which gathers

all invoices that are ready and due for payment. After that the local company checks and approves it (or requests the case SSC to make some changes to it, if needed). When the proposal is approved the case SSC can go ahead and make the payment run and create the payment file, which is transferred to the corporate treasury. The corporate treasury is then consolidating the files from the different companies into one big payment file which is sent to the bank, from where the payments then goes to the suppliers. If the payment is domestic, the case SSC creates a specific domestic payment file and sends it to the local customer company, who then will transfer it to the local bank.

Travel expense handling is also one major process at the case SSC with high transactions volumes. The process includes the local company actions: need to travel, travel request, travel arrangements, travel approval and creating the travel expense report. At the case SSC, the checking and booking of the travel expense reports are the main actions. Figure 8 provides an illustration of the process and its work split between the case SSC and the local company on a high level:

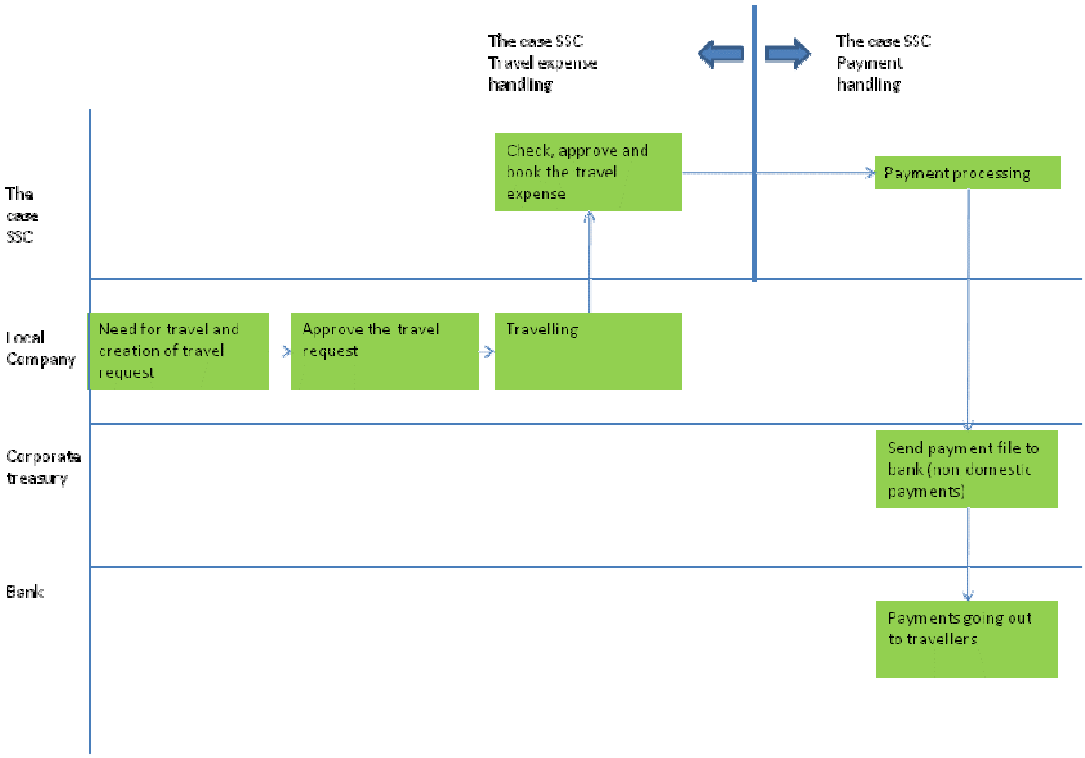

Figure 8. Travel expense handling

A smaller, but critical process partly done at the case SSC is the fixed assets and accounting tasks. Broadly speaking, the local company is responsible for having a need of assets or investments, and creating an investment proposal for it, getting it approved and then sending it to the case SSC. The case SSC checks the proposals and books them into the system and provides information back to the local company. Figure 9 is an overview of the process:

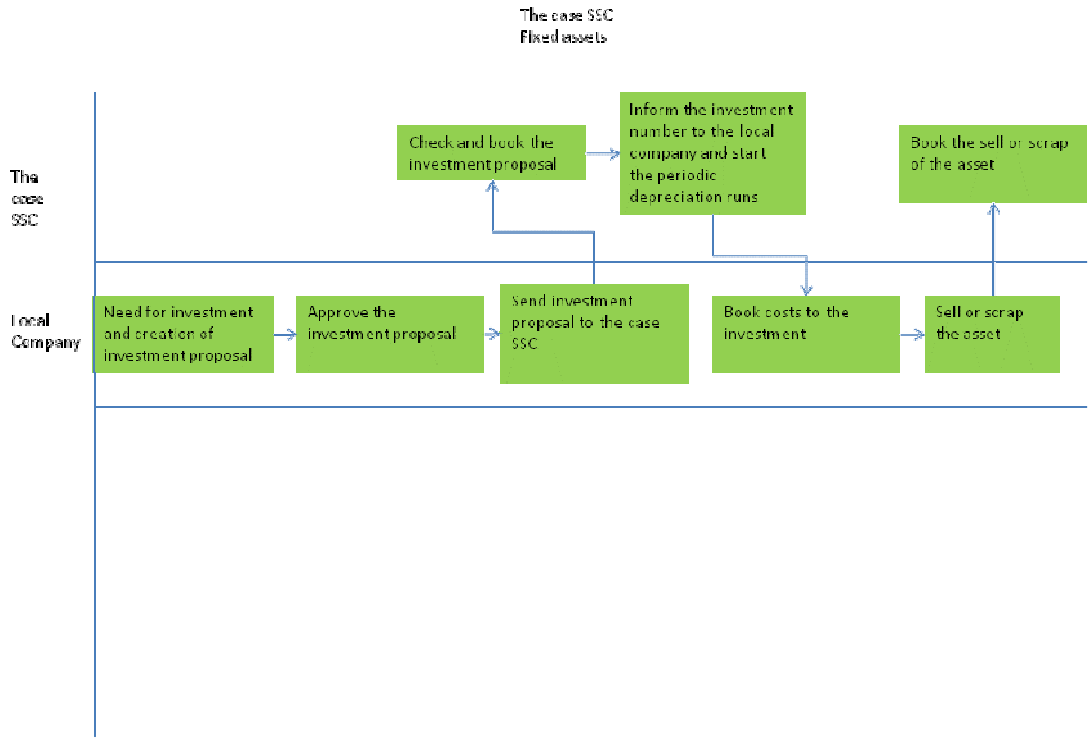

Figure 9. Asset accounting

The case SSC operations started in the year 2004. The roll-out to the case organisation´s companies happened in cooperation with a new ERP (SAP) rollout. This showed to be an effective way of ensuring the services to the companies in the long run, as the local company did not need to learn the processes in the new system, for the processes that the case SSC took care of. The roll-outs or migrations as they are called in the case SSC´s terms, where the case SSC takes over process services from different companies is a large effort in terms of change management, system issues and training and recruitment of new personnel. In the end, however, the case SSC managed to establish a stabile operations and process

handling to all the customer companies, even better with a increase in efficiency and already some cost reduction per transaction to the customers.

As the case SSC now operates on a good and stabile basis, the steps are to even further develop processes and tools, enlarge the case SSC´s service scope (more processes or other services to the customers), migrate the remaining companies (small and remote), possible new companies. (Case SSC internal documentation)
In addition to this, the case SSC needs a risk analysis and a risk management plan. As services today consist of many vital processes for the case organisation and also service on many processes are provided to the majority of the case organisation´s companies' total transaction mass. Thus, risk mapping and plans are very important to build at this phase in order to know what they are, how can they be avoided and what to do if the risks are realizing. The consequences for something affecting the processing of the processes could very soon have severe implications, if for example, the outgoing payment process would be stopped for some reason, the implications could be very serious in a short time. Depending on the time this would affect the salaries of employees, payments to suppliers and payments to other instances. Short term problems could be unhappy employees and missed cash discounts, but in the long run, if the problem persists also strikes and ruined supplier relations could be the outcome. As the example describes, a first small risk or problem can escalate, like a snowball effect to something much more serious, so a good risk plan should be in order.

5. Research Conduction

5.1. Workshop 1

The Plan (15.2.2010)

The first workshop will concentrate on identifying the risks that may affect the case SSC. The actual workshop will be divided into three smaller parts and the participants will be divided into three different teams.

The teams will be the following:

- Team 1: General Managers, HR, Period end and Asset Accounting (5 persons)
- Team 2: Accounts Payable and Travel Expense Handling (4 persons)
- Team 3: Payment Handling and Accounts Receivable (2 persons)

The logic of dividing the groups, as described, are mainly due to the people's area of expertise. The first group contains the General Managers, HR and fixed assets to start with. This is a group of persons that are experts in the area of managing the operations from a higher level with the important HR items included. The group has also expertise in the area of bookkeeping processes as fixed assets and period end closing. From this group the investigation expects to get risks related to the operations in total and to critical processes for the whole corporation in bookkeeping terms.

From second group consisting of accounts payable and travel expense handling managers, the target is to get risks related to "mass transactions" handling and the risks related to that. These managers are responsible for the transaction handling in the respective processes for the majority of the case organisation´s purchase invoices and travel expense reports. Expectations is that Group 2 will focus on risks related to these processes; If the processes are crippled or slowed down, what are the consequences, what can the case SSC do?

The third group, consisting of managers in charge of the incoming payments (accounts receivable) and outgoing payments (payment handling), deals with a mix of payments in and out from the case organisation. The expectations are to concentrate on the money flows and risks related in the process. The teams will start the workshop by brainstorming around the different risks that may affect the case SSC in some way. All the risks are to be documented by the teams in the order they discover them.

The second assignment per team will be to determine and document a good risk title, which is easily understood in the case SSC organisation and the case organisation as a whole. The other part of this assignment will be to make a risk description that will enlighten the risk more and, as a last step, categorize the risk, according to the case organisation risk management principles.

The third assignment will be to identify and describe what may cause the risks to happen. As the end result of this day there should be a complete list of risks and what is causing them as illustrated in Figure 10:

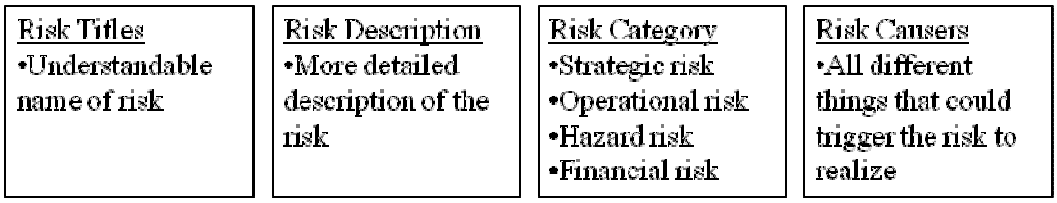

Figure 10. The case SSC risk titles, descriptions, categories and causers (The case organisation risk guidelines, 2010)

The risk title should give a good view of what the risk is about, but only be described with a few words. The risk description is to include more specific details about the risk, giving the understanding of what it is and what areas it is affecting. The risk category is chosen for each risk, based on the nature of the risk. The category strategic risk is including risks that may affect the case SSC and/or the case organisation, for example, in terms of strategic aspects, such as risks that

may cause legal problems, internal customer relationship issues or problems with chosen technical plans. The operational risks are more concentrated on issues with day to day operations in the case SSC, but also for the case organisation as a whole. An example of a risk is compromising the production at the case organisation, caused by the case SSC operations. Hazard risks are classical risks, such as fire and other accidents and financial risks are concerning risks that may jeopardise financial areas in the case organisation. These may be issues in the case SSC processes that are critical for the case organisation directly or indirectly.
Risk causers are describing what is making the risks happen or has part in their realisation.

Figure 11 presents the case organisation risk categories based on internal risk classifications inside the case organisation. Each risk is to be placed under the category best describing it.

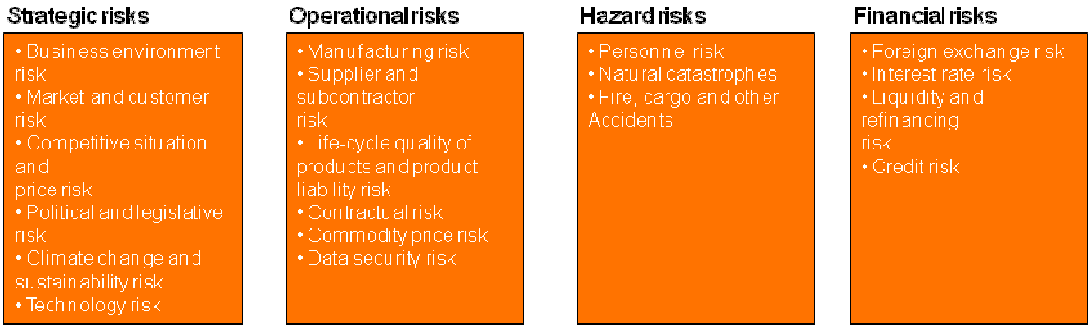

Figure 11. The case organisation risk categories (the case organisation risk guidelines, 2010)

Realisation (15.2.2010)

The risk management introductions, including the description of all the workshops, are sent out to the focus group one week before workshop 1. Also a XLS file is created (Figure 12) and sent out. The teams can fill in their answers on the file during the workshop.

Number	Risk Title	Risk Description	Risk Category	Risk Causers
1				
2				
3				
4				
5				

Figure 12. Risk notebook

Workshop 1 started at 08:30 a.m. as scheduled with all participants attending- The researcher gave a presentation including the whole risk management process and answered a few questions about how to fill in the items in the Excel file.

The first half of the session was used to brainstorm the risks that may be threatening the case SSC and the case organisation, as planned. A total of a hundred and five risks (105) were mapped during the brainstorming session. The risks were documented in the Excel files, with risk titles and descriptions as agreed before the session.

After the first session the researcher shortly summarised the risk number to the focus group and briefly re-explained session two of the day, where the focus groups would evaluate in which risk category the risks belongs and also what may be causing them.

Also in the second part of Workshop 1 the groups managed to place the risks in the different categories and also gave a high level explanation on what could be possible causes of the risks.

In total Workshop 1 went as planned and the objectives were reached. Time was however, a bit short, as five hours was used instead of the planned 3,5 hours and more would have been useful. The lesson learned is that a full day should have been reserved for the tasks in Workshop 1. One other feature to mention is that not all risks could be put in just one category, but in several. This was agreed during the workshop and the teams put the item multiple categories if the risk could belong to more than one category.

5.2. Between workshop 1 and 2

The Plan

Actions to be taken by the researcher between Workshops 1 and 2 is to sum up the final documentation of the material gathered by the teams and distribute it to the focus group, with a reminder of Workshop 2.

It was considered important to send out the material beforehand so that the focus group could think about the risks for a while before entering the second workshop. In this way everyone would have time to familiarize themselves with all the risks and have a better view point on things in the second workshop.

Realisation

All the risks were consolidated to one risk master list as planned. The total number of risks after consolidation, combining and removing doubles was fifty (50) risks in total. The distribution between categories was the following:

- Hazard: 3 risks
- Operational: 28 risks
- Strategic: 10 risks
- Financial and Operational: 8 risks

- Strategic and Operational: 1 risk

After this the consolidated risk list was sent to the focus group participants a few days before Workshop 2. One big change was that the researcher requested the participants to give the “severity” and “probability” points already before the workshop. The reason for this was to save time in the workshop, as there is also the task to evaluate the duration and impact of the risks and only 3,5 hours were reserved for the task.

5.3. Workshop 2

The Plan (24.2.2010)

Workshop 2 will consist of two main parts: the first one is to determine the probability and severity of the risks identified in Workshop 1. The second part of this workshop will concentrate on the possible losses and durations of the risks, if they were to realize. The first part will be an individual task per team member and the second tasks will be a team effort, with the same teams as in Workshop 1.

The first part of the workshop will determine the probability and severity of the risks, by distributing 1, 2 and 3 points to each member in the focus group. Each member of the focus group can then give his or her points to the risks he/she sees as the most severe (3 points to the risk most severe according to the focus group member, 2 to the second most severe and 1 point to the third most severe risk). After this part each focus team member will give points with the same logic to risks according to how likely the member sees the risk. If there are more than 20 different risks all team members will get 2, 4, 6, 8 and 10 points to divide on both categories.

The results will be placed out on a severity/probability chart (Figure 13), so that it is easy to see how severe the risks are and how likely it is for the risks to occur. Part two will focus on how much losses the realizing risks will cause for the case SSC or the case organisation and how long the risk could be affecting the

operations. The task will be planned and documented in the same teams as in workshop 1.

Example of severity and probability chart in Figure 13:

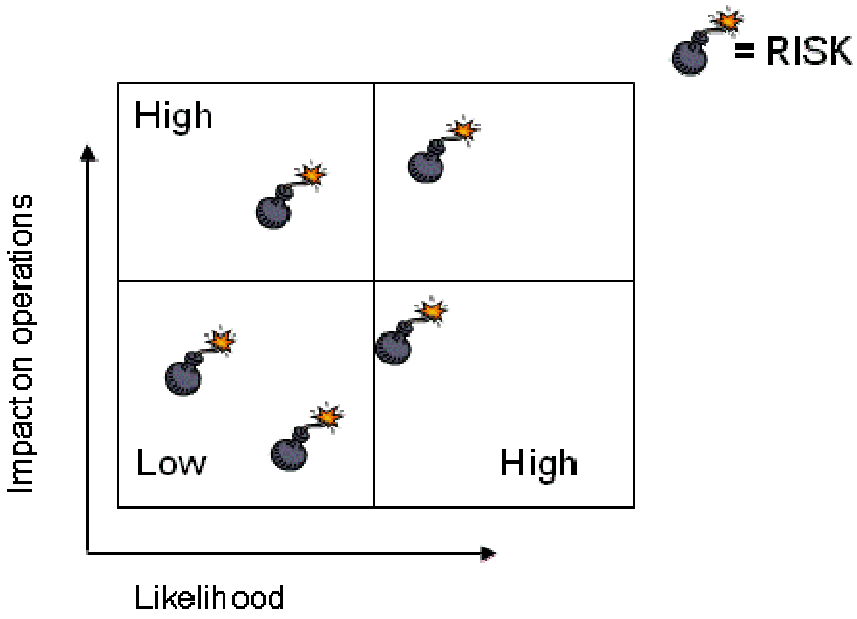

Figure 13. Risk severity and probability (the case organisation risk guidelines, 2010)

Realisation (24.2.2010)

As the number of risks exceeded twenty, 2,4,6,8 and 10 points were to be used for the task. Workshop 2 started at 08:30 a.m. as planned, but only nine (9) persons from the total focus group could attend four (4) out of five (5) persons from group 1, three (3) out of four (4) persons from group 2 and two (2) out of two (2) persons from group 3. One other divergence from the plan was that the persons had evaluated and given points to all the risks in both categories, instead of choosing the five top risks in both categories to give the 2,4,6,8 and 10 points. One additional difference was that the accounts payable managers evaluated the risks together and one evaluation was totally misunderstood, so it could not be used.

However, seven (7) evaluations were received, which makes the maximum number of points seventy (70) and minimum points are fourteen (14). The first hour of the workshop was used to sum the points and classify them as red, yellow or green risks.

The class of the risk was determined based on how many points each risk had; the critical limit was fifty (50) points, which was determined by the case SSC management team, as the maximum points was seventy (70) points. If a risk got fifty (50) or more points in both severity and probability, it was classed as a red risk. If either severity or probability breached the fifty (50) point limit, it was classed yellow and if both categories were less than fifty (50) points the risk was classed as a green risk.

After the risks had been classified, they were presented to the focus group. There was a brief discussion regarding the results and the focus group was mostly content with the results, expect for two (2) risks that scored under fifty (50) in both categories. The group saw these two risks as so severe that it was decided that both of them would need to be transferred to the yellow risk class. The first of the risks transferred to the yellow class was a possible strike in the case SSC. It had received forty eight (48) severity points, but the severity was seen as more critical, so it was transformed to a yellow risk. The second risk that was changed from green to yellow was fraud caused by external parties, which also scored forty eight (48) points.

As a result of the risk classes there were in total three (3) red risks, twenty two (22) yellow risks and twenty five (25) green risks. The second half of the risk workshop 2 went as planned; the focus group was divided into the three (3) smaller groups once again and the red and yellow risks were distributed amongst them depending on the risk and the area of expertise of the sub groups. After this, the sub groups used the remaining 2, 5 hours in determining the possible durations and losses that the risks, if realized, would cause or how long the effects would last.

As a summary of the second workshop it can be mentioned that the risks from Workshop 1 should have been sent earlier, in order to get the point evaluations from all the participants. Another remark is that the description of the point system should have been better explained, as the points were distributed to all risks instead of five (5) in each category of severity or probability. However, the point setting exercise can be seen as a success as the majority of the focus group gave points and it may even be better that points were given to all risks in order to get an even better perspective to their severity or probability.

The green risks were left in archive for the time being as there where so many risks and the red and yellow risks totalled twenty five (25) and they in turn will require heavy work in planning and launching actions to prevent or mitigate effects.

5.4. Between Workshop 2 and 3

The Plan

The actual chart of severity and probability and descriptions of duration and loss is to be finalised by the researcher and distributed to the focus group. Thus, the focus group members can better prepare for the third and last workshop for this survey.

One additional step between Workshop 2 and 3 is that the current risk mitigation, tools, risk plans or processes that mitigate risks, used at the case SSC or the case organisation are listed and mapped against all the identified risks. This is done in order to better understand what tools exist and what new means need to be developed for risk mitigation. The last documentation step for the researcher between the workshops is to categorise the risks according to probability and severity (Figure 14). The risk categories will be divided into three groups:

- Red risk: high possibility to occur and damage business seriously

- Yellow risk: high possibility to occur OR to damage business seriously
- Green risk: low possibility to occur and damage business

Example of the category logic in Figure 14:

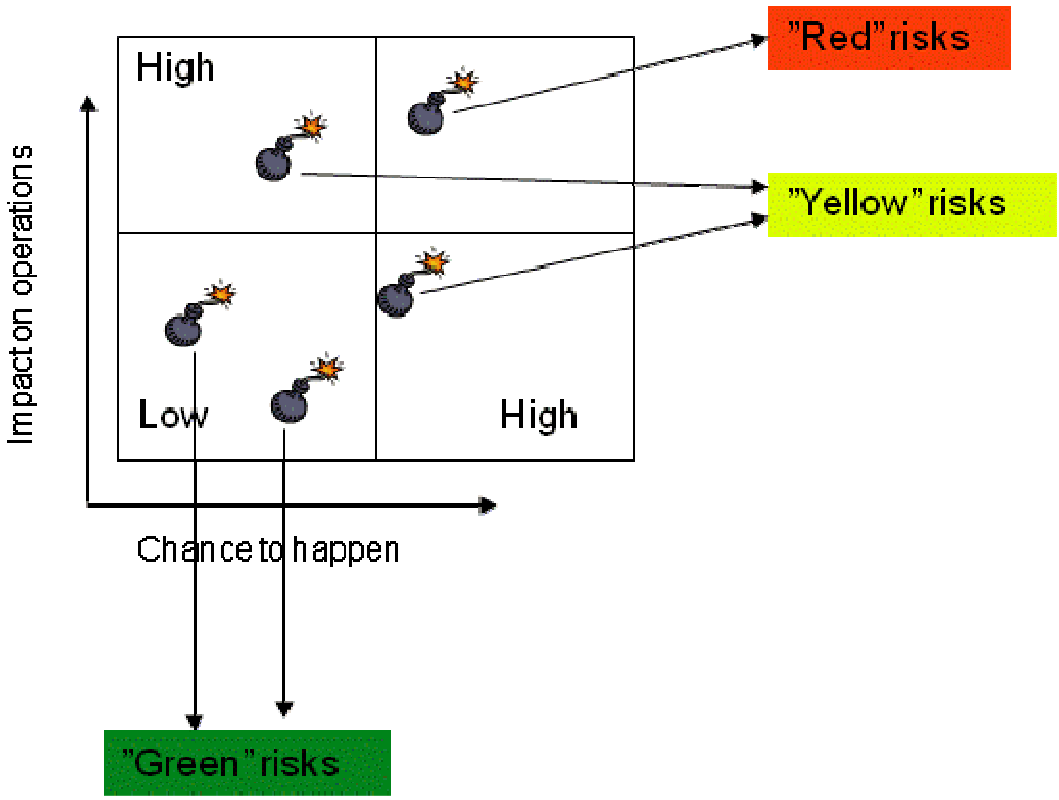

Figure 14. Risk category logic (the case organisation risk guidelines, 2010)

The scale of how many points is needed to get the risk on what place in the risk category scale is to be determined by the researcher, depending on the vote and point results.

Realisation

The biggest difference between the plan and its realisation is that the risk classes were already determined during Workshop 2, in order to there already know on which risks to focus. Another task done by the researcher in this phase was to once again consolidate all the new evaluations and descriptions into one file and send it to the participants before the next workshop. Further, current risks

mitigation tools and processes were mapped, but that will still need more work in the later parts of the project.

5.5. Workshop 3

The Plan (26.2.2010)

This workshop would start with a presentation of the current risk protections tools that are available at the case SSC and the case organisation. Here the focus group also needs to conclude which risks are covered with the existing tools and which ones need planning.

The aim of workshop 3 is to create plans to avoid or to mitigate risks that do not have proper tools or means from earlier. In practise this will be done in the following steps: 1) The focus group is once more divided in to smaller groups, the same groups as in workshops 1 and 2. 2) The risks on which the groups are to make plan proposals are given to the groups by the researcher, who has sorted them according to the group's line of expertise, e.g. purchase and travel related risks to group 3 (purchase invoice and travel expense managers). 3) All plans and other action proposals are to be documented by the teams, with clear descriptions of the plan itself, what is required for it to work and who would be responsible for taking the needed actions. 4) The last step in workshop 3 is that the teams present the risk plans to the whole group and provide the plans to the researcher at the end of the workshop.

Realisation (26.2.2010)

Workshop 3 started at 08:30 a.m. as planned with 8 participants. The researcher held a short briefing about the workshop´s agenda, which was to determine the existing tools for risk mitigation/avoiding, the needed tools or processes for risk mitigation/avoiding and the plans on how to proceed.

The focus group was once again divided into sub groups. In this workshop, group 1 consisted of three (3) persons out of five (5) persons, group 2 of three (3) persons out of four (4) persons and group 3 of two (2) persons out of two (2) persons. The entire time was used on determining the existing tools/processes for each risks and what possible tools/processes or means would be needed. In addition, the groups made broad plans on how to proceed with each risk, e.g. how to use the existing tools/processes more effectively or what tools, processes or perhaps measurements should be built or established. The sub groups focused on the same risks as they did in Workshop 2.

As a summary of Workshop 3, there was nothing to remark. The workshop went as planned and all red and yellow risks got mapped regarding tools/processes and plans. A final note of the workshops is that the focus group now really realised how many risks there are around the case SSC and the case organisation (related to the case SSC´s processes) and that it is really important now to get the newly created plans into motion.

5.6. After Workshop 3

The creation of action plans on how to realise the risk plans and how to manage them, using the material provided by the teams from Workshop 3 will be carried out, by the case SSC infernally (not part of the study). In addition, also the likelihood and possible consequences and duration of the risks need to be mentioned in this material. After this consolidation of material from the workshops the case SSC can have a good view of plans against risks and could put efforts in avoiding or clearly mitigating the risks and in the end make the case SSC or even, depending on the risk, the case organisation result even better. This task is to be made by the researcher and then presented to the focus group (the case SSC´s management team), where the action plans can be finally edited if needed and then approved.

6. Analysis of the Results

6.1. Analysis and Summary

A total of 50 risks where identified during the workshops

- 3 ”red” risks (6%)
- 22 ”yellow” risks (44%)
- 25 ”green” risks (50%)

The total number of risks, fifty, was quite a surprise among the focus group, much less was expected. Half of the risks where “green” risks and were not seen critical in that sense. However, another 25 risks will need attention, which is quite many, according to the focus group. As agreed, the red and yellow risks where further analysed and the following pages shall describe the results of the analysis and suggest further actions or state plans.

After analysing the risks it was determined that there are five risk categories in total for the case SSC (Operational, Strategic, Hazard and in addition two combined categories, Strategic/Operational and Financial/Operational. Figure 15 indicates how the risks were divided into the different categories:

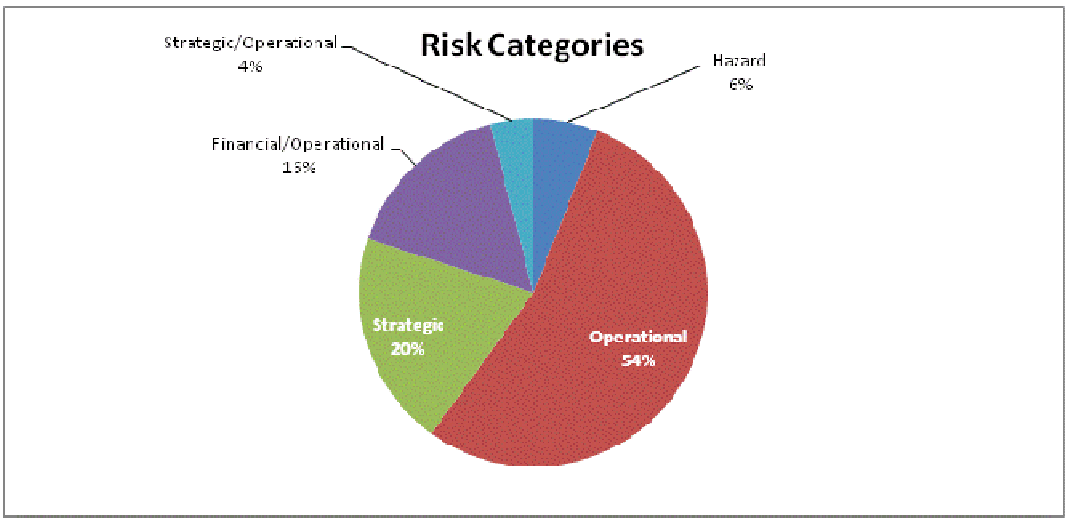

Figure 15. Risk categories

As shown in Figure 15, most risks for the case SSC are in the operational (27 risks in total) risk category, which seems natural, thinking of the field of work in which the case SSC operates. Also, the Strategic (10 risks in total) and Financial/Operational (8 risks in total) risk category was quite much re-presented. The least risks were found on the Hazard (3 risks in total) and Strategic/Operational (2 risks in total) category.

Figure 16 below illustrates the proportion of different risk classes within each risk category:

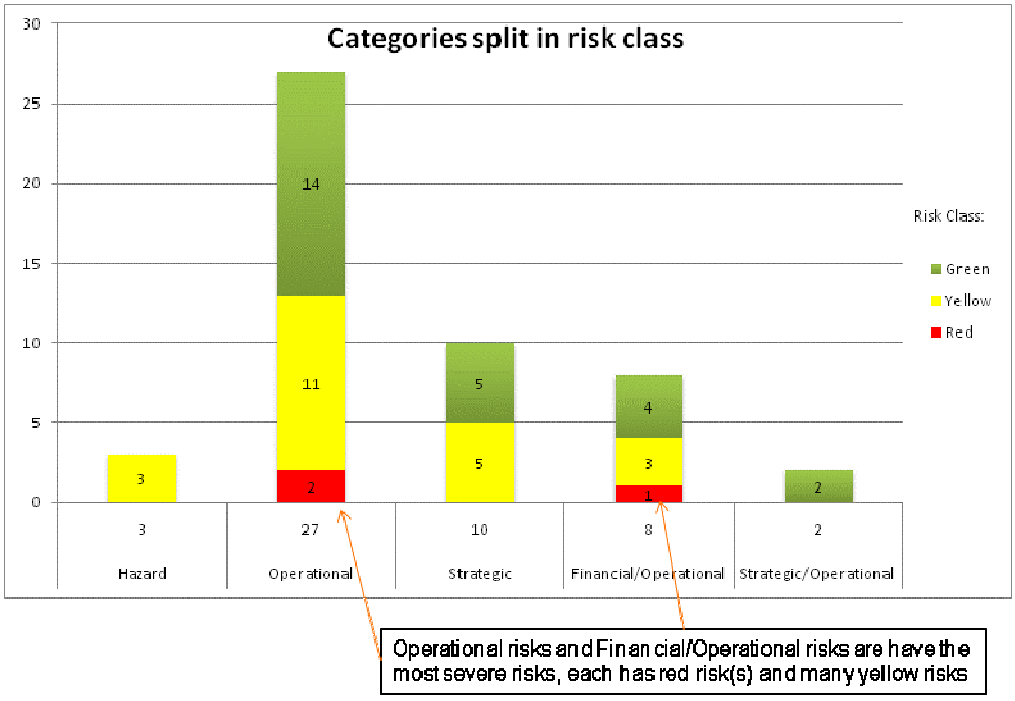

Figure 16. Risk category split

As stated in Figure 16, the operational risks and financial/operational risks are the ones with the most severe risks and will need special attention. Further as the data shows, the case SSC has several risks that need attention. The following tables provide a summary of the risks and action paths that could be taken in order to monitor mitigate and avoid these risks. The risks are presented in severity and likelihood order (1. Red, 2. Yellow – Green risks are not included at this stage).

The red risks are divided into technical risks and transaction volume & FTE (full time equivalence), due to their nature. The yellow risks are divided into personnel, processes and ”other” risks due to their nature.

There are three main **summarised** focus areas, as risk from the case SSC investigation are consolidated, depending on the nature(s) of them

- Losses & duration
- Existing plans or processes to avoid/mitigate
- Needed actions

6.2. Red Risks

6.2.1. Technical Issues

RISK	**Losses and Duration**	**Existing plans or process to avoid/ mitigate**	**Needed actions**
Software problems *(Points = Liekelihood:50 Severity:56)*	Lost working time, lost cash discounts, lost documents or other critical material, loosing customer satisfaction or trust	→ The case organisation standard support (helpdesk, CIP:s)+ Existing follow up meetings with IM	→ Clear process on how to act when problems with software → Clear plan regarding all critical applications needed when problems are occurring
Hardware problems *(Points = Liekelihood:52 Severity:56)*	Lost working time, lost cash discounts, lost documents or other critical material, loosing customer satisfaction or trust	→ The case organisation standard support (helpdesk, CIP:s) + Existing follow up meetings with IM	→ Plans needs to be made on each critical hardware on how to act if it

Table 1. Technical issues

Needed actions

Regular meetings with information management (IM) are a very important task to continue and maybe improve or update in order to minimise risks on the technical side. The meetings should include the following main points in order to be most effective (Figure 17). At the end of the meetings, action points should be agreed, with responsible persons and timelines.

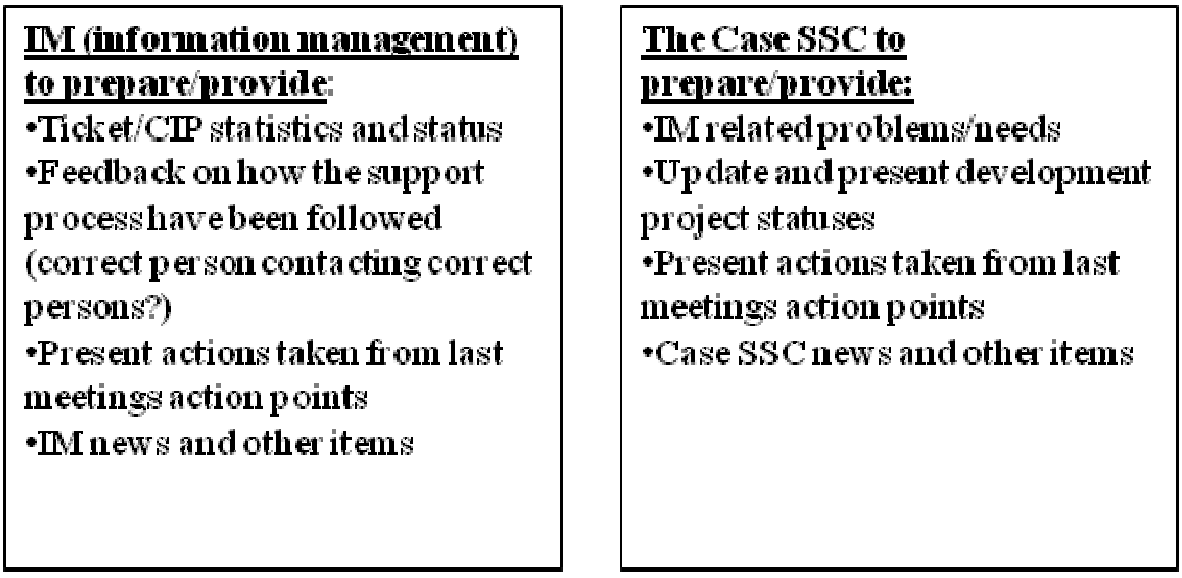

Figure 17. IM and the case SSC work split

Additional items that need consideration on technical items are:

- Application support document (document that describes responsibilities for application maintenance and problem solving). The support documents are important as they clear the process for different types of problems and errors
  - Re-check existing support documents for the case SSC
  - Agree what other applications would need a support document and create them
- New SAP releases
  - Re-check the existing test cases for each process/tool. Are they enough in order to make sure that everything is working as usual after a new SAP release?

  - Check the participants involved in the testing before the release. Check if they understand correctly what is done and what to look for.
  - The release notes (technical document on things that were changed in a new SAP release) needs to be checked if the case SSC understand them on a sufficient level in order to prepare for changes?
  - New technical development projects, important to make sure that the test cases for new applications fulfil the needs of release testing in the ERP system. This in order to make sure that when the ERP is updated also the new applications are still working.
- Hardware
  - When critical hardware breaks down (scanners, servers)
  - Clear processes are needed on how to act (responsibilities, issue paths) + needed to know how long it will take before broken hardware is replaced or repaired.
  - Check if the hardware could be included in the support documents, or get its own support document and process.

6.2.2. Transaction volumes and FTE

RISK	**Losses and Duration**	**Existing plans or process to avoid/ mitigate**	**Needed actions**
Volumes going up and down *(Points = Liekelihood:54 Severity:50)*	If transaction estimates fail and the case SSC has the wrong number of workforce and risk of late payments or too expensive transactions are possible	→Transaction estimates are provided by companies for one year ahead. →General volume follow ups per month and team	→Reliable lead-time tool for efficiency and volume (per employee) needed → Possible tool to be created for estimating the transactions →More frequent estimates from companies?

Table 2. Volume issues

Changes in transaction volumes

The transaction volume changes or bad estimate versus the actual number of transactions are one of the biggest problems the case SSC faces today. If the estimates fail, the case SSC has either too many persons or too few persons to take care of the transaction volumes. Too few members of staff will cause severe delays of transaction work, which in turn will cause late payments to vendors and employees (travel costs). Too many persons handling the transactions causes foremost expensive transaction costs for the companies as prices are calculated by dividing the personnel cost with the number of transactions. Also, personnel motivation may suffer greatly if they have either too much or too little work.

Today the case SSC gets yearly estimates from the companies and also team by team follow-up is running. This is, however, not enough. The yearly estimate from the companies can be quite wrong due to changes in business operations or changes in the market situation.

What needs to be done is to discover a process on how to get more reliable estimates. One solution could be that the case SSC has more frequent estimates from the companies during the year, or possibly even meetings that only focus on this. Another solution could be that we create tools into the system that could help the case SSC estimate the volumes on better accuracy. As an example, if the case SSC could monitor the number of purchase orders done, in an effective way, it could help to give estimates on shorter periods of time. This could also be supported by an ongoing purchase to pay project in the case organisation and the issue should be presented there as a development idea.

6.3. Yellow Risks

6.3.1. Personnel

RISK	**Losses and Duration**	**Existing plans or process to avoid/ mitigate**	**Needed actions**
Accountants in the case SSC strikes, all or partly *(Points = Liekelihood:30 Severity:48)* Lifted to yellow risk by the case SSC management team	Risk of late payments, missed cash discounts, vendor relations may suffer etc…	Follow the news, HR information	→ More detailed plans on what to do in case of strike
Changes in organisation at the case SSC *(Points = Liekelihood:54 Severity:34)*	Causes uncertainty, may cause ineffectiveness for a time	None	→A communication plan should be created
Rumors spreading inside the case SSC Personnel are envious on each others, due to salaries, positions or other reasons *(Points = Liekelihood:52 Severity:24)*	Wrong information --> reduces employee satisfaction and work environment --> work efficiency	Dr Feel good, Development discussions and Other surveys	→Plan about information sessions →Team meetings →Open discussion with superior →Ensure that right people in right positions →Management training
Employee satisfactions decreases due to; too much work, unfair work load inside teams. Can also trigger from other risks, such as organisational changes, rumors etc… *(Points = Liekelihood:48 Severity:50)*	Loss of good people (knowledge) Efficiency Development ideas Spirit Decreased reputation of good working place	Dr. Feel good Development discussions	→Better workload balance, lead-time reports needed →Better follow-up →Communication of development ideas →Accurate information of organisational changes

Table 3. Personnel issues 1

RISK	Losses and Duration	Existing plans or process to avoid/ mitigate	Needed actions
Fraud - one or more persons at the case SSC make use of their authorizations and positions in order to gain money/information illegally *(Points= Liekelihood:22 Severity:56)*	Financial losses, trust, respect and credibility losses, time losses information to competitors	→Authorizations, split responsibilities, approval process	→Process for controlling authorizations →Process Control points! ***→Check approval process, especially in new projects***
Burnouts, sick leaves, accidents, epidemics, drug/alcohol abuse. Can trigger from other risks, such as workload *(Points = Liekelihood:44 Severity:54)*	Financial losses due to absences. Long absences may cause snowball effect i.e. workload gets too heavy	→Health checks, health care related projects, company supports different kind of clubs and sport activities →Support for alcohol/drug abuse →Vaccinations →Preventive actions for accidents	→Plan how to handle alcohol/drug abuse and other sensitive matters →Plan how to handle other risks in order to avoid this?
Back up persons: skills, Authorizations work load, willingness *(Points = Liekelihood:48 Severity:50)*	Capital, credibility, knowledge, quality, efficiency	→Back-up plan, company specific instructions	→Better back-up system, multi skill back-ups etc…

Table 4. Personnel issues 2

RISK	Losses and Duration	Existing plans or process to avoid/ mitigate	Needed actions
Poor skills of local company, and in the case SSC when new company joins the services *(Points = Liekelihood:50 Severity:40)*	Work time is lost, error risk increase, if the necessary checks or controls are not done by the local company Also possible double work - same things checked both by the case SSC and local company	→Migration process and Steco	→Process needed to understand the skill level → More training or visits can be arranged, to avoid problems in the beginning →Alternative new communication ways with local companies?

Table 5. Personnel issues 3

Strike at the case SSC

- Plan needed for strike:
- A communication plan needs to be made
- Include the critical data:
    - Planned duration of the strike
    - How the work is done during the strike
    - Who to contact for more information
    - Other critical information
- Decide when the communication is sent, how and by whom
- Interested groups whom to send the information
    - Companies
    - Vendors
    - Corporation
    - Banks

- Follow up information during the strike needs to be taken care off
- Who can take transaction processing actions in the event of strike,the case SSC management team?
    - Do the back-ups have knowledge, authorisations?
- In what order should the work be done under a strike?

  - Due dates cash discounts etc…
- Plan on how to continue work after strike
  - Check critical items
  - Check working overtime possibilities
  - Temporary workforce? Manpower etc…?

Rumours, envy and job satisfaction

A severe enviousness is poison to the work community and decreases the work efficiency and skill. Enviousness also prevents constructive cooperation, learning and professional growth and development. In worst and most destructive working place enviousness cases, the enviousness takes form as heavy working place teasing or bullying. However, there are means to outline and interact with the enviousness and even turn it to a power source. One of the key reasons for enviousness at a working place is the need to be noted and get credit from others. Enviousness is fed by things that we see important for our own self respect and things that brings happiness to our lives. Feelings like anger, guiltiness and shame are often connected to enviousness. When the enviousness gets out of hand, it often results in destroying the other employee's good feeling. Therefore, enviousness is often seen as wrong in moral terms and it is often hidden; even from one self (can be difficult to spot). (Insinöörilehti.fi)

The heavy competition often at large in today's companies is a common environment for enviousness. Types of organisations with enviousness:

- A bureaucratic and hierarchical organisation, which points out rank is a common environment where enviousness flourishes
- Also an organisation where organisational changes are common, enviousness lifts its head, due to the uncertainty in the employees minds.
- A greedy organisation is also a good platform for enviousness, in this form the good is not distributed among employees, but

everyone tries to get all the good themselves, without caring about the others.

    - The organisation´s purpose and the common goals get clouded.

– An organisation that tries to be fair with everyone, in order to mitigate the enviousness. These organisation forms do not seem to work as the enviousness is located in the minds of people, not in reality.

    - An organisation that tries to make everything fair and equal is preventing creativity and talent to develop – potential of people is getting unused.

A key factor in dealing with enviousness seems to be that the organisation is able to share positive aspects (such as responsibility, positions, bonuses), amongst the employees on a fair level. Also giving recognition to good work is important and a fair and encouraging salary and bonus system is also very important

When a person feels that he/she is treated fairly and the person´s strengths are recognised, he/she most often wants to deal out of the good to others as well – a grateful person is not envious! (Insinöörilehti)

Enviousness - how could it be managed at the case SSC?

The first thing would be to identify how severe enviousness the case SSC faces, for example

– What are people envious about?
– How widespread is the enviousness?
– How does it affect the case SSC effectiveness?

The next step could be to compare the case SSC with the negative organisation mentioned in the theory, for example

– A bureaucratic and hierarchical organisation
– An organisation where organisational changes are common

- A greedy organisation
- An organisation that tries to be fair with everyone

Does the case SSC belong to any of these, or partly to several? If the case SSC does, maybe it should be investigated if the case SSC is affected as the theory states (Insinöörilehti). Finally a plan on how to change to a less enviousness environment needs to be created.

Job satisfaction at the case SSC

In addition to the previous concepts mentioned regarding enviousness the case SSC could identify the root causes of the possible low job satisfaction of the case SSC employees by interviewing them in order to identify the areas that cause low job satisfaction. If the case SSC can understand what bothers the personnel at the case SSC, the organisation could device some strategy on how to increase job satisfaction. Of course the case SSC could ask what people are dissatisfied with at work in the appraisal discussions, but it may be that many do not tell or do not even recognise what is wrong. Therefore the following areas could be asked directly:

- Does a co-worker nag at you?
- Is there any conflict with supervisor?
- Is the pay to low considering what you do?
- Do you have good enough tools and resources in order to succeed in work?
- Do you see that you have enough opportunity to be promoted?
- Do you feel that you have enough to say in decisions that affect you?
- Do you fear losing your job?
- Is your work boring, to routine?
- Do your education, skills or interests match with your work?

(Mayo Clinic)

By combining the investigation of what makes people envious and an understanding of job satisfaction, the case SSC should be able to improve the area

of enviousness and job satisfaction and at the same time also decrease the need for negative rumours.

Fraud by the case SSC personnel

Fraud by the case SSC personnel would be a serious blow to both the case organisation and the case SSC; large amounts of money or information could get lost and not the least damage the case SSC´s credibility. The ongoing internal control point build is important and it needs to be confirmed that the case SSC can cover the fraud possibility as well as possible. Another big area which the case SSC needs to pay attention to is the authorisations regarding the processes. This is very important in order to make sure that only the correct people have the correct authorisation for making payments, approving purchase invoices etc.
What needs to be done is:

- Complete mapping of the authorisations, who has what? (For example: Several persons have transferred inside the case SSC, have the old authorisations been removed?)
- Clean existing authorisations, so that personnel has only what is needed to perform the work
- Create a process to follow the administrating of authorisations (transfers within the case SSC, transfers within the case organisation, new persons coming into the case SSC from outside, persons leaving the case organisation and persons on longer leave – such as maternity leave) + agree on who is responsible and who/how this is monitored
- The case SSC should also list all persons outside the case SSC who in the local companies have authorisations related to our processes which they do not need and remove them
    - Important is also to check former case SSC employees that have moved to other duties within the case organisation – do they still have the case SSC role authorisations?

Health issues at the case SSC

Health issues are to be taken seriously, as replacements may not be easy to find when there are health problems among the personnel that require long sick leaves. A clear mapping of personnel and replacement plans are needed. Below there are listed some examples of questions that need to be planned for each position.

- How fast does the case SSC need a replacement for a specific position?
- How fast can the case SSC get the replacement for the position?
- What skills are required for the position?
- How long can the case SSC use temporary replacement?

After the personnel mapping a plan on how to mitigate the possibility of health problems needs to be made, with the help of existing plans in the case organisation and processes regarding health promotion.

Back up at the case SSC

Many things from the health issues relate to the back-up capability at the case SSC, but also other things can trigger the backup need. A good back up plan is needed; existing plans should be checked and updated if needed. Can the case SSC have a long term plan on a more multi-skilled workforce with the following goals?

- Persons to master more processes and tools, process and tool training?
- Possibility for more personnel to take care of more foreign language transactions, language training?

The case SSC training, when new customers are joining

This area has been a problem at the case SSC, because it has been clear that many times the newly hired accountants have not been able to serve the new companies on a good level from the start, due to lack of training or enough experience. The main problem has been for the case SSC to get the people hired in time as the

migrations of new companies to the case SSC have been done at a very high pace and the requirements for the personnel have been quite complex, as the case SSC is serving companies globally.

Here it could be possible to check the old process on this and analyse what mistakes have been made and if there is something to improve in the migration process and/or the normal training that the case SSC provides to the new employees. On the other hand migrations should decrease, but if the case SSC gain more processes this could again become a problem if not planned carefully. Thus, a plan needs to be created on how to employ new employees in time and train them in time to use the tools and understand the processes. It is also important to include them into the migration work itself in order to make them familiar with the new customer. This issue could also benefit from multi-skilled personnel, presented in *back-up at* the case SSC.

6.3.2. Processes

RISK	Losses and Duration	Existing plans or process to avoid/ mitigate	Needed actions
Process are not harmonized and take more time and resources *(Points = Liekelihood:64 Severity:40)*	Capital, time, efficiency, development possibilities, advantages of harmonization	→P2P project, →Payment accuracy →Travel optimization project →Payment handling project	→Make sure that correct management support is in place and will to do the projects
Loose early payment discounts or pay late invoices *(Points = Liekelihood:54 Severity:46)*	Capital, creditability	→ CASHDISC (report on monthly level) →Accountants prioritise vendors with early payment discounts	→Software to support recognition of early cash discounts. →Local companies to improve process of approving invoices and improving quality of purchase orders → P2P project!
Paid to much/ little, too early or too late *(Points = Liekelihood:40 Severity:50)*	Capital, credibility	→Local approval before payment is done	→System to be upgraded to support this – and improve the process
No end to end process development (Points = Liekelihood:52 Severity:40)	*Capital, credibility, quality, efficiency, productivity, time, cooperation*	→*P2P project*	→*More end to end process thinking and ownership needs to be promoted* →*Training should be given from process perspective – what happened before and after my task?*

Table 6. Process issues

Global Process and end to end processes at the case organisation

The problem is that the case organisation does not have end-to-end process thinking in place and no current strong will for it. With an end-to-end process one means the whole process, for example, purchase to pay. In the purchase-to-pay process all processes are included starting from the sourcing process and ending at the payment process, where invoices are paid to the suppliers. Within purchase to pay process there are the following main processes: sourcing and vendor selections, purchasing, goods reception, purchase invoice handling and payment handling. The exception in this case is the newly started purchase to pay project. Hopefully the project will be a good example for such thinking. The purchase to pay project is focusing on developing the whole process from purchase requisition and vendor strategy all the way to the payment of purchase invoices.

The case SSC is in a good place to give suggestions to further end to end processes, as the case SSC often sees the benefits, due to a central role in many parts of the possible end-to-end process chains. Strong end-to-end processes would bring most effective processes for the case organisation and would serve the one face to customer and supplier alike. Strong end to end process would also impact the global way of working and would have huge potential in harmonising the way of working, to be the same in all the case organisation´s locations (direct positive impact on global response times and central functions, such as the case SSC).

The suggestion on this point is that the case SSC continues its active role in the current end to end process project and continues to promote more projects and thinking in this way, for the good of the case organisation as a whole.

Lost cash discounts/paid too much, too little, too early or too late

Problems in lost cash discounts/paid too much, too little, too early or too late causes loss of money and also credibility of the case SSC suffers. Strong end to end process where the whole process of purchase to pay would be closely

monitored would have a good impact on this. The purchase to pay project may be a solution here. With the current purchase to pay process, there are so many different ways of working that it is very difficult to maintain a good level of correct payment accuracy.

Some examples of today's problems:

- Poor invoice approving discipline, invoices are approved too late and thus paid too late.
- Global processes are not followed.
- Supplier data is not correct and updated.
  - Payment terms between invoice, order and frame agreement is not the same. Different views exists inside of the case organisation on what payment term to follow.
- Orders are not updated according to order confirmation.
- Errors done by purchaser or accountants at the case SSC, due to lack of skill or knowhow in the process or end to end process.

Mostly these things belong to the scope of the purchase to pay project, so the main point is to make sure that the improvements agreed in the project are also implemented. Further, it is important to make sure that an effective forum for the purchase to pay process is established after the project, which could monitor that the end to end process is followed and further development is made, taking in to account the whole case organisation and all the processes within purchase to pay.

An additional need to improve the correct payment accuracy is to implement a new tool for the purchase invoice handling. The current tool is old and does not have the needed development capabilities. The tool needs to be developed to become more end user-friendly and it needs to be able to give a better big picture of the invoices, so that the invoices due or due for cash discounts could be prioritised more easily.

The new tool should also be able to give lead time reports, from where the case SSC and the local companies could find possible bottle necks in the purchase

invoice handling part and take immediate actions to reduce or solve the noted problems. The tool should also provide important measurement reports (the measurement targets will be set by the purchase to pay project).

6.3.3. Other Risks

RISK	**Losses and Duration**	**Existing plans or process to avoid/ mitigate**	**Needed actions**
Documentation quality and availability *(Points = Liekelihood:56 Severity:24)*	Lost working time, customer satisfaction,	→Company specific material is process managers responsibility →Document system structure	→Instructions and rules that covers all the case SSC documents
Can outsourcers or other SSC:s make the processes more efficient? *(Points = Liekelihood:24 Severity:54)*	End of the case SSC operations?	→Strong development approach →Good customer care process	→Make sure that good developments are done and rolled out →Make a customer care process and portfolio (internal CRM)
Big projects, small resources, management and customer support *(Points = Liekelihood:26 Severity:52)*	Lost development effort, lost working time More money spent than planned - higher budgets/costs	→ The case organisation`s project guidelines include risk management →Project follow-up and participation in steering committees	→Re-check the case SSC project process, make changes if needed and follow the process →Ensure management support – use more time on communication

Table 7. Other risks 1

RISK	Losses and Duration	Existing plans or process to avoid/ mitigate	Needed actions
Fire *(Points = Liekelihood:6 Severity:60)*	Equipment, personnel	Check Wartsila plans	Follow and communicate real estate plans on this
Abuse or fraud by externals: Fake invoices Abuse of travel receipts Abuse of the case organisation / the case SSC data and/or knowledge Etc. *(Points = Liekelihood:42 Severity:48)* Lifted to yellow risk by the case SSC management team	Capital, time, efficiency, trust, credibility, sensitive material to competitors	--> Approval system	→Plan needed + control points →What have the case SSC learned from fraud attempts so far?

Table 8. Other risks 2

The case SSC Documentation

Good document quality is a basic need in order to maintain a good and functioning global process. The case SSC has quite a good discipline on document layout and responsibility. However it needs to be gone through and determined if the current documentation process is good enough or if something more is needed.

Outsourcers that provides services in the field of the case SSC

Are existing service providers offering more efficient and better quality services than the case SSC? This is a valid issue to investigate in order to know the current level where the case SSC should be, how high quality is possible to provide and at what cost. New benchmarking material is needed from other shared services, both external and internal (other corporations than the case organisation).
When the data is available, the following should be done:

i. Analyze the material.

ii. Determine what is the highest efficiency and lowest cost that is possible to achieve with the processes offered at the case SSC.
iii. Check if existing development projects can take the case SSC to the targets and if more actions are needed in order to obtain the best performance.

One other suggestion related to how to mitigate the risk could be the building of an internal customer care system (CRM). If the case SSC should have a working customer care system for its customers, the case SSC could effectively know what the customers would want and also gather valuable development ideas in order to improve its operations. An important add-on to this could be that the case SSC would have account-managers who would be responsible for certain customers and have the updating and maintenance task for them in the customer care system.

Big development projects by the case SSC

The case SSC often establishes and drives quite big and complex development projects with global coverage. The main risk with these projects is often funding. Some projects may require a lot of funds such as new tool projects. Other risks are the change management work and management support, even when the case SSC is trying to develop better working processes it may be hard to make the end user see the benefits. They often see it as a necessary negative thing when they need to learn something new and do not feel comfortable with that. The final main risk is the resources in terms of people that are needed in the projects. Often persons from various business units, information management as well as the case SSC are needed in order to complete the projects successfully and the case SSC is not the only one running the projects. As a result sometimes the resources become somewhat limited, when many projects need the same persons and they also have their day to day work to take care of.

What could be done is that the case SSC could re-validate the project process that is in place and put focus on the items listed above. Planning needs to be improved

so that communication on the changes to the correct people is made stronger in order to develop change management and improve management support. Also, better risk plans needs to be implemented in the projects in order to avoid risks. Good risk identification may also point out some useful and valuable practices to be implemented in the projects that would not otherwise be noted. The final important thing is to improve the cooperation with the information management in order to ensure that the case SSC gets the needed resources from there, as they are participating in almost all the projects driven by the case SSC.

The internal resources from the case SSC side could also be booked and chosen more effectively, a system of picking the correct resources from the case SSC needs to be made. Also better estimates of how much of the resources time is needed should to be done. This is very important for the line managers, who need to plan the day to day work at the case SSC. The projects should not interfere with it so that quality suffers.

Abuse or fraud by external parties

Abuse or frauds made by external parties against the case SSC are very severe threats. They can result in big money losses or information losses for the case organisation and would very seriously damage the case SSC´s credibility as a financial process provider.

A good development under work is the internal control points. In this project the case SSC should make sure that the external fraud possibility is handled as much as the internal risks. Also a total plan on how to monitor and avoid external fraud attempts needs to be made, examples of earlier fraud attempts needs to be analysed in detail and conclusions must be made on how they were discovered and dealt with.

When plans of the processes are ready, the case SSC and local company personnel should be trained as needed. At this point it is also important to consider the

possibility of a fraud. Where both external parties and internal parties work together, the process and training should cover it. Also the internal control points in the process should take this into account.

6.4. Next steps

As all the risks are now identified, categorised, analysed and further actions are evaluated, the next step is to launch the process on actions to mitigate or avoid the risks, deal out responsibilities and agree on the monitoring of the risks. As in the process of analysing risks for the case SSC, the case organisation process of risk management has been followed to a large extent in the whole thesis, also the risk follow up process is to be used at this point.

In the case organisation´s risk follow up process certain risk-cards (Appendix, 2) are used for follow up and presenting the risks. In one risk card the risk is described and the following data is included:

- Risk name and description.
- Owner of the risk.
- What the risk may cause if realising.
- What tools and processes are in place to avoid, mitigate and monitor the risk.
- What developments are planned or under work to further mitigate the risk or its possibility to manifest.
    - Who are driving the development.
    - What are the next actions and their status.
    - Deadlines and comments.

This is a good way to have a simple and an effective way of monitoring the risks and developments regarding them. The risk cards can be included in presentations easily for different needs.

As a suggestion to the case SSC management team this thesis would like to suggest that the risks mapped in this thesis would be moved to the risk cards: Further, the ownership of the risk cards should be divided to the appropriate members of each risk within the case SSC management team.

Another suggestion is that the management team agrees on a risk coordinator within the case SSC management team, deciding who is to monitor and coordinate the total risk work and report and be in contact with the risk manager of the case organisation. The final suggestion is that a “risk year clock” (Appendix, 3) is established, which includes all the main happenings in the risk monitoring process, such as meetings, reviews and reporting risks to other interested parties such as customers, information management, human resources or corporation.

7 Conclusions

7.1. Findings and discussion

Risk management is a fairly new process for use in the wider scope of different organisations. Previously it has mostly been concentrated to a limited area of activities, such as the banking and insurance area. Quite many risk theories concentrate around banking and insurance areas, which are also the classic areas of risk management. However, risk theories and examples can be found and by combining theories and the case organisation risk guidelines a good process for risk analysis could be made for the purpose of the thesis. Risk management seems to be a growing area for all kinds of organisations and enterprises. Still much of the risk management and working risk processes take place in the banking and insurance area. However, as stated, in recent times risk management seems to have been recognised as an effective way of avoiding risks and improving results for any organisation. Also, this investigation indicates that an organisation can really see the benefits of identifying the risks and creating good plans in order to avoid or mitigate them. It needs to be mentioned that it is very important to have a strong follow-up process after the actual analysis in order to gain the benefits from the analysis. If this is not taken care of, the analysed risks may be left just as an analysis. This is, of course, a risk in any analysis today. If there is no decision of action plans and responsibilities after an analysis, the issues tend to be forgotten quite fast.

Other interesting facts of a risk analysis are that it often reveals hidden possibilities; by mitigating risks there can be new opportunities to be gained after a certain problem has disappeared. Also, direct benefits may be found during the risk identification phase itself. As a conclusion of this investigation the researcher believes that risk management is a very powerful tool indeed for the case SSC, but also for any other organisation. What could have been the best scenario for the case SSC would have been to make this exercise already in the first year of operations and then a new analysis could have been done at the time of this

survey. That also brings us to the importance of carrying out the risk identification on a continual basis, possibly after every five years or when some structural changes take place – in the SSC case for example, when new services are added to the scope, or some other structural change is implemented.

7.2. Quality of the study

By combining the different methods found in theory and in the case organisation risk management guidelines a quite generic way of identifying and analysing the risks was created in this thesis. The process itself presented in this thesis would be a good starting point in risk management work for quite a large range of organisations, especially financial shared service centres, as the analysis takes into account the vital and relevant areas of a service centre. But also other departments within the case organisation could use this investigation as an example when starting up risk management operations, as the thesis/process also follows the case organisation guidelines. Especially other centralised internal service providers, such as centralised information management or a centralised sourcing department, could by all means use the process developed in this investigation in order to start up risk management processes and functions. The thesis is good evidence that the process was very suitable as it managed to identify all the risks around the case SSC and the case organisation in total via the case SSC.

The combined theories that were used in the investigation gave an excellent structure for making the risks analysis within the case SSC, the different parts were clear and good communication of what was needed in each work shop was given, which made the workshops very effective, as the focus group knew what to expect from each session. Communication was actually a key success factor in the survey, as it is in any project. With the help of good communication both before and after different workshops, the focus group felt that they knew what to expect before the sessions and also got feedback and summaries in form of documents and brief info sessions. Feedback sessions were important in order to give the

information to the whole focus group about the total results from each work shop, so that everyone knew the complete situation at all times.

The categorising of risks was also found as a good way to separate different risks in order to understand the whole picture of which areas was effected in which way. The case organisation risk categories included; Strategic, Financial, Hazard and Operational risks served the purpose at the case SSC quite well, even if some risks gained their own category groups with a combination of two category groups mentioned. It could have been good to make separate category groups for the "double category risks", but with the tight time frame of the actual investigation the chosen path still serve the purpose.

Another important key factor in the analysis phase was the grouping of risks according to how severe and likely the risks are. That gave a good view of which risks the focus group should concentrate on. This fact is a good thing as the case SSC focus group unfortunately has limited time to act on the risk management work. As the thesis concludes 25 of the total 50 risks were taken into more consideration, that too will be challenging to cover with the limited resources, but the most critical risks will be covered and the case SSC has time to act on other risks in time. To make this kind of prioritising of risks is very important for any organisation as it gives the picture of the risks and their importance order so that resources and efforts can be steered efficiently according to that. Very few organisations have the luxury of focusing on all possible risks, and therefore it is good to know the importance level, so that the more critical risks can be secured. The organisation can always work on the minor risks later on.

The actual follow up of the risk management process and its working process is the last area of the thesis and also a very critical one in order to use the findings from the analysis. The thesis only describes how the process is to be done after the investigation itself as the scope of the thesis was mainly to analyse and group the risks with suggestions on how to do mitigation work on the risks. Anyway, the theses took in account to give the best means for the focus group to continue the

work with a complete process of the risk management and the focus group continued the work with transferring the risks to the risk cards and agreed on responsibilities and follow-up, which is also solid evidence that this investigation was a success.

7.3. Suggestion for further research

The case SSC will have a strong starting point of risk management with the help of this research. This is, however, only one part of the whole picture. Therefore, in addition and as a complementary to the suggestions in chapter 6, the researcher would like to point out that it would also be beneficiary to continue the research within the case SSC looking into the total quality aspects, as risk management investigation only covers it partly. Even though the risk investigation gives a good overview of the quality issues that need attention, a complete quality analysis would be important in order to gain the maximum benefit of the risk and quality aspects. A total quality analysis should be done to identify the quality areas and categories within the case SSC that need to be reported and monitored, a process would need to be set up to take actions on quality aspects and a solid reporting to management would be needed. As a last step within the case SSC the risk management process and a possible quality management process should be aligned to be one function. On a high level such a combined model would reveal new risks via the quality process and the risk monitoring and risk mitigation work would “patch” and repair quality problems.

One other area that needs further research is the risk areas that link to the other parts of the case organisation than the case SSC directly. A risk research and analysis in cooperation with the case SSC and other parts of the case organisation linked to same risks should be done in order to understand the risk at the same level and then create action plans in cooperation in order to mitigate these kinds of risks in the best way. A good example of this is the risk of losing cash discounts, as invoices are handled in the case SSC and good cash discount collection is one big target for the case SSC, but the cash discount loss itself is affecting the different business units served by the case SSC. These cross-unit surveys could

also include the end-to-end processes in total. As also this investigation indicated, there are problems somewhere in the whole process which makes it slow, even if those parts of it are working well. An example on this could be the purchase to pay process, which includes all process from sourcing to payment. It could be that only a few processes within the total end-to-end process are working well and the others do not work well, which will lead to late payments and damaged supplier relations. If these end-to-end processes were investigated together in the case organisation and problem areas could be identified, also plans could be created and launched in order to fix the problems in the affected areas of the total process in order to improve the quality, mitigate the risks and have a common success.

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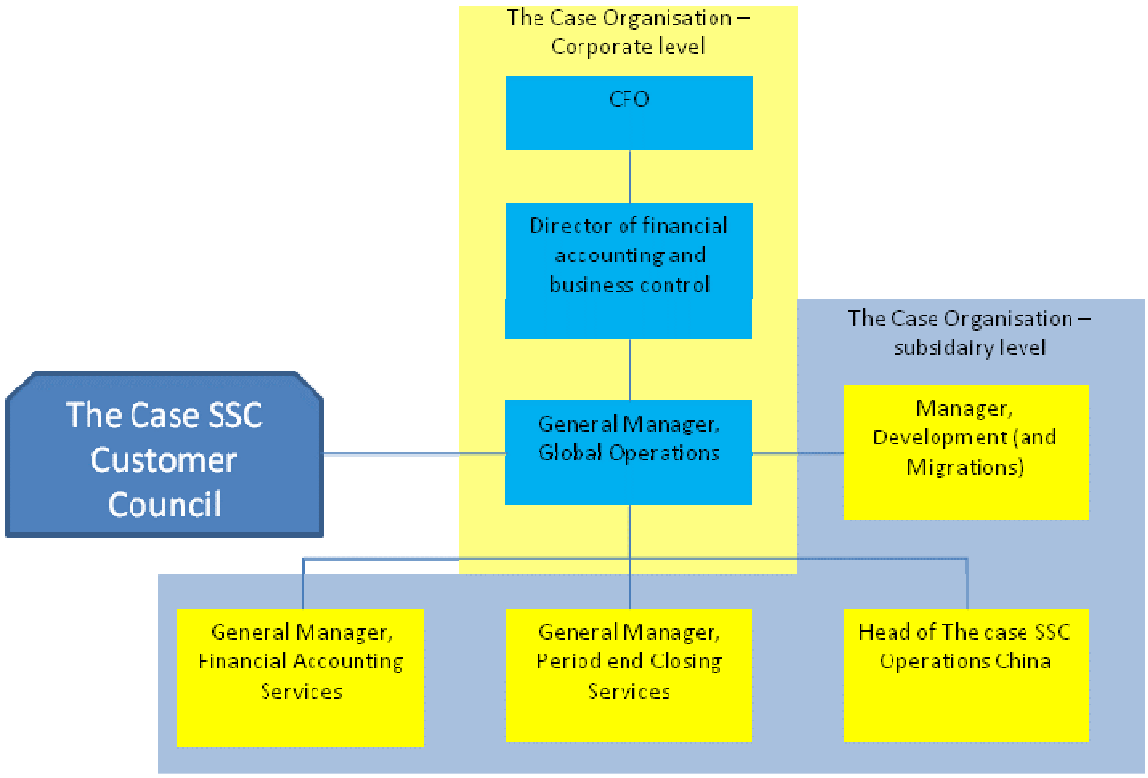
Appendices

Appendix 1 - The case SSC organisation



Appendix 2 – Risk Card

Risk: Inefficient Way of Working

Annual exposure(MEUR)	Annual lossexpectancy (MEUR/y)	Total long-term exposure (MEUR)	Likelihood/Severity (7/7Dis max)	Duration
xx	x	xxx	64/40	Depencs

Current controls

Loss descriptions
Capital, time, efficiency, development possibilities, advantages of harmonization

Risk group	Risk description	Cause/trigger	Internal/external risk	Risk owner
			Internal risk	XXXXX

Current controls and follow-up mechanisms

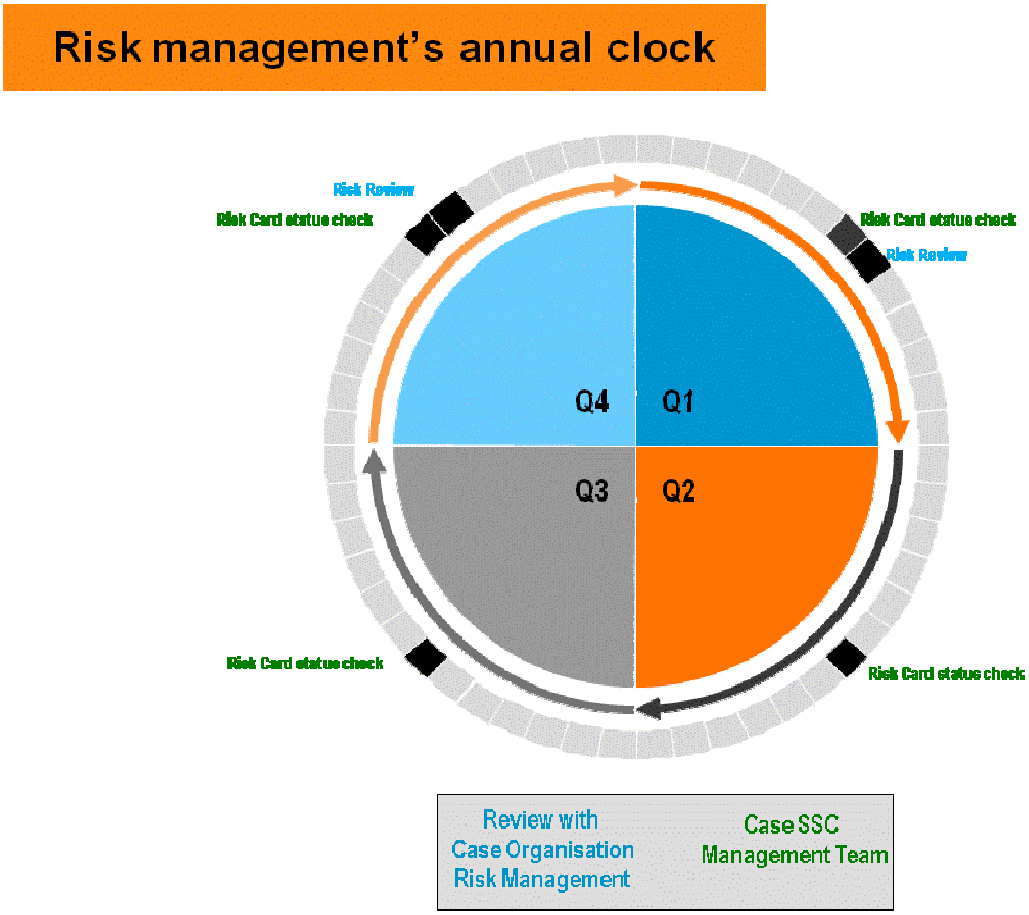
Control	Description	Target	Responsibility	Reports to
			XXXXX	XXXXX

Action plan

Action	Description	Target	Responsibility	Reports to	Progress
			XXXXX	XXXXX	
			XXXXX	XXXXX	
			XXXXX	XXXXX	
			XXXXX	XXXXX	
			XXXXX	XXXXX	

Progressing Minor progress Not started /stalled

Appendix 3 – Risk management annual clock



Appendix 4 - Risk workshop 1

Enclosed file - Risk Workshop 1.xls

Appendix 5 – Risk workshop 2

Enclosed file - Risk Workshop 2.xls

Appendix 6 – Risk Workshop 3

Enclosed file - Risk Workshop 3.xls