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In Search of Strategic Contribution and Operative Effectiveness: Developing Competencies within the Finance Function[1]

ABSTRACT

Recent field research has documented the role change of management accountants from scorekeepers to change agents or from 'beancounters' to 'business controllers' (Granlund and Lukka, 1997; 1998b; Järvenpää, 1998; see also Burns and Baldvinsdottir, 1999; Friedman and Lyne, 1997). Large sample professional surveys of management accountants have supported the view that the tasks and competence requirements of accountants have indeed changed (Phillips and Ross, 1996; Russell et

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al., 1999; Siegel and Sorensen, 1999). These research papers and surveys have not, however, focused on how companies are trying to develop the competencies of their financial staff. Similarly, potential problems related to these development efforts have not been discussed. This paper addresses these research voids by presenting results from an explorative case study.

The findings of this study suggest that while previous literature has solely concentrated on the business controller, or the 'change agent', also people operating with financial accounting activities are facing several competence development challenges that resemble those of business controllers. Moreover, it was found that the role of experiential learning (see Kolb, 1984; Jönsson, 1996) is of paramount importance irrespective of the accountants' position. Nevertheless, the adopted competence development means differed considerably. In the case of financial accountants, relatively well-structured competence development means, such as information databases and teaching others, have been used to leverage knowledge and skills levels. Somewhat paradoxically, the development of business controllers' and financial managers' knowledge and skills– which are more closely related to the core competencies of the company - was less controllable and the responsibility had been left to the individuals. In addition to foreseeable problems with competence development (such as heavy workload and organizational turnover) it was found that reluctance or inability to change at the individual level may hinder competence development as well as the views and impositions of superiors and other managers.

Key words: *role of accountants, knowledge management, competence development, shared service centers, accounting change*

INTRODUCTION

> The Finnish controller is not necessarily a senior person, but a person who is responsible for management accounting, and for the wide communication of management accounting information around the organization. [(S)he] is also concerned as well with marketing and production issues, as with cost accounting, budgeting, performance measurement, competitor analysis, and so on. He or she is especially concerned with bringing his or her special knowledge to real decision-making situations, and feels responsibility for getting through the message based on this knowledge. Ideally the Finnish controller is thus also a *change agent*, who is not satisfied with only a verifying and stating role (Granlund & Lukka, 1997, 246–248, emphasis in original).

Quite a few top managers have recently reoriented their organizations' visions and strategies as a response to numerable changes in the competitive environment (Kaplan & Norton, 1996). While being puzzled by increased turbulence and unexpected turns of events, many leaders have started to think about their company's core competencies, i.e. knowledge and skills that would be impossible for others to copy and that would hence provide a sustainable competitive advantage (Prahalad and Hamel, 1990; Hamel and Prahalad, 1994). As a result, companies are investing in human capital and managers are looking for new means to manage knowledge effectively (Bogner *et al.*, 1999). Individual and organizational learning have been recognized as the keys to competitive success (Senge, 1990; Pedler *et al.*, 1991; see also Argyris, 1999) and the development of competencies has become an inescapable challenge (Birchall and Tovstiga, 1999).

The pursuit of core competencies also involves accounting professionals (Partanen and Tuomela, 1999; Tuomela and Partanen, 2000). It has been claimed that traditional emphasis on accurate reports of past events is not enough in the new competitive environment, in which real-time and future-oriented information is a necessity. Taking account of internal processes alone is not sufficient, since the entire value chain should be carefully managed (Shank & Govindarajan 1993). These contemporary imperatives can be perceived as notable opportunities, since they sometimes allow management accountants to enter the cabinets where decisions are made and to make special contributions to decision making. It is conceivable that these interventions and recommendations by management accountants may foster a learning climate that enhances the development of core competencies (Coad, 1996). On the other hand, if these modern demands are not met, the accounting profession is expected to lose its position as an important – if not the most important – management advisor (Cooper, 1996a; 1996b; Burns *et al.*, 1996).

Recent studies have provided tentative evidence of an enlarged and more relevant role for management accountants or business controllers. As a member of management teams, they have explored many communication channels in spreading and handling accounting information concerning critical business problems and decisions (Granlund and Lukka, 1997; 1998b). Business controllers have also tried to find creative solutions that integrate conflicting views in different work groups and teams (Järvenpää, 1998; Burns and Baldvinsdottir, 1999). All these activities have strengthened the status of management accountants and their contribution has increased (Friedman and Lyne, 1997).

It should be noted, however, that whilst several more or less new skills and knowledge requirements set by this challenging role have been identified (e.g. communication and team working skills, in-depth knowledge of business operations and preparedness to lead challenging change projects), the ways in which such capabilities are developed have received surprisingly little attention. In other words, such questions as *how* competencies *are* developed in companies or how *should* they be developed have been beyond the scope of the above-mentioned studies. In the last few years, the development of competencies within the finance function has, however, become a key concern for financial managers. A survey of 121 British senior financial officers, for instance, revealed that the development of an excellent finance staff is where senior finance managers focus their attention most, right after performance measurement issues (Phillips and Ross, 1996).

Similarly, potential *problems* related to the competence development and the role change of management accountants have not been thoroughly discussed. Obviously, enlarging the role of controllers is not a sure triumph. The hybridization of accounting poses serious questions: where do future controllers belong to and what are they expected to do (Burns and Baldvinsdottir, 1999). Putting management accountants in charge of strategic non-financial measures, for instance, could induce severe organizational conflicts (Vaivio, 1995; 1999; cf. Fisher, 1992). In fact, it might be that top management is unwilling to give the finance function a leading role in these strategic matters (Eccles, 1991). Some accountants could object to the changing role, and it could boost staff turnover within the finance function (Turney and Anderson, 1989), which means that some knowledge and skills are inevitably lost.

While earlier research has given only limited indications on how the role of management accountants actually changes, this paper addresses the following two important, but still mostly unexplored questions:

1. How are the competencies of accountants and the skills and knowledge of the finance function developed in practice?
2. What kind of problems relate to these development efforts?

The rest of the paper is organized as follows. In the next section we will briefly review some relevant literature. The suggested change in the role of accountants and its implications for competence development are considered. In the empirical part of our study, we will firstly describe the evolvement of competence development within the finance function. Secondly, we will discuss current practices of competence development in the newly established shared service center and within individual business units. Thirdly, we will describe the problems and challenges associated with competence development. Finally, we conclude by discussing the most essential implications of the case study.

The professional challenge: searching for new knowledge and skills

In the case of accountants, addressing a company's core competencies can be seen both as a threat and as an opportunity. On the one hand, the desire for lean organizational structure and cutting administrative costs questions the status of traditional staff functions like accounting (Triplett and Scheumann, 2000; Fahy *et al.*, 2000). On the other hand, intensive competitive situation emphasizes the need to understand the fundamentals of financial issues more deeply throughout the organization, which gives room for an expanded role for the finance department (Granlund and Lukka, 1998b).

Since it is not self-evident that (management) accountants will be given responsibility for the provision of strategic information, management accountants have been told to 'look out' (Cooper, 1996a; 1996b) for professional competitors and they have been asked to get 'ready for the new accounting' (Siegel *et al.*, 1997). Most writers, however, look very positively forward to the future role of accountants who stay ahead of change (Anastas, 1997) and act as 'business strategists' (Hrisak, 1996). These statements have been supported by recent field studies that have at least partly documented the role change of management accountants from scorekeepers to change agents or from 'beancounters' to 'business controllers' (Granlund and Lukka, 1997; 1998b; see also Friedman and Lyne, 1997; Granlund, 1998, 112–116).

In the U.S. and U.K. professional bodies have carried out large sample surveys. The results of these surveys point out similar trends, giving support to claims of a universal trend (Granlund and Lukka, 1998a) although national differences also exist (see Ahrens, 1997). In the U.S., for instance, management accountants spend less time in collecting and compiling information for standardized reports, while they are considerably more involved in interpreting information and taking part in decision making when compared to the situation five years ago (Siegel and Sorensen, 1999; Russell *et al.*, 1999). But even though management accountants have become strategically oriented, it seems that even higher involvement in strategic planning would be desirable (Bhimani and Keshtvarz, 1999; Siegel and Sorensen, 1999).

The expansion of the management accountant's role towards business-oriented, interactive involvement in management teams (e. g. change agent role) is not a straightforward progression. Recent case studies indicate that the adoption and reassessment of more business and strategically oriented roles are linked to business controllers' learning style (Coad, 1999), to their personal management and information handling styles as well as to the controllers' educational background (Järvenpää, 1998). In addition, management accountants have learned certain mental models for the tasks, traits and duties that may hinder or slow down the adoption of new roles (Partanen, 2001). Individual learning processes and their links to competence development have thus a role to play in increasing business orientation within the finance function.

It is quite obvious that the enlarging role has an effect on the required set of accounting competencies (see Partanen and Tuomela, 1999; Tuomela and Partanen, 2000). Even though the change in the management accountants' role seems to have taken place only quite recently, Sathe (1982) defined six important characteristics (competencies) of controllers already two decades ago. These competencies relating to personal qualities as well as to different skills and abilities (see Table 1) seem to fit surprisingly well into the "new" role of management

TABLE 1. Six competence areas of controllers (Sathe, 1982, cf. Granlund and Lukka, 1997; Granlund and Lukka, 1998b; Burns and Baldvinsdottir, 1999)

PERSONAL QUALITIES	Personal energy and motivation Personal integrity and professional commitment
TECHNICAL COMPETENCIES	Good knowledge of accounting Analytical skills
BUSINESS JUDGEMENT	Understanding management needs to run the business effectively
COMMUNICATION SKILLS	Ability to make recommendations
INTERPERSONAL SKILLS	Building relationships and developing influence Ability to challenge management constructively
ABILITY TO MANAGE DUAL ACCOUNTABILITY	Recognizing the importance of responsibilities for both division and corporate management

accountants. We use the term competence in the same way as Dunphy *et al.* (1997) who state that competence is a combination of knowledge, technical skills and management skills that is continuously used in achieving certain purposes or outcomes.

One could claim, however, that there has been a change in emphasis between these competencies. While the most fundamental competence of accountants still inevitably is the understanding of financial issues, a recent British survey, for instance, suggests that such skills as interpersonal skills and problem-solving abilities are becoming even more important than technical competence in accountancy (Phillips and Ross, 1996).

The change in the relative importance of different competencies also relates to recent developments in the competitive environment of firms. Figure 1 describes general business

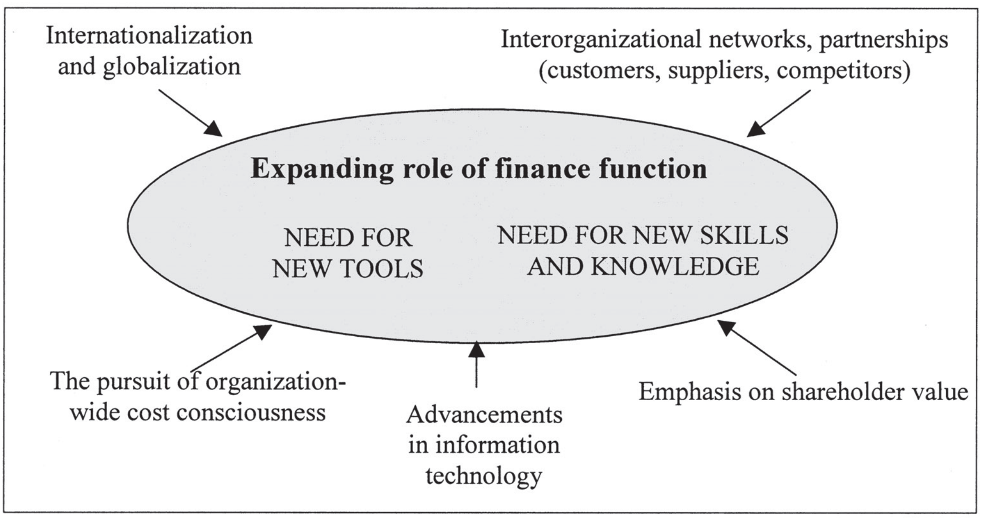

FIGURE 1. Some contemporary trends in the business environment that have an impact on the role and tasks of the finance department (cf. Partanen & Tuomela, 1999).

trends that challenge accountants but also make their role more important in the management of companies.

As illustrated in Figure 1, external pressures and changes in the nature of their work pose considerable challenges to accountants. Firstly, new tools and techniques promoted in recent literature can be used to support modern management and to facilitate organizational learning (Coad, 1996; Kloot, 1997). A balanced scorecard could be used to implement and manage a new strategy (Kaplan and Norton, 1996). Activity-based techniques might be needed to make cause-and-effect relationships more visible with regard to cost incurrence (Friedman and Lyne, 1995). But understanding such tools and knowing how to apply them is not sufficient. In order to be able to make decisions or merely analyze the data provided by these tools, knowledge of the business fundamentals – customers, suppliers, competitors, internal processes etc. – is essentially needed. Knowing the specific needs and goals of other decision-makers and accounting information users is also crucial. Finally, 'soft' skills such as communication skills, presentation skills and ability to work in teams are necessary as the cross-functional and inter-organizational communication increases both in operative tasks as well as in strategic management teams (Granlund and Lukka, 1998b).

Internationalization and globalization increase cross-cultural and multilingual communication needs (Granlund and Lukka, 1998b; Fahy *et al.*, 2000). In the keen competitive environment, interaction along the value chain – with customers and suppliers – becomes paramount (cf. Shank and Govindarajan, 1993) at the same time as accountants should communicate and consult with internal clients in order to improve profit and cost consciousness (Coad, 1996). In addition, increased emphasis on owners not only points out the importance of creating shareholder value (Rappaport, 1998) but also creates pressures to shorten financial reporting lags and to increase communication to the capital market. Modern challenges for accountants also relate closely to developments in information technology (Pentland, 1995; Beretta *et al.*, 2000; see also Johnson and Kaplan, 1987). On the one hand, the enormous and rapid progress of information technology makes traditional accounting activities redundant i.e. computers are doing certain activities instead of accountants. On the other hand, ERP systems and data warehouses make it possible to focus accountants' attention onto making analyses and taking part in actual decision-making instead of routine reporting activities (Granlund and Malmi, 2000).

In line with these developments, Roehl-Anderson and Bragg (1996) have provided a more recent list of effective controllers' qualifications:

- Excellent technical foundation in accounting and finance (including an understanding and thorough knowledge of accounting principles)
- Understanding the principles of planning, organizing and control

- General understanding of the industry in which the company competes (including the social, economic and political forces involved)
- Thorough understanding of the company (technologies, products, policies, objectives, history, organization and environment)
- Ability to communicate with all levels of management and a basic understanding of the other functional problems related to engineering, production, procurement, industrial relation and marketing
- Ability to express ideas clearly in writing and through oral presentations
- Ability to motivate others to achieve positive action and results

These kinds of competence lists do not, however, explain how these competencies are or should be developed and what kind of problems may emerge during these development efforts. At this stage it is useful to define what we mean by competence development. Competence building or competence development could be seen as a social process contingent upon the organizationally specific conceptions of the problems that need to be resolved, and how they should be solved (Karnoe, 1996). Competence development is thus a process that will give to individuals, groups or organizations certain distinctive or common combinations of capabilities, knowledge and skills to carry out one's tasks and duties in an effective way (Dunphy *et al.*, 1997). These views address the dynamic aspects of competence enhancement and point out that competencies emerge only through the integration of different knowledge, skills and resources (Bogner *et al.*, 1999). We will next seek answers as to how competencies can be developed, and what problems occur during these development efforts, through the means of a case study.

About methodology and site selection

The study at hand could be described as an action-oriented one (see Lukka *et al.*, 1984; Pihlanto, 1994). Because of the unexplored nature of the research area, a single case study was selected as the method for this study. Through gaining a profound understanding of competence development actions in the case organization, it is possible to give specific meaning to competence development and related concepts and to consider the reasons and consequences of competence development from multiple perspectives.

The case site was selected to represent a 'most-likely' setting (cf. Keating, 1995) for competence development within the finance function. Two criteria were selected to provide the justification for a most-likely setting. Firstly, the company should be known for its emphasis on leveraging employees' knowledge and skills. In other words, the company would consider knowledge management and competence development as critical success factors in improving the competitive position of the firm. Secondly, the company should be known for the relatively significant role played by accounting personnel. This latter criterion ruled out several modern professional organizations that consider knowledge as a 'product' (e.g. consulting companies or IT software companies), since the contribution of finance professionals in these companies has not been as paramount. Figure 2 illustrates the site selection.

		The role of accountants: NOT ESSENTIAL	The role of accountants: ESSENTIAL
Emphasis on knowledge management and competence development in general	LOW	***Least-likely*** to find formal competence development within the finance department	
	HIGH		***Most-likely*** to find formal competence development within the finance department

FIGURE 2. Least-likely and most-likely settings for competence development within a finance department.

The analysis in this paper deals with eight ABB companies located in a small area called 'Strömberg Park' at Vaasa, a small town on the western coast of Finland. ABB (Asea Brown Boveri) is a global technology and engineering group, which is based on high standards of knowledge and services. There are more than 20 ABB companies in Finland that employ over 10,000 people altogether. Finnish ABB companies are important technology partners in their fields of activity and ABB is one of the major exporters in Finland. Jointly, the orders of Finnish ABB companies amounted to Euro 1.5 billion in 2000. During the 'ABB era' starting 1988, order intake has doubled.

The Finnish ABB or, more precisely, the eight ABB companies at Vaasa, was selected to be the case organization since it fits in very well with the idea of a most-likely company. Firstly, ABB is known for its enthusiasm to develop the skills and motivation of its employees[2] . The official aim of ABB is to operate as knowledge-based technology and service com-

2 See e.g. the case of Swedish ABB companies in which a specific employee perspective has been added to the balanced scorecard (Ewing, 1995; Ewing, and Lundahl, 1996a; 1996b).

panies. The development of personnel at ABB is firmly based on the cultural ideology of the company. Throughout the 1990s, customer focus and personnel development have been promoted as core values in addition to profitable growth. For this reason, competencies are managed in a systematic way at the Finnish ABB. The implemented competence management program is based on an approach for developing core competencies of individuals to ensure that their competence profiles, consisting defined abilities, match the key development areas of the company. Hence, it is used as a concept to implement and clarify the strategy of ABB at the level of teams and individuals. ABB's corporate research center has developed a process model to assist individual ABB companies with competence development (see Hannonen *et al.*, 1999).

Secondly, ABB is known for exhaustive financial control systems maintained and developed by the finance department (see Simons, 1992; cf. Chow *et al.*, 1999) and for intensive business control activities through which local decision-making is supported (Tuomela, 1997). ABB has been active in developing activity-based costing and management techniques (Dahlgren & Holmström, 2000) and in the Nordic countries it has been one of the forerunners in developing balanced scorecards (Ewing & Lundahl, 1996a; Tuomela, 2000).

The analysis in this paper concentrates on the recent competence development processes in the finance function of ABB units at Vaasa. In the 1990s there were several reorganizations in and between the ABB companies in Vaasa, due to acquisitions and changes in the customer base. These changes had direct implications for how management accounting techniques were used and in what ways accounting information was produced. From the point of view of the finance function, a very significant organizational change occurred in the spring of 1999 when the financial accounting activities of ABB companies in Vaasa were put under the same roof – into a shared service center (SSC). Our case analysis concentrates mainly on this change event and period.

The case analysis is based on a wealth of archival documents. The primary source of data is, however, nine semi-structured interviews that were made in late 1999 and early 2000. These interviews, which were tape-recorded and subsequently transcribed into written form, lasted from one-and-a-half hours to almost three hours. Both human resource personnel and people from the finance function were interviewed. From the human resource department, a development manager and an internal senior consultant were informants of this study. The interviewed senior consultant is specialized in organizational development and works for the ABB Research Center. The finance personnel that were interviewed included three financial managers, a project manager, a bookkeeper and two team leaders from the SSC. The researchers carried out all but two interviews together.

The origins of competence development within the finance function

For some years, a clearly defined competence development framework has been systematically addressed in various projects in the business units of Finnish ABB companies. Definitions of core competencies, competence mapping and competence development are the three main elements of this competence development framework (Hannonen *et al.*, 1999). Commitment to competence development, awareness of the concept, and increased openness in discussions of individual competencies have typically been achieved as a result of different competence management projects. The interviewees saw that there has been a noticeable shift from an engineering-based product-emphasizing culture to a more service-oriented company in which employees and their skills and knowledge are highly valued. Perhaps the most profound change has been in that people have started to see their own competencies in a completely different light:

> A state of affairs in which every individual considers it real – that everybody knows that 'hey, this is my *own* capital' … People consider this very important so that even though the process can be laborious, everyone feels it close because it is connected to oneself, in what way I can increase my human capital and in a way increase my value at the 'market place'. (Senior Consultant)

But among ABB's accounting personnel, the idea of competence development is still relatively new. In the beginning of the 1990s, the finance personnel at Finnish ABB companies had been decentralized into local companies. Within the companies, however, accountants were relatively detached from other functions and they were acting according to the image of 'beancounters' for most of the time. Accountants were individually doing things that seemed important from their own point of view – such as balance sheet reconciliation. Accountants considered that they were doing their job in an excellent way.

The 'real' state of affairs was discovered in 1995 when ABB participated in a KPMG financial benchmarking study and it was found out that the cost efficiency of Finnish ABB accountants was mediocre at best. After recovering from the surprise, a quest for cutting administrative costs and improving efficiency begun. The idea of ABB as a top-class company did not allow any process to be ineffective:

> If you want to be number one in something you also have to be number one in support processes. I mean that in terms of costs, all administrative costs are in the price of the product … In order to achieve economies of scale globally and [to address] the global

> way of operations – a uniform ABB 'brand' – then it means also that support processes are uniform and that they are developed jointly. (Development Manager)

The pursuit of efficiency within the finance function started out as an intensive project called 'TAHTI'. A project team was established to find new ways of decreasing accounting costs. While members of the team were committed to the target of cutting costs it did not work out as expected. It was rapidly noticed that it was extremely difficult to find areas where cost cuttings could be put into practice in a meaningful way. At this stage consultants were called in and it was decided to take one step back. It was realized that one would have to define the overall picture i.e. the role and functions of accountants before entering into cost cutting. The focus of the TAHTI project team was reoriented towards analyzing the future role of accountants and improving the quality of the work within the finance department. An internal customer survey was also carried out. Managers and representatives of other functions were asked how they perceived the value provided by accountants. The results were eye opening:

> Our internal customers had the impression that we are very competent in financial accounting and reporting and in filling tax return forms. But this is exactly what we had been communicating with our behavior – these are important things and that is what we do. We are always there in our own chambers doing whatever is important at the time, something secret, while we ought to have been investigating something else [to support] e.g. pricing decisions … In an organization like ABB in which global control is tight … we had learned to serve this 'Master' but we had forgotten that we have a real customer also close to us – the business. (Financial Manager (HQ)[3])

The findings from the customer survey supported the idea that more emphasis should be placed on quality and that the role of accountants should indeed be reconsidered. The TAHTI project team divided accounting activities into three broad categories: decision support (planning, analysis and consulting), reporting and control, and transaction processing. A new vision for the finance function suggested by the TAHTI project group was accepted in March 1998. The core idea was that fewer people would be needed to produce a greater amount of more relevant information: more time should be devoted to decision support while the total need for accountants should be reduced by one fourth.

3 The Financial Manager interviewed at HQ (headquarters) is also heading the shared service center. The shared service center and its implications for competence development are discussed later in this article.

An important step in making the achievement of the vision possible was a reorganization of the accounting department. The idea was simple: to separate financial accounting activities from management accounting. The reasoning for this segregation was that financial accounting activities could be carried out more efficiently in a centrally organized way. On the other hand, the effectiveness of management accounting activities depends on the success in supporting managers and other decision-makers locally. In order to provide and analyze relevant information and to participate in decision-making it was necessary to keep management accountants or business controllers near the business.

The centralization of financial accounting was first made in a relatively big ABB company, 'Company X', in 1997. Before that, the four divisions of Company X had been responsible for their own financial accounting activities. A new unit called an 'accounting firm' was established and it was made responsible for all the bookkeeping and invoicing activities at this particular company. The new organizational arrangement was soon found to be an effective way of doing financial accounting activities.

For some time, shared service center had also been a preferable organizational structure at ABB belonging to a larger 'Global Processes' project within the international ABB. Related to this, the Financial Manager from the Finnish headquarters had been introduced to SSC on a visit to another company abroad. The idea of SSC had existed ever since but it had not materialized into concrete actions. This was partly due to the lack of clear global guidelines for SSC operations. Local experiences in Company X were, however, very encouraging: preliminary competencies for handling financial accounting activities in a centralized way, but also in a service-oriented manner had evolved. This provided not only belief in the concept but it also made it possible to proceed into concrete actions fast enough:

> We [in Company X] had already – very early – been forced to develop particular ways of operating and to divide tasks. In other words, we had clear task lists and we had defined what to do within the divisions and what to do within the 'accounting firm' etc. … It meant quite a lot that we had this basis for the development of SSC – something to start from. (Financial Manager 'A')

Eventually all financial accounting activities of the eight ABB companies located in Vaasa were put into the shared service center[4]. The process that led to the beginning of financial competence development and to the establishment of a new structure for finance department is described in Figure 3.

4 Later in 2000, the shared service center concept was to be taken into use also in ABB companies located in Helsinki as an additional part of the center will be established in this particular geographical area.

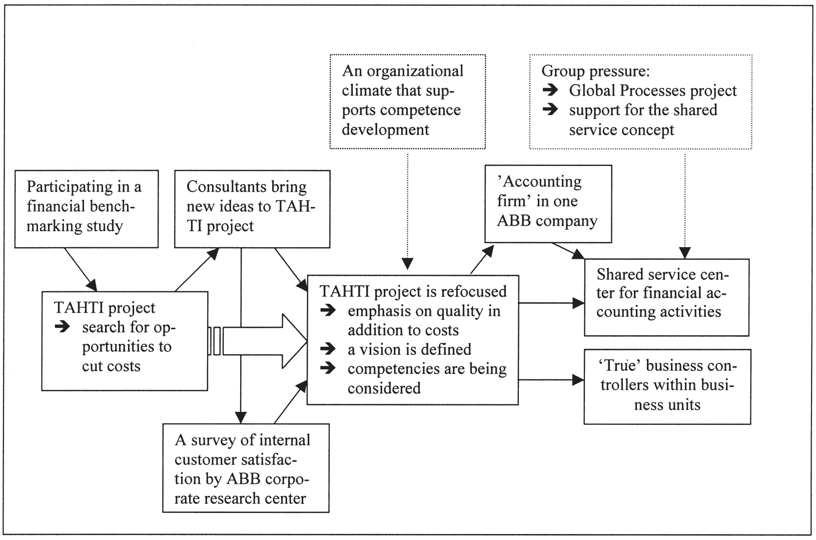

FIGURE 3. Factors that initiated the development of competencies and the establishment of a new structure for the finance function.

The shared service center is a centralized unit that serves internal customers[5] . Distinctive to the SSC is that it has clearly defined services that could be labeled as 'products'. It charges fees for these products and in a sense it can be considered as a profit center of its own. Compared with the 'good old days' of centralization, SSC has a stronger identity and its performance dimensions are much wider than just saving costs. Customer focus, for instance, is very important. A bookkeeper that had been working in ABB almost twenty years, compared the old centralized model to SSC as follows:

> The customer service mentality that is required from us, that is something new. Ten years ago, when we were in the same group, it was easier to say that I do not have time to do this … Nowadays it is always in the background that you are working in a customer service company.

The change was soon picked up at the customer end, too. When they truly realized that they would pay for every 'snap', thus almost every piece of accounting information they received, they started to demand better services and lower prices. This new role for customers has had a strong effect on how accountants in SSC have tried to develop their activities in an

5 For more information about SSC and customer orientation see Beretta *et al.* (2000) and Fahy *et al.* (2000).

increasingly appropriate and cost-effective way. Regular negotiations between representatives from customer firms and SSC were also arranged in order to achieve cost savings. In these meetings it was discussed what services each firm truly needs and how these could be produced in an expected level of costs.

There was thus a strong belief that both economies of scale and 'economies of skills' could be achieved in SSC. With regard to the first one, considerable cost savings were immediately realized via the new mode of operation. While smaller ABB companies saved up to 60% of their accounting costs within the new structure, the average cost benefit was about 30%. These savings were based on removing idle capacity and elimination of 'set up' costs. About half a dozen accountants left the company while approximately twenty accountants were transferred to the shared service center, leaving quite an equal amount of business controllers into the individual companies. The economies of skills relate closely to organizational learning and to competence development. As accountants within SSC should address multiple skills, backing up others (e.g. in case of illness or maternity leave) gets much easier.

Moreover, SSC has become an important structure that makes it possible to develop the competencies of financial accountants. While the idea of the need to develop competencies had gained increasing acceptance among accountants, SSC made competence development needs visible and concrete procedures actionable. In a particular way, SSC provided a platform that crystallized the meaning of competencies:

> Before SSC I might have considered that [competence development is rubbish] … but when you see in your own organization that you lack certain kind of knowledge and you need it desperately … now it has become concrete. Previously … it seemed that only engineers have the competencies to develop new products or to do something, but now you can see much more clearly that we talk also among accountants about real competencies – the ability to do certain required things. (Financial Manager (HQ))

Competence development challenges

The establishment of SSC makes it easier for business controllers and financial managers to concentrate on business support and on different kinds of development activities that may be of strategic importance. Consequently, the development of their competencies becomes extremely prominent. The TAHTI project was of special importance in defining the accounting competencies required in the future. The vision set by the TAHTI project group stated the need to transfer activities from basic reporting to supporting business and decision-making, the change in the needed skills, and the need to develop new processes and tools. It was realized that the competencies needed to support business decision-making have a wide scope. But it was also perceived that those accountants that were put in charge of conducting transactions need multiple skills and lots of new knowledge too, in order to manage the growing number of transactions in innovative ways.

With regard to the competencies of business controllers, knowledge of financial matters seems to be the foundation even for this new, wider role (see also Granlund & Lukka, 1997; 1998b):

> An accountant or controller must always start from a financial background … What differentiates a controller – who runs into the strategies and visions and participates in decision making and everything – from the business manager in the end of the day, is the fact that (s)he always looks at things through a financial window, the roots are in debit and credit. You have to keep this basic understanding – that you know the fundaments of financial issues. (Financial Manager (HQ))

But financial competencies (an expert in basic cost accounting and finance) that typically are regarded as basic understanding are not enough for business controllers. They have to possess a solid understanding of different aspects of business (material processes and monetary processes, be aware of the business needs and the products). And of course, softer skills have a significant role to play (communication skills, flexibility and ability to mediate). The change agent role also scored high in interviews:

> (S)he should be … analytical, able to solve problems, as strategy implementor willing and seeking to change so that (s)he is ready to act as a change agent. (Financial Manager (HQ))

In the case of accountants in SSC, developments in information technology have been seen as a basic change process that affect the characteristics of the support process. ADP-techniques start to leave more and more time free for developing financial reports when lots of things get automated. This also requires new kinds of competencies (e. g. knowledge of different accounting systems and an ability to develop reporting routines). The need to adopt a customer focus is a good example of contemporary issues that challenge the competencies of traditional financial accountants, too:

> Within this kind of unit [SSC] the attitude towards customer service, teamwork, and active orientation towards process development [is crucial]... these are completely new skills for accounting people, for the basic transaction personnel… These are suddenly

> quite big requirements for a traditional accountant that has so far been allowed to sit and tally debit and credit in peace. (Financial Manager (HQ))

While e.g. business orientation is not so important within SSC, some of these demands are very similar to those skills and knowledge that is required from business controllers. All this relates to the fact that SSC is different from the traditional centralized staff function. It is a certain kind of profit center that sells its services to ‘real, paying (and complaining) clients’[6] . The products of SSC are quite concrete and people should be committed to customer orientation, i.e. to serve the internal customer as well as possible.

According to Hellström *et al.* (2000), general competencies can be classified into three groups: human competence, technical/professional competence and business competence.[7] At ABB, a common area of competence development for both management and financial accountants is human competence: team working and communication skills. Nevertheless, the directions of management accountants’ and financial accountants’ competence development are different to a certain extent. In the area of technical/professional competence business controllers are trying to unlearn the details of financial accounting[8] and to de-emphasize certain attitudes (e.g. emphasis on accuracy), whereas financial accountants are developing new working routines for financial accounting and they often aim at gaining special expertise in certain specific areas of financial accounting. In the area of business competence, controllers pursue profound understanding of business, while financial accountants look for innovative ways to carry out financial accounting activities in order to improve efficiency. Figure 4 describes the similarities and differences in the learning challenges of these two groups.

6 Although the possibility to sell (or acquire) accounting services outside ABB in the future has not been completely ruled out, thus far the prevailing view has been to keep the sales (and acquisitions) of accounting services exclusively internal.

7 For other general competence classifications, see for example Gherardi (1998).

8 Unlearning is a critical part of learning processes. For example Hedberg (1981, 3) states “Understanding involves both learning new knowledge and discarding obsolete and misleading knowledge. The discarding activity – unlearning – is as important a part of understanding as is adding new knowledge.”

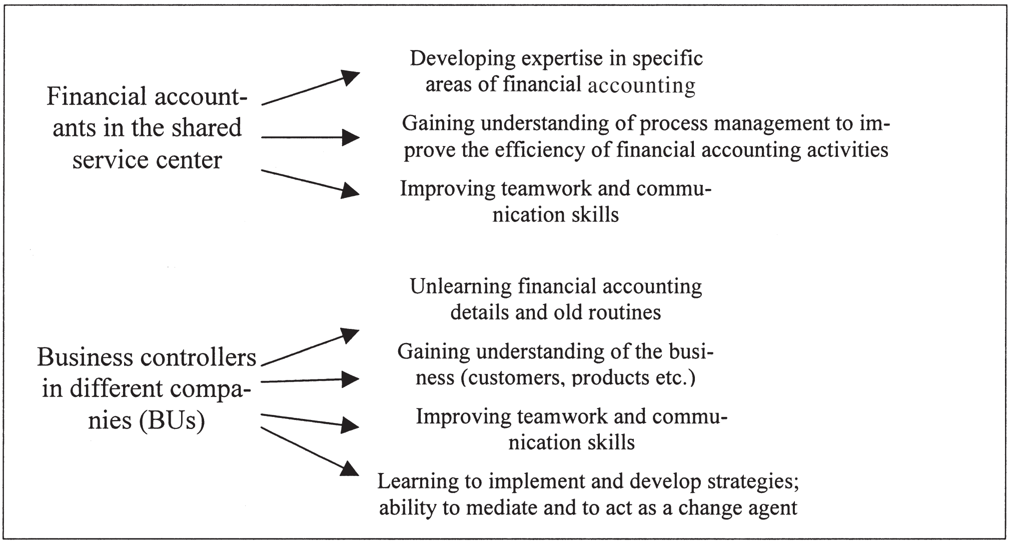

FIGURE 4. Learning challenges for financial accountants and business controllers.

Developing competencies within the finance function: the means

Within the Finnish ABB, accountants' new skills and knowledge are developed in several ways. One starting point is the overall framework for competence development provided by the Corporate Research Center, according to which some ABB companies in Vaasa have mapped current competencies. This has also provided a database for the necessary and existing competencies for the finance personnel. So far, competence development in the finance function has, however, proceeded quite independently.

The annual performance appraisal discussions provide a formal starting point for continuous competence development. In these conversations with superiors, current competence levels are evaluated and development programs for the forthcoming year are agreed on an individual basis.

Knowledge and skills can be developed via internal and external training. There are two important internal training programs at ABB: internal young professional programs and manager programs provide insights in production, R&D, supply management, information systems, finance, leadership, etc. This kind of training suits business controllers very well as they are expected to adopt a wide perspective on different issues. In addition to these more widely targeted general programs, the international ABB has recently begun to arrange special programs for (business) controllers. There are also occasional seminars on financial issues. Accountants can apply to some of these seminars, while participants are invited to other seminars.

In the case of accountants at SSC, training is used for three different competence development purposes. First, internal seminars are used at the national level to keep knowledge up-to-date with regard to e.g. the legislation and instructions of international ABB. Secondly, accountants in SSC are encouraged to develop special expertise. Someone can acquire very detailed knowledge on, for instance, value-added tax. This would mean that (s)he would participate in every possible training occasion on VAT outside the firm and would then act as an internal expert on the matter. Thirdly, accountants within SSC will soon start intensive training in 'softer' competencies. This training covers three main issues: teamwork, customer orientation, and process management.

But even though training is important, new knowledge and skills become valuable only through applying them into a practical work situation. Many accountants interviewed emphasized that in an external education program one may encounter a huge amount of new knowledge on timely issues, trends and directions for development. Therefore, one cannot embrace all this new knowledge during the course. It needs to be applied in every suitable occasion in order to deepen and reinforce new knowledge (cf. Partanen, 2001). Moreover, while training may be turned into usable knowledge, a lot can be learned just by doing things, i.e. through experiential learning (cf. Kolb, 1984). In this regard, challenging tasks were considered as an especially significant learning opportunity especially among business controllers:

> I would say that the most rewarding thing from your own development point of view is that you get into some development project, since you learn enormously in these projects. It's just that there is not such a course or education program in which you would learn as much as while doing things … Within development projects, especially bigger ones … – there are lots of people from other functions, not just from one function – new kind of perspectives will emerge and these are the ones that develop you most. Learning-by-doing is *the* word. (Financial Manager 'A')

Two persons interviewed strongly emphasized their learning experiences when heading their first big projects. For example, an ABC implementation project has given the project manager an accurate picture of her competencies and the competencies needed. Project management skills in particular got developed when she ran into troubles and she had to solve conflicting interests. Learning on the job gives new insights that help to fasten future projects and to develop new methods from experienced situations:

> There are so few practical examples [of ABC] and it is actually quite difficult to learn practice unless you exercise it yourself because these things are so company-specific

> … if I could just find companies that have similar operations, or production similar to us, then I could dig up information and add knowledge in quite a different way. (Project Manager)

At SSC, accountants were forced to learn new things by putting them in charge of other companies instead of the one that they originally came from. Those accountants that had been doing the same task for several years were given responsibility for other aspects of financial accounting, too. Moreover, accountants were assigned to more demanding tasks that had previously been done by their supervisors, financial controllers, in the companies:

> We have been given new tasks that have previously been done by the [superiors] in the company, tasks that some bookkeepers have never done in their lifetime and then [suddenly] you just had to do it for the first time when closing the books. Of course it raises your competence level when you have to do new tasks, to enter completely new areas [of accounting]. (Bookkeeper)

Job rotation within the accounting function, as well as cross-functionally, was considered critical in taking full advantage of learning-on-the-job. Within SSC, small-scale task rotation had been adopted as a natural way of doing things. In addition, it was asserted that people in SSC and the business controllers should not diverge too much. It was argued that at least team leaders and business controllers should be able to change jobs when required. Cross-functional job rotation was expressed as a two-way street. While it is important that business controllers gain experience in tasks outside accounting, it was accentuated that it is at least equally beneficial when someone from the business, with e.g. marketing or supply management background, enters business controlling.

The role of challenging tasks and job rotation is important not only because they teach a lot by themselves but also because they provide a loop back to training. In other words, they motivate staff to seek for new knowledge and skills by getting educated:

> You have to start from the fact that tasks demand new competencies. Just attending courses will not raise your competence level if you never need to use this knowledge and skills anywhere. It all starts from such tasks that require knowledge and skills and then you begin to look for them and to get educated and through all this the competence level gets higher. (Bookkeeper)

Disseminating tacit and explicit knowledge is one particular aspect of learning on the job. Within the SSC, special emphasis has been placed on learning from each other. When customer companies were assigned to team leaders, careful attention was paid to the fact that more experienced team leaders were put in charge of companies in which the contact person was less experienced. Similarly, the most inexperienced team leader was made responsible for companies that had a contact person with several years of experience. Team leaders' main responsibility areas were also changed. A person who previously was responsible for accounts payable and receivable in her company was called to lead a bookkeeping team in SSC and *vice versa*. Also within the teams, takes place lots of quite natural information sharing that helps in identifying best practices. As a matter of fact, one important result from SSC was that knowledge about different practices was now easily available. The previous practices of different companies were compared and best practices were selected.

In order to enhance learning from each other, the management of SSC has developed an interesting bonus scheme that also motivates through increased visibility. Each individual at SSC was expected to teach others what they knew and at the same time they had to learn new things from colleagues. When everyone's previous knowledge and tasks were mapped, the management of SSC made a special agreement for each person what they should learn and teach. If the agreement was fulfilled in the given period then one was justified to get a bonus. Although people are basically helpful and willing to transmit his or her knowledge to each other, the bonus scheme increased these kinds of activities considerably. Everybody wants the bonus and, when the bonus measure is evaluated, nobody wants to hear that (s)he has left the old tasks untaught.

When accountants were teaching others what they knew, they also noticed that they were able to increase their own competence level as well. The 'students' had new ideas and very demanding questions. They questioned old accounting routines and by doing so even the 'teacher' had to consider the matter more carefully.

Information databases are also used to promote knowledge sharing and to assist in instilling uniform processes. In the Lotus Notes database, there are group-wide instructions on how to do financial reporting and relatively strict project timetables. SSC has itself stored into databases exact information on what activities are carried out on behalf of different customers and how these activities should be done in order to be effective. A special case is an assignment database that includes the contracts with customers. When customers ask for something that is not included in the contract, a new assignment is established in the database. A responsible person will be assigned. (S)he makes comments on the assignment and reports milestones to the database. Financial personnel at the customer company have also access to the information about their company. From the learning point of view, the most important thing in the assignment database is that in includes problem reporting:

> We have agreed that if we have bigger problems that induce costs … there is this problem report area in the assignment database, in which we can write down what happened and how it happened. … We deal with [the problems] in the customer team if it is something that concerns several companies. Then it is worth discussing it with everybody at the same time. If it concerns only one company, it will be dealt with in the customer meetings. Naturally, when the problem is acute, we call by the phone and communicate the problem already then. (Team leader 'P' in SSC)

Learning on the job takes often place through different kinds of networks. In SSC, customer contacts are extremely valuable. Development activities in the customer-SSC interface occur at four different levels. First, there is a natural relationship between the customer company's contact person and people from SSC. Second, the team leaders in SSC act also as customer account managers, i.e. they have been set responsible for certain customers. Regularly, these team leaders (or customer account managers) go through important issues with customers. Issues related to the customer service contract and possible problems are discussed in these customer meetings. Third, more general items are discussed in the so-called 'customer team' that meets about every six weeks. The customer team is comprised of representatives of all customer companies, the manager of SSC and the three team leaders. The role of the customer team is especially important with regard to continuous improvement and knowledge sharing:

> The customer team is a forum for continuous development. It is a feedback system for both ways. It follows the outputs of SSC continuously. [On the other hand,] members of the customer team collect inputs and comments from their company to the meetings. At least in our company, the person who is in the team compiles and communicates [our views] to the rest of the [ABB] organization. That is extremely important. (Financial Manager 'A')

Fourthly, the manager of SSC and some financial managers that participated in the TAHTI project group belong to a steering committee that makes the most important decisions with regard to SSC. This committee decides on e.g. the establishment of larger development projects.

In the case of business controllers and financial managers, networking played an even more crucial role. An example of a personal network of one financial manager is illustrated in Figure 5. Firstly, international networks of ABB's controllers take the form of business area controller meetings that are typically held one or two times per year. In some segments, business area controllers also travel around the world and hold seminars for local business controllers.

Secondly, national controller meetings are held about once or twice a year. These meetings are important internal benchmarking forums, in which exchanging ideas develops a versatile understanding on contemporary issues:

> In ABB and in quite a lot of other companies, we talk about increasing shareholder value, how shareholder value should be calculated, and how to promote these issues – i. e. these have been discussed in controller meetings. It benefits you quite a lot: how different companies have considered these things, what kind of issues have come up, what is worth considering and what does it mean in our company. (Financial Manager 'B')

In the national and international controller meetings, controllers that are facing same kind of contemporary problems or challenges meet and discuss. Controllers that have similar views on how to solve such problems can then establish a third kind of network: a small informal group that meets at each other's facilities and discusses issues that might lead to important joint-development projects.

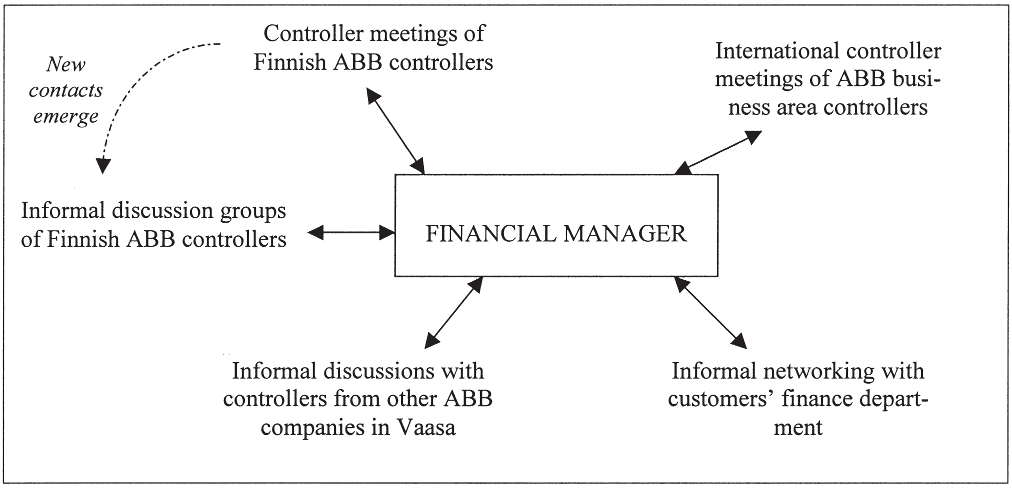

FIGURE 5. The network of a financial manager.

A fourth kind of controller network is also quite informal and it includes controllers in Vaasa. The roots of these cooperative activities lie in the beginning of the 1990s. When decentralization started up, all the time went to decentralizing activities and everyone started to work in his own cabinet. Then after a while, it was noticed that financial managers and controllers need each other's information and assistance and these unofficial groupings got established – groups that promote different issues and that are used to initiate joint development projects. Hence, unofficial, informal contacts (advice, cooperation as well as development projects) are quite regular.

Finally, a fifth possibility is to network with controllers from customer companies. While all the four networks discussed above were within ABB, this unofficial networking with customer companies might open entirely new avenues of thinking:

> As we are talking about an 'outside' company, you get a slightly different insight into the matter. We all just read the same Bible here in ABB and so the thinking gets uniform. So I have tried to acquire a perspective from outside. And you get a much better one when you create one through working contact rather than going to some seminar where you randomly meet 'occasional travelers'. (Financial Manager 'A')

Quite interestingly, only few of the competence development means outlined above are being closely monitored by top-finance-management. Some structural arrangements indicate that this kind of activity is valued (e.g. accounting knowledge databases), but the role of top-finance-management is confined to giving only general guidelines and supporting values for competence development. Hence, competence development initiatives at ABB have especially been created and sustained on a local level, albeit one often spanning several companies. When the organization is decentralized, initiatives addressing knowledge needs and competence development are also likely to emerge in a decentralized mode (see also Hellström *et al.*, 2000).

Spontaneous knowledge sharing and low levels of formalization (e.g. personal networks) are characteristic to the local competence development activities. In fact, many competence development practices at ABB's accounting units have emerged when solving operational problems (see also Mintzberg, 1978). This emergent competence development is not based on projects. On the contrary, ad hoc needs have been central to competence development.

According to Hellström *et al.* (2000) – who studied knowledge and competence management at Ericsson – competence management in an organization having heavy engineering operations and culture is focused on what a person can do and what (s)he needs to know to solve problems rather than on the more abstract concept of knowledge (i.e. the relevant knowledge in different fields of know-how). This adopted "knowledge ownership model", where competencies are converted to explicit "actionable" terms, seems to fit well also at ABB. When competencies can be defined in quite an exact way, it is possible to enhance organizational learning by focusing development activities on concrete competence areas that are needed in everyday tasks and duties. This is in line with local and focused competence development means, that in this case have had a positive effect on the proliferation of competence development activities (cf. Jönsson, 1996). In professional organizations (like large consulting firms) one would expect that competencies are more systematically and in a more centralized way. Nevertheless, the spirit of self-organization and face-to-face contacts are likely to be important in these organizations too, which emphasizes the significance of local competence development also in these organizations.

Problems with competence development

Overall, the development of new skills and knowledge seems to have proceeded quite well within the finance function of ABB companies in Vaasa. The story is, however,still in its early stages. With regard to both business controllers and people in the SSC, the process of developing competencies is still in a relatively preliminary phase. The Financial Manager interviewed stated that although controllers belong to the management group and participate in implementing strategies (e.g. activity based costing in supporting implementation of process management) they do not create strategies. Respectively, the history of SSC is still quite short and only recently they have been able to start to exchange development ideas more extensively.

Some actual or potential problems with competence development activities had emerged. Firstly, the enormous workload, stemming from the fact that more things are demanded of a smaller number of people, is an obvious challenge. Especially in the start-up of SSC, accountants were overwhelmed with the new and enlarged responsibilities that had been given to them. Even though it was perceived that scarce resources act as a catalyst for competence development, the aim to reduce the overall number of accountants has initiated many specific problems. The lack of recruiting possibilities sets strict limits on the acquisition of new competencies. And once trapped, it is very difficult to overcome the problems of limited time and tight resources:

> That's a real dilemma … Basically, we can find time by doing exactly the things that we've been doing: we make things more efficiently so that we have more time. But as we have more time we start to do more, new things, and soon you don't have that extra time any more. It is a continuous rat race. (Financial Manager 'A')

In the case of individual competence development, the attractiveness of training, for instance, is not that high, since attaining courses typically does not decrease the number of other tasks. Taking part in a six-week course requires considerable motivation in developing oneself if the normal workload is not relieved. In addition, the hectic working pace diminishes possibilities to take full advantage of new knowledge. Some competence development activities, e.g. the requirement of teaching others, also add to the normal workload:

> It has been a sort of extra burden that in addition to learning new tasks yourself, you have had to teach someone else beside you – it has been a sort of double burden. (Bookkeeper)

Secondly, the potential loss of knowledge and skills when an accountant leaves the organization was considered as a significant problem. A couple of accountants left the firm when it became evident that all accountants specialized on financial accounting would not be able to find a position within SSC. But the problem of turnover also relates to the inability to find challenging tasks for those who would want to advance in their careers. One interviewee also recognized that when people move from the finance department to general management this is not only a victory for the finance department:

> Of course it is also beneficial [that finance people move to general management]. Then we have in the management people who know the financial rules of business better. But typically they have changed their role – they leave their background behind … It is funny, we kind of lose a really competent controller to the operative business. (Financial Manager (HQ))

Thirdly, the specialization promoted by the new organizational structure has also potential negative side effects. It could reduce the scope of the work too much and hence decrease competence levels. While it was argued, for instance, that SSC team leaders should be able to work as business controllers and *vice versa*, competence development activities had supported this view only to a minor extent. At SSC financial expertise had been addressed extensively and somewhat innovatively, but the systematic development of softer skills had remained rather minimal. In addition, accountants at SSC experienced difficulties in keeping up with the businesses:

> You do not know [in SSC] as much about one specific company as you used to know – when you were working at [the name of the company] everything was familiar to you: you were in the business, you knew what the company was actually doing. Now you have these eight companies and the numbers do not really tell you that much about any of these companies. (Team leader 'P' in SSC)

Moreover, one likely end result of extreme professionalism is that work becomes strongly routine and the expertise area gets too focused. When professional competencies lead to developing more in-depth knowledge and skills in a narrower field, the risk of erosion of valuable competencies grows (cf. Fahy *et al.,* 2000). In the SSC the problem is that if the activity alters into a very one-sided one – that one could 'do it with your eyes closed' – one doesn't know enough about the outside world and related tasks and the development of collective competencies is delayed.

A fourth set of problems relates to accountants' resistance or inability to change. The development of new skills and knowledge is, after all, very dependent on the individuals themselves, especially their attitudes. Some accountants are determined and capable of developing their competencies; some are not interested in continuous competence development challenges and programs. Accountants themselves may oppose competence development activities that lead to a new role as they are used to doing things in a specific manner (cf. Berger & Luckmann, 1966). The new role might be relatively unspecified and it could mean doing many things differently. Such fears were evident, for instance, when the shared service center was established in Vaasa. Accountants were asked whether they would prefer financial accounting activities or management support activities. Those accountants whose personal capabilities and wishes were directed towards management support stayed in the companies as business controllers. Those interested in financial accounting were recruited to SSC from the local ABB companies. But some accountants that were clearly oriented towards financial accounting were trying to claim the opposite because they felt uncomfortable with leaving the company and joining SSC:

> They were looking for security – that they could stay in the old company. It was not due to the tasks … but because they were afraid of change. They had rather stayed within the company and tried to still do the same things in that particular company – that was perceived as the best option [from their point of view]. (Financial Manager (HQ))

While most of the accountants have been willing to change at ABB, problems may occur due to the challenge of unlearning. It is very difficult to give up not only adopted mental models, but also detailed work procedures that have been found useful in the past (cf. Argyris 1991). This is especially true in the case of accountants, as they possess specific professional expertise:

> Learning can also be very tough for a professional because gaining expertise in a particular area has directed the set of concepts and its formulation … Experts do not necessarily engage in a foreign area by themselves since they want to develop their own area – the one that they know better. (Senior Consultant)

Fifthly, competence development is very dependent on superiors' perceptions and skills. Sometimes the problem is that a superior is reluctant to remove a good performer from a particular task even though it would be beneficial from the individual's and also from the organizational competence development point of view. In addition, superiors' skills are important since they ought to know how competence development activities should be managed and carried out. They should also know what their subordinates are doing and they should have an impression of what (s)he can do and what (s)he cannot do. But some accountants were of the opinion that this was still only an ideal:

> At ABB, training and getting trained is supported: the opportunities are really good and you are encouraged [to develop yourself]. But when we talk about competence development and management, it indeed requires that we are skillful in managing [the competencies] – and that is something that we are certainly missing at the moment. (Project Manager)

Finally, the development of accountants' competencies is not only dependent on their superiors' abilities, but also on other (than financial) managers' perceptions of relevant information and, consequently, which professionals are regarded as important contributors to strategic decision-making:

> It is quite obvious that the business controllers are still only halfway along the path towards being equal strategy makers. But I don't think it is only because of their abilities but also because of the other managers' ability to see financial issues as a part of the strategy ... It is much easier for an engineer to go into product details or customer details than into financial issues. (Project Manager)

In this way, competence development challenges may also relate to professional competition on power in which managers act as referees. It was perceived that 'all' support functions are considering how they could participate more in decision-making and act as business partners. So far, this kind of considerations seemed to benefit the company and at least explicit power conflicts had not occurred. In the longer term, this development could, however, lead to a vacuum in staff functions:

> This 'change agent' prototype … or management partner, strategy implementer and creator; it does not matter whether it is human resource department or finance department or whatever … information systems department – all these traditional staff functions

> have the same wish … Everybody wants to be something that they were not before … But all these functions should consider the long-term: what the [exact] role will be at the end of the day. I guess the purpose is not that all these staff functions will do the job of those functions that they are supporting – who then would do the supporting? (Financial Manager (HQ))

In the previous section, we identified several interesting competence development activities that might be considered as 'best practices' with regard to competence development. But as discussed in this section, actual and potential problems related to competence development are also manifold. While different development challenges are likely to encounter somewhat different problems, it is possible to point out certain particular differences in the competence development of financial accountants on the one hand and business controllers and financial managers on the other hand. In Table 2, the variety of competence development means is summarized in conjunction with the most likely problems associated to these methods.

Discussion and conclusions

In previous research, in which the role change of accountants has been documented, the means for competence development have not been discussed. As a matter of fact, based on these studies we do not really know whether developing the competencies of accounting personnel is a managerial concern at all. In this regard, one relevant finding of this study is that competence development within the finance function *is* indeed considered important and that it is explicitly addressed. In addition, the case evidence presented in this paper allows us to make four key findings.

Firstly, our research points out that the development of new knowledge and skills is an important challenge, not only in the case of business controllers but also in the case of financial accountants. While the previous literature has advocated the superior importance of the business controller archetype (e.g. Järvenpää, 1998; Granlund and Lukka, 1998b) it seems that competence development is also crucial for those accountants that concentrate on traditional (financial) accounting activities (the 'beancounter' archetype).

Quite interestingly, the establishment of SSC provided a platform for financial accountants' competence development. In contrast to earlier findings (Fahy *et al.*, 2000), SSC did not result in the de-skilling of accounting activities. Even though some people left the firm, those who stayed benefited from more challenging job descriptions. While the possibility of problems with regard to extreme specialization was acknowledged, preventive actions in the form of increased variability in every-day tasks and more demanding job assignments had been tak-

TABLE 2. Competence development challenges, means, and problems with regard to business controllers, financial managers and financial accountants.

Accounting positions	Development challenges	Means of competence development	Actual and potential problems
Business controllers and financial managers in different companies (BUs)	Unlearning old routines and details of financial accounting	•SSC structure: more time and reorganizations of processes (possibility to change) •External and internal education: new ideas that become applicable while learning on the job •Performance appraisal discussions: competence (development) needs and means to develop competencies are identified	•Professionalism: adopted meaning structures and learned routines limit the use of new knowledge •Attitudes that generate resistance to change (fear of losses, e.g. if one's competencies are not at the needed level)
	Gaining understanding of the business (customers, products etc.)	•Training in the Manager program: a basis for understanding business activities •Cross-functional and intra-functional job rotation: new impulses to develop accounting processes and related competencies •Challenging projects promote learning from different perspectives •Networking activities (e.g. controller meetings, informal networks with controllers in Vaasa and even more widely) give room for developing business orientation	•Hectic working pace diminishes possibilities to take advantage of new knowledge •Attitudes (no perceived need to change tasks or to develop business knowledge) •Loss of knowledge and skills (controllers move to general management or leave the company) •Professionalism: difficulties in learning and unlearning (e.g. due to carrying out the same task for too long)
	Learning to implement and develop strategies, ability to mediate (acting as a change agent)	•International business controller meetings in which strategic guidelines are discussed •Other networking activities (other formal and informal controller meetings within ABB and co-operation with controllers from a customer organization) induce new ideas •Challenging projects develop management and leadership skills and ability to mediate	•Personal or organizational constrains (power conflicts are possible) •Professionalism: difficulties in moving between jobs (meaning structures and routines that inhibit learning)
	Improving teamwork and communication skills	•Training (a basis for developing these skills) •Participating in management teams enhances learning on the job •Job rotation improves the understanding of thoughts and language that different experts use	•Problems in relationships with different experts and functions (cultural conflicts) •Organizational structures that do not support teamwork (e.g. functional barriers)
Financial accountants in the shared service center	Developing expertise in specific areas of financial accounting	•Focused training in courses and seminars (overall instructions of specialized tasks) •Information databases (group-wide instructions in the ABB way of doing things, problem descriptions) •Learning on the job: teaching others, everyday knowledge sharing (habits, nuances etc.) •A bonus scheme that promotes teaching and learning •New challenging responsibilities (tasks from financial managers to bookkeepers) •Performance appraisal discussion: competence (development) needs and means to develop competencies are identified	•Professionalism: difficulties in moving between jobs (meaning structures and routines that inhibit learning) •Attitudes that generate resistance to change due to e.g. established work conditions and tasks that do not give space for continuous development •Slow adoption of new competencies due to lack of recruiting possibilities •Workload constrains the development of skills and knowledge
	Gaining under-standing of process manage-ment to improve the efficiency of financial accounting activities	•Process, team and customer orientation training program (the overall concepts, attitudes etc.) •Job rotation (understanding the overall processes, back-up possibilities) •Knowledge sharing of best practices e.g. in customer team and in other relationships (improving efficiency and quality)	•Attitudes that diminish open knowledge sharing (e. g. best practices only in one's own use) •Workload does not give enough time to develop processes
	Improving teamwork and communication skills	•Training (a basis for developing these skills) •Team leaders and working in teams within SSC (structures that facilitate learning on the job)	•Problems in relationships within SSC and between SSC and customers (threat to continuous competence development due to negative organizational climate)

en. It would seem that the local character and relatively small size of the shared service center made it possible to develop individual competences also in this kind of service 'factory'.

Secondly, with regard to both financial accountants and business controllers (financial managers), *learning on the job* was especially emphasized by the interviewees. To be more specific, Kolb's (1984) claims as to the superiority of experience-based learning (see also Manninen, 1995; Jönsson, 1996) were supported in two particular ways. Firstly, while attending seminars and courses is important, development in competencies occurs only through applying new knowledge to actual tasks. Secondly, it was suggested that the motivation for developing one's competencies often stems from challenging projects, in which one does not cope without improving skills and knowledge.

These findings are quite significant also from the educational perspective of business schools and universities that do not (at least in Finland) typically include work experience in their curricula. Practical working in between or parallel to studying might, however, enhance learning and increase motivation for studying[9]. One recent avenue for bringing theoretical knowledge to practical situation that enhance students' learning is the constructive approach in writing up one's Master thesis. While the primary aim of constructive research is to provide a solution to an organization-specific problem, it suits well to the experiential learning model (Kasanen *et al.*, 1991; 1993; cf. Kolb, 1984).[10] From the learning and competence development point of view, the constructive approach is a favorable opportunity, since the constructive researcher has to make relevant interventions and to take the role of a change agent in order to make innovative practical solutions that will also be used in the organization studied (Kasanen *et al.*, 1993).

Thirdly, it is important to note that the competence development of financial accountants did, in fact, differ from that of business controllers in a fundamental manner. SSC provided a platform in which it was possible to develop the competencies of financial accountants *in a systematic manner*. In the shared service center, the competence management was continuously addressed through various means. Knowledge databases were used to explain and convey knowledge for solving emerging problems. Working in teams had been set as a permanent mode of operation that allowed the identification of the best financial accounting practices and spreading of tacit knowledge. Special emphasis had been put on teaching each other. Furthermore, incentive systems were used to guarantee that both explicit and tacit knowledge were disseminated throughout SSC's personnel.

9 Of course one may (but not necessarily have to) encounter here the problem of prolonged studying time.
10 Basically, this is also highlighted in the elements of constructive approach that are practical relevance, theory connection, practical functioning of solution and theoretical contribution (Kasanen *et al.* 1993).

In the case of business controllers and financial managers, there is no such basis. In a changing competitive environment, it is not possible to determine what the exact business fundamentals or new management accounting tools that should be known are. In the absence of concrete, "hard" areas of competence, the role of networking played a critical role. Within ABB, national and international controller meetings enhanced networking. In addition, informal networks had been established with colleagues both within ABB and also with accounting people in customer companies. These networks open new avenues of thinking and assist in adopting new practices that have been found useful in other companies.

But while it is possible to rotate jobs cross-functionally and to build up networks in order to perceive changes in the environment more rapidly, it seems that these activities are more of an *ad hoc* nature and that their exploitation is dependent on individuals rather than on systematic organizational activities. It is paradoxical that while it would be critical from the strategic point of view to address the competencies of financial managers and business controllers, their development is less controllable and more difficult when compared to those of financial accountants.

Fourthly, while being silent about competence development activities, earlier studies implicitly suggest that carrying out these activities is rather straightforward. Our case study shows, however, that there are several potential problems to be considered. Some of these problems are quite predictable. Lack of time and resources, together with employee turnover naturally restrict the development of competencies. In addition, segregation of accounting tasks may lead to extreme professionalism, i.e. accountants specialize in a too narrow area of bookkeeping and get detached from the business (cf. Fahy *et al.*, 2000).

However, while these problems might be obvious, they cannot usually be solved in a straightforward manner. They often are the flipside of a coin that has considerable benefits on the opposite side. While lack of time leaves little room for considering competencies, it also forces competence levels to increase even though this development might happen without anyone noticing it explicitly. Short-term efficiency and required flexibility in the long-term may also contradict each other. For example, while the paramount role of job rotation in competence development was acknowledged, it could sometimes mean that the most competent person for doing a particular job is lost.

Moreover, it could be stated that the biggest problems relate to individual and social factors. Very much is dependent on the accountants' own aspiration to develop themselves. Fear of change and special expertise possessed by accountants may limit the possibilities to learn new things and to unlearn previously adopted mental models (Argyris, 1990; 1991). Superiors' perceptions and competencies also potentially hinder the development of accountants' competencies. At the end of the day, it may be top managers' opinions that determine which professional group is allowed to develop those competencies that are needed when acting as a "strategic partner".

To conclude, business controllers and financial managers at ABB are making more analyses and they also take part in some business decisions. However, similarly to the survey findings of Bhimani and Keshwartz (1999), we found that business controllers mainly provided information for strategic decision-making and they acted as strategy implementers but they were typically not strategic partners (Siegel and Sorensen, 1999) engaged in strategic decision-making. Ambiguity in competence development together with the potential of power clashes between different professional groups may be considered as an explanation as to why the gap between the ideal and the prevailing situation remains to be closed in the future.

Further research opportunities

Certain implications for further research can be drawn from this study. Firstly, it should be noted that there is a need for additional research in the field of competencies within the finance function. The results of this study were derived from a single company, or a part of it, and further evidence is needed in order to get the 'big picture'. Comparative case analysis could be made between companies within the same industry or from different industries. Perhaps the most intriguing comparison could be made between a knowledge-intensive company and a firm operating in a more traditional manufacturing or service business. Moreover, the question, how companies *should* develop the competencies of their accountants, still remains unanswered.

Some specific details presented in this article might also be worth further investigation. Networking between accountants, for example, could be such a theme. The shared service center is also an interesting concept that has been relatively undisclosed so far (see, however, Malcolm, 1999). Subsequent research could take a more specific look at this kind of organizational structure. In our view, competence development is an issue of considerable significance, from both a managerial and an academic point of view, and one that researchers should examine with varying approaches and from different perspectives. ■

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