Aalto University
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Communication around the monthly figures : A case study on management reporting practices

International Business Communication

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ABSTRACT
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"Communication around the monthly figures": A case study on management reporting practices

Objectives of the study
The objective of the study was to find out if and how management reporting can be improved through good internal communication and knowledge sharing. Three case companies A, B and C from the same group were studied in order to reach the objective. Three research questions were identified: What are the existing management reporting procedures in Company B and Company C? In what ways do Companies B and C, with Company A, share knowledge in management reporting? Are the existing management reporting procedures sufficient for effective internal communication, and if not, how could they be improved?

Methodology
This study used the case study method for data collection. Data was collected through 10 semi-structured interviews in the case companies A, B and C. Six interviews were conducted face-to-face in Helsinki and four via email to reach employees positioned in Asia, Europe and Canada, or who otherwise were unavailable for face-to-face interviews. In addition, management reporting data such as process descriptions and Balanced Scorecards were provided by the case companies and observations were made by the researcher as she had worked for case companies B and C for nearly four years. The interview questions focused on management reporting, internal communication and knowledge sharing.

Results of the study
The research findings indicate that internal communication and knowledge sharing could improve management reporting. Internal communication occurred mainly through email in the case companies and knowledge sharing was sparse. The results of the study show a need for more knowledge sharing and suggestions for improved knowledge sharing were implementing an integrated computer system, having more regular meetings and changing the organizational culture from silence to transparency and openness.

Key Words: International business communication, internal communication, knowledge sharing, Business Process Management, management reporting, reporting procedures

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”Viestintä kuukausiraportoinnin ympärillä”: Case-tutkimus johdon raportointikäytännöistä

Tutkimuksen tavoitteet
Tutkimuksen tavoitteena oli selvittää jos ja miten sisäinen viestintä ja tiedon jakaminen voivat parantaa johdon raportointia. Yhden konsernin kolmea yritystä A, B ja C tutkittiin tavoitteen saavuttamiseksi. Kolme tutkimuskysymystä luotiin: Mitkä ovat yritysten B ja C tämänhetkiset johdon raportointiprosessit? Miten yritykset B ja C, yhdessä yrityksen A kanssa, jakavat tietoa johdon raportoinnissa? Ovatko tämänhetkiset johdon raportointiprosessit riittävät tehokkaaseen sisäiseen viestintään, ja jos eivät, miten niitä voidaan parantaa?

Tutkimusmenetelmät
Tämä tutkimus käytti case-tutkimus metodia aineiston keruuseen. Aineisto kerättiin 10 teemahaastattelulla case yrityksissä A, B ja C. Kuutta työntekijää haastateltiin kasvotusten Helsingissä ja neljää sähköpostin välityksellä, koska haastateltavat työskentelivät Aasiassa, Euroopassa tai Kanadassa, tai eivät muuten olleet tavoitettavissa. Tutkimuksessa käytettiin myös muuta aineistoa: yritysten antamia kuvaajia ja tutkijan kokemusta yrityksissä B ja C, joissa hän oli ollut työntekijänä lähes neljä vuotta. Haastattelukysymykset keskittyivät johdon raportointiin, sisäiseen viestintään ja tiedon jakamiseen.

Tutkimuksen tulokset
Tutkimuksen tulokset viittaavat siihen, että sisäinen viestintä ja tiedon jakaminen voivat parantaa johdon raportointia. Sisäinen viestintä case yrityksissä tapahtui pääasiassa sähköpostin välityksellä ja tiedon jakaminen oli vähäistä. Tutkimustulosten mukaan yrityksissä on tarve suurempaan tiedon jakamiseen ja tämä voitaisiin saavuttaa ottamalla käyttöön integroitu tietokonejärjestelmä, pitämällä enemmän säännöllisiä palavereja ja muuttamalla yrityskulttuuri hiljaisesta läpinäkyväksi ja avoimeksi.

Avainsanat: Kansainvälinen yritysviestintä, sisäinen viestintä, tiedon jakaminen, Business Process Management (yrityksen prosessinhallinta), johdon raportointi, raportointiprosessi

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1 INTRODUCTION

The topics of internal communication and knowledge sharing are quite extensively researched in current literature but their effect on management reporting is studied less. In recent years, organizations have recognized that internal communication is increasingly important to the success of the organization (Kalla, 2005). Knowledge sharing also adds competitive value, enhancing the interest of organizations in it (McNeish & Mann, 2010). Management reporting is used for internal decision-making and it is about creating reports and information for the management to analyze, for them to be able to manage and lead the company in the best possible way (Howson, 2004). Especially in an international environment, with many languages, cultures and business locations, it is very important to be aware of the multiple business circumstances and management reporting is the key to it. All three, that is internal communication, knowledge sharing and management reporting, add value to the organization if used effectively and by studying the effects of internal communication and knowledge sharing on management reporting organizations could realize even greater benefits.

Internal communication is the strategic management of social interaction through messages within an organization and it is divided into two categories: formal and informal (Welch & Jackson, 2007). Messages from the communications department of the organization are categorized as formal communication, whereas internal meetings, presentations, phone and email conversations are informal communication (Kalla, 2005). Current literature suggests that even though organizations are improving their communications efforts, there is still a lack of communication. According to Robson and Tourish (2005), employees feel that they do not receive information from their managers, but rather from the grapevine or media, if they receive any information at all.

Good internal communication increases employee commitment, productivity, higher quality products and services and reduces absenteeism and costs, thus creating more value for the organization (Robson & Tourish, 2005).

Knowledge sharing plays a big role in internal communication because it improves employee commitment and creates a collaborative working environment (McNeish &Mann, 2010). Central issues in knowledge sharing are trust, organization learning and tacit knowledge. Murgole-Poole and Pitt (2001) stress that trust is very important in ensuring open communication and knowledge sharing. Trust strengthens relationships which creates an atmosphere where employees are willing and eager to share useful knowledge. Another aspect of knowledge sharing is organizational learning. The consensus of previous literature is that organizational learning is a "process through which individual knowledge is transferred to the organization so that it can be used by others" (Henderson & McAdam, 2003, p. 776). Karkoulian and Mahseredjian (2009) add that the management of organizations must be active in knowledge sharing, take part and encourage because valuable knowledge can be lost when an employee leaves the organization. Organizational learning can be a solution for this but it requires constant effort from the organization. Current researchers believe that most of the tacit knowledge, that is the inherent knowledge learned through experiences, for a new employee is passed on through informal communication channels rather than through formal, written instructions (Yeomans, 2008). A working environment that is open and conducive to knowledge sharing expedites the learning process for new employees.

Management reporting theories and tools are researched quite widely and the balanced scorecard is one of the most commonly tools for management reporting. The tendency in management reporting according to research is leaning towards reporting that is more concise, accurate and easy to read and reports that are delivered as quickly as possible, even in a day (Petty & Ng, 1999). Faster and more accurate reports allow the management to respond and make decisions quickly. Ward and Callaway (2004) state that technology has been a main attribute in achieving faster and more accurate reports but changes in processes and people's attitudes have also played a major part. Business Process Management (BPM) aims to develop the business processes of organizations by eliminating non-value activities, and ultimately, by giving and maintaining competitive advantage (Hung, 2006). BPM has many benefits, such as increased productivity and better quality products and services but it also facilitates knowledge sharing (see e.g. Kujansivu & Lönnqvist, 2008; Korhonen & Kankaanranta, 2010).

In summary, internal communication and knowledge sharing are quite extensively researched, but there is very little research on the effect of these on management reporting. Although research shows that effective internal communication, knowledge sharing and Business Process Management increase organizations' productivity and profits, their effect on management reporting is not clear. A key question remains unanswered: can management reporting be improved through good internal communication and knowledge sharing and if so, how? This question needs to be researched more deeply, and therefore three research questions are devised in subchapter 1.3. But first, the case organization which is used to explore these questions is introduced.

1.1 Case organization

The case organization is identified as Group 1. Pseudonyms are used in the present study to hide people, products and industry sector. Maintaining confidentiality is a key factor, therefore the case companies are referred to as A, B and C and they all belong to Group 1. The case companies operate internationally and they were chosen because the focus of the current study is in internal business. Group 1 is a Finnish company and its operations have been organized into three business sectors: A, D and E. The main markets are in the Northern Europe region but some areas of the organization operate worldwide. The net sales of Group 1 in 2009 were half a billion Euros, of which nearly half were from abroad. As a public limited company, Group 1 has an obligation to maintain secrecy in matters that can affect the stock price and this has an influence on the knowledge that can be shared within the group. Company A is responsible for one of the Group's three business sectors. Company A operates in Finland, Russia, Europe and Asia through its subsidiaries. In Finland, there are several subsidiaries and the international operations are handled through Company B. Company B has one subsidiary in each of its European and Asian locations and several in Russia.

Company C, though reporting to Company A and being situated under it in the organizational charts, is not a legal subsidiary of Company A but of Group 1. Therefore Company C operates more independently from Company A than Company B does. The business of Company C is somewhat different from the rest of the Group's, and sometimes this brings difficulties to management reporting. The work of Company C occurs all over the world and the company has around 30 subsidiaries. Most of the administrative and financial work is done in Finland by the controllers and administrative staff. Next, Figure 1 shows the Group 1 and the relations between the companies visually.

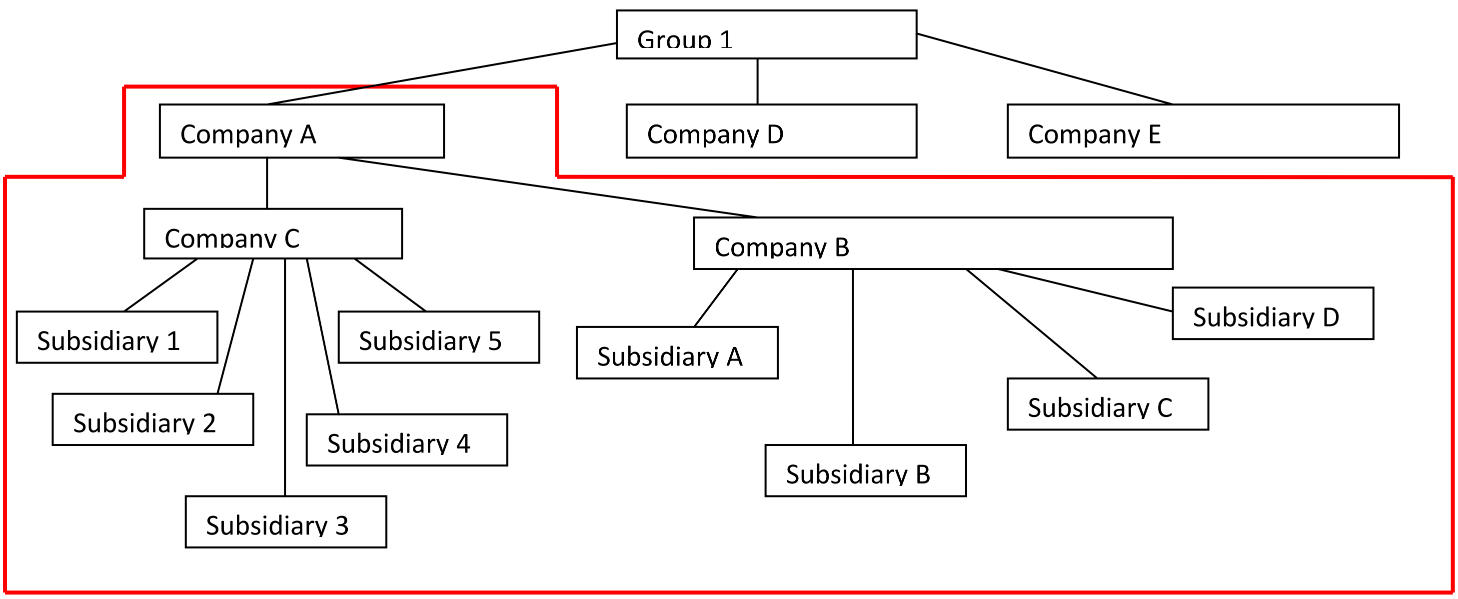

Figure 1. Group 1

As can be seen from Figure 1, Group 1 has three business areas and this research focuses on the business of Company A. The focus of this study is highlighted in red and shows Company A and the two international companies that report to it, Company C and Company B, along with their subsidiaries across the world. The two other business areas, Company D and Company E, also have their own subsidiaries but they are left out of this study, mainly because it would create a too large research area and because the focus is on the international companies, of which the other two business areas have very few. Group 1 has its own financial department that gives some financial reporting procedure guidelines for the subsidiaries and these only concern external financial reporting in relation to the Group. The subsidiaries are very autonomous in terms of management reporting. All of the case companies were located in the same building at the headquarters in Finland at the time of the thesis.

1.2 Research problem and questions

Based on previous research it was discovered that there is little information on the effect of internal communication and knowledge sharing on management reporting. The three case companies A, B and C are studied to gather more information on the subject. The main objective of this thesis is to find out how Company B and Company C communicate about their finances internally in management reporting amongst themselves and to Company A and whether the communication is satisfactory to all parties concerned. Knowledge sharing is seen as an integral part of management reporting communication, and thus a part of the study. Therefore, the main research problem is: how are Company B and Company C, along with Company A, doing with their internal communication in management reporting? More detailed questions are needed in order to receive a thorough answer to and understanding of the research problem and ultimately, to reach the main objective of this thesis. Consequently, the following three research questions were devised:

1. What are the existing management reporting procedures in Company B and Company C?

2. In what ways do Companies B and C, with Company A, share knowledge in management reporting?
3. Are the existing management reporting procedures sufficient for effective internal communication, and if not, how could they be improved?

The first research question focuses on discovering the current situation in the case companies, pertaining to the management reporting procedures. The second question deals with knowledge in management reporting and how it is shared. The third research question addresses the interviewees' perceptions of whether the current management reporting procedures work properly and what could be improved, if needed.

1.3 Definitions of the key terms and acronyms used in the study

This subchapter provides definitions for the key terms and acronyms used in this research. Even though most of the terms may be known to the reader, it is necessary to define their meaning in this research. These terms are internal communication, knowledge, Business Process Management and management reporting. After the definitions for these terms, a selection of frequently used acronyms is explained.

Internal communication

Internal communication is the strategic management of interactions and relationship between all stakeholders, as defined by Welch and Jackson (2007). Their definition is used in this study because it emphasizes the role of management in internal communication and relationships as active, highlighting that internal communication should be managed and supported strategically.

Knowledge

Definitions of knowledge range from practical to conceptual and everywhere in between, but Pathirage et al. (2007, p 116) provide a suitable definition for this study: "knowledge is the full utilization of information and data, coupled with the potential of people skills, competencies, ideas, intuition, commitment and motivation". They also stress Nonaka and Takeuchi's (1995) definition, where knowledge is defined as a human process, emphasizing the individual and human aspect of knowledge. It is also pointed out that only data and information can exist outside human brain, knowledge cannot.

Business Process Management

The main idea of Business Process Management (BPM) is to develop the business processes of the organization by eliminating non-value adding activities and by improving the fluency of processes at the boundaries of different organizational functions (Kujansivu & Lönnqvist 2008). Hung (2006) emphasizes that the aim is to create and maintain competitive advantage for organizations through improving business processes.

Management reporting

Management reporting is used for internal decision-makings as opposed to financial reporting which is mainly for external users, such as financial institutions (Howson, 2004). There are some generally used tools for management reporting, but as it is only for the internal use of companies, each company can have their own tools for management reporting. Two generally used management reporting tools that are studied in this research are the balanced scorecard (BSC) and One Day Reporting (ODR)

Acronyms

There are several acronyms in this research, some of which are mostly familiar to financial professionals but others are specifically related to the case companies. Pseudonyms are used for internal reporting programs to maintain secrecy of the identity of the case companies.

ODR – One Day Reporting

> ODR is an approach to reporting where the management reports can be combined and sent to the management in one day (Petty & Ng, 1999). ODR is sometimes referred to as JITA, Just In Time Accounting. ODR is discussed in the Literature Review.

SAP – Systems, Applications, and Products in Data Processing

> The company SAP provides business software for areas such as supply chain management, customer relationship management and product life-cycle management (SAP).

IFRS – International Financial Reporting Standards

> IFRS are principles-based reporting standards adopted by the International Accounting Standards Board and all EU countries have to abide by them in their financial statements. These standards are fairly new and they are constantly being developed. The aim of these standards is to ensure that all companies provide a true and fair view of their business affairs and financial position (IFRS Foundation).

BSC – Balanced Scorecard

> BSC is a tool for management reporting, developed by Kaplan and Norton in the 1990s. It is used to guide current performance and target future performance by looking at four categories: financial performance, customers, internal business processes, and learning and growth (Broccardo, 2010).

GC7 – Group Consolidation 7

GC7 was the financial statements reporting program of Group 1, developed by Basware, which is a company that creates financial management solutions, among other things.

X1– Internal management reporting tool

X1 was an internal reporting program in Group 1. All the Group companies use it monthly to generate management reports.

X2 – X2 was the Group's specific project reporting tool

WSS – Windows SharePoint Services

WSS pages were used by all the case companies as storage for reports and instructions and as a shared working desktop.

X3 – Internal management reporting tool

X3 was used by Company A and its subsidiaries for management reporting. The development of the program was outsourced and specifically adapted to the case companies.

X4 – Internal cash management reporting tool

X4 was the financial reporting program for cash management for Group 1. All of Group's subsidiaries report their cash assets monthly using the program.

CAS – Current Actual Status report

CAS reports are used in Company C as internal reporting tools. They are Excel spreadsheets and each project has its own CAS report for the duration of the project. The CAS reports show the income and expenses of the project on a monthly and yearly basis, per each subsidiary that takes part in a particular project. The controllers fill in the figures they get from the bookkeeping of a subsidiary to the CAS report and then these reports are sent to the project managers, who see how the project is doing and forecast the income and expenses of the following months.

1.4 Structure of the thesis

This thesis is divided into six chapters. The first chapter introduces the thesis project. The second chapter reviews current literature and it is divided into five sections: internal communication, knowledge sharing, Business Process Management, management reporting and in the last part the theoretical framework is constructed for the project research. The third chapter describes the data and methods, along with the trustworthiness of the study. The fourth chapter presents the findings from the empirical research conducted. Then, these findings are discussed in the fifth chapter and finally, the conclusion summarizes the research, gives practical implications as well as limitations of the study and suggestions for further research.

2 LITERATURE REVIEW

This chapter will review previous literature on internal communication, knowledge sharing, Business Process Management and management reporting. The goal of the chapter is to provide insight into the previous literature and ultimately, to justify the research. The literature review is divided into five main sections. The first section studies internal communication, its importance for companies and different definitions. The second section focuses on knowledge sharing. Tacit and explicit knowledge are discussed in detail and how knowledge sharing can occur in organizations. The third section introduces Business Process Management, what it is, how it relates to communication and how it can benefit organizations. The fourth section presents management reporting literature, different methods of reporting and the current trends. The last section gives a theoretical framework that summarizes the literature review and gives a starting point for the empirical research of the study.

2.1 Internal communication

This section introduces a multitude of theories regarding internal communication. The sections discusses a number of definitions of the concept of internal communication, presents ways of improving communication, and presents challenges for good internal communication, such as trust and virtual teams. In terms of management reporting, internal communication usually consists of written reports to management, face-to-face meetings and email discussions.

Internal communication is an increasingly important aspect in organizations, according to Kalla (2005). Organizations recognize that internal communication is essential to their success and thus pay more attention to it than before (see e.g. Robson & Tourish, 2005; Murgolo-Poole & Pitt, 2001). Jones (1996) suggests a simple fundamental communications profit chain: "communication-motivation-better service-greater profits" (p. 181). Robson and Tourish (2005) discuss a study which found out that quality communication produced benefits such as "improved productivity, a reduction in absenteeism, a reduction in the number of strikes, increased levels of innovation, higher quality of services and products and a reduction in costs" (p. 213). Their study provides the same ultimate result as Jones's (1996) communications profit chain: greater profits. Internal communication takes place constantly in organizations, both formally and informally, and therefore it is more beneficial for the organization to understand it. Statements from the communications department, meetings and other set-up communication activities from the communications department are seen as formal communication, whereas informal communication consists of the communication between a manager and a subordinate, emails or chats at the coffee machine. (Kalla, 2005.)

A number of definitions of internal communication exist. For example, Argenti (2003) argues that internal communication is social interaction through messages within an organization, "about creating an atmosphere of respect for all employees within an organization" (p. 128). Kalla (2005) broadens the concept by defining internal communication as "all formal and informal communication taking place internally at all levels of an organization" (p 304). Welch and Jackson (2007), on the other hand, use the following definition:

"Internal communication is the strategic management of interactions and relationships between stakeholders at all levels within organizations." (p 183)

Stakeholders here mean all employees within an organization, including management. This latter definition will be used in this thesis, as it emphasizes the role of active management of communication and relationships, highlighting that internal communication should be managed and maintained strategically.

Internal communication can be difficult to manage. Robson and Tourish (2005) claim that managers are not often aware of their communication climate, that is, whether their communication is sufficient and effective. They also do not find it necessary to find out, as the audit process can be costly and difficult and the results might be what the managers do not want to see. This, of course, creates a paradox because if the organization does not know how well it is doing with its internal communication, it is extremely difficult to develop appropriate action plans and thus the communication never improves. And, it is frequently the case that employees do not receive enough information, according to Robson and Tourish (2005). The problem can be that the managers operate on a need-to-know basis and their definition of need-to-know information is very different from that of the employees'. Also, the problem can be the sources from which the employees receive their information, the channels through which the information is communicated and the quantity of information that is sent by organizational members.

In their article *Managing internal communication: an organizational case study*, Robson and Tourish (2005) conducted a communications audit in a major European health-care organization to find out what the managers' understanding of improving communication was and what they did in relation to communication. The employees felt that there was a clear lack of communication; they did not know what was going on and the information they did get tended to come from the grapevine, or even from the media, rather than from the managers. Also, the employees offered many practical suggestions as to how the communication could be improved. The improvements did not increase the managers' work load per se, but gave them concrete ideas as to how they could improve the communication and thus create an environment of trust in the work place.

Murgolo-Poole and Pitt (2001) also highlight the importance of trust in internal communication. The economy today is knowledge-driven, as employees are better educated and have better and faster access to information than for example fifty years ago, thus creating more expectations. Managers must consider the fact that the employees are bound to find information from other, possibly less accurate, sources, if they do not get the information from the management. At this point trust becomes important. Without open and true communication, the employees are less likely to trust and respect the management, which leads to lack of commitment to mission, goal and results, lack of risk-taking and lack of collaboration and team work. Welch and Jackson (2007) agree with this view and highlight the fact that the goals of internal communication are to enhance employee commitment, promote togetherness, develop awareness of environmental issues and develop the understanding of the employees that an organization needs to change as the environment changes.

What would then be needed from management to improve internal communication? Tourish et al. (1999) provide answers to the question. Managers must listen better, provide more critical feedback, involve employees more, give more respect to people and their ideas, and give employees the option to decline information, so that they can decide for themselves what information they need to know and what not. Tourish et al. (1999) identify four main stages in improving communication:

1. "Secure senior management commitment
2. Identify current practice
3. Set standards to measure success
4. Incorporate this process into the business planning cycle (and psyche) of the organization" (p. 69)

These stages in communication improvement have yielded good results. In a study done by Tourish et al. (1999) in a large manufacturing company in Northern Ireland, the employees responded well to the changes, thus giving the management more incentive to continue with the communication strategy. When behavior changes, attitudes and relationships follow, as in this example of communication improvement. Tourish et al. (1999) emphasize feedback because without feedback you can never know where you are for sure, you can just guess. Similarly, Henderson and McAdam (2003) highlight the importance of feedback, saying that feedback improves the performance of employees and motivates them to exceed expectations. Feedback also increases the likelihood of knowledge sharing, according to McNeish and Mann (2010). When implementing a new strategy, management should bear in mind Tourish, Adams and Gilmore's (1999) words: *"The key is to aim high, start with small steps, and grow bolder with experience."* (p.74).

A challenge for internal communication in today's business world is the Internet and specifically virtual teams (Pauleen & Yoong, 2001). Of course they provide huge benefits as well, such as reductions in costs due to less travelling and the flexibility of remaining competitive but from a communication perspective there are many challenges. As virtual teams are often temporary, culturally diverse and geographically dispersed, creating effective communication can be difficult. Virtual teams most likely use electronic mail, bulletin boards, collaborative writing and audio/video/data conferencing to work, with little or no face-to-face contact. The key to successful virtual teams is effective communication. The team members should build and maintain their personal relations at least to some extent, so that they can do their work well. Virtual team facilitators work to create an environment where successful virtual communication can take place. The facilitator helps ”people navigate the processes that lead to agreed-upon objectives in a way that encourages universal participation and productivity” (Pauleen & Yoong, 2001, p. 190). The most effective communication channels when creating the personal relationships among the virtual teams seem to be telephones and videoconferencing. Email is used to work on a daily basis, but for creating and maintaining personal relationships, the telephone was seen as more personal and more comfortable tool. (Pauleen & Yoong, 2001.)

In summary, internal communication is relevant for the present thesis because management reporting which is in focus is a part of it. Lack of internal communication is quite common, according to literature, and there is often a gap between perceived communication and practice revealing a need for improved internal communication. Trust is an important issue in internal communication because trust enhances communication. Virtual teams present a challenge for today's organizations and effective communication is the key to their success. Next, knowledge sharing is presented.

2.2 Knowledge sharing

This section presents knowledge sharing. Tacit and explicit knowledge are examined in more detail as they are core elements in knowledge sharing. Important aspects in the subject, such as organizational learning and open communication, are delved into more deeply and different views are presented.

A good definition to knowledge sharing is provided by *Polanyi, as cited in Hildrum (2009):*

"Sharing of tacit knowledge is about people jointly creating a social environment (or society) which is conducive to inquisitiveness and the passionate search for new knowledge. It is about people assisting one another in discovering new things and in solving new kinds of problems." (p. 20)

Haldin-Herrgard (2000) state that knowledge plays a big role in internal communication, more specifically both tacit and explicit knowledge and the conversion of one to the other. Explicit knowledge is structured, the tip of the iceberg that can be seen, whereas tacit knowledge is beneath the surface, unseen and difficult to express, and it is the bigger part of the iceberg. As knowledge is an intangible asset, it is difficult to manage. McNeish and Mann (2010) explain that knowledge sharing is important for organizations because it improves employees' commitment to missions, visions, values and strategy, and creates a more collaborative team environment. For individuals knowledge sharing helps measure their value to the organization by enhancing their ability to interpret and share information. Karkoulian and Mahseredjian (2009) add that knowledge sharing is also important to organizations when an employee leaves the organization. The existing and future employees will need to have sufficient knowledge on how to do their jobs, and that is why the organization has to encourage its employees to conserve and share knowledge.

McNeish and Mann (2010) point out that knowledge sharing and knowledge transfer are often used interchangeably in current literature but they distinguish between the two terms. They see knowledge transfer as the action which derives from knowledge and knowledge sharing as the exchange of knowledge between people. This means that before transfer can occur, knowledge has to be shared and combined. The person receiving the knowledge has to understand enough of it to take action, not just receive knowledge for the sake of knowledge. To enhance knowledge sharing, the people sharing the knowledge should trust one another. When trust is involved, the knowledge does not need to be verified or monitored through other sources because it can be trusted that the knowledge is good. Bratianu and Orzea (2010) add that the amount of knowledge that flows between people and from people to organization's databases is significantly influenced by the level of trust between the organization and its employees. The correctness and usefulness of the knowledge is also an essential factor in knowledge sharing. According to McNeish and Mann (2010), a relationship is strengthened by trust, and in turn, the relationship creates more reasons for trust, creating an iterative cycle. In a trustful relationship people are more willing to give useful knowledge and as well as to listen and to use knowledge given to them. In an organization it is imperative that people and teams can trust each other and this can be achieved through transparency. Trust is built on open communication and free flow of information.

Open communication sounds good but can be hard to achieve. Often, knowledge is a source of the power of employees and the only guarantee of employment (McNeish & Mann, 2010). The basic insecurity and fear that are present in many organizations is the reason why it can be difficult to get people to share their knowledge (see e.g. McNeish & Mann, 2010; Bratianu & Orzea, 2010). Park et el. (2009) bring forward the notion of the dilemma of knowledge sharing. The dilemma of knowledge sharing occurs when knowledge sharing is "disadvantageous in the short-term but advantageous in the long-term" (p.180). Once the knowledge is shared, the person giving it will no longer solely be in possession of it and although this might be beneficial in the long-term, in the short-term he has lost the personal expertise. Therefore, organizations must create an environment where people feel relatively safe and can trust one another so that information can flow freely and knowledge is shared. Previous research has shown that trust in relationships enhances knowledge exchange (see e.g. He et al., 2009.) McNeish and Mann (2010) point out that if two people trust each other, they are more likely to accept each other's knowledge and therefore they are more eager to exchange useful knowledge. Usually, knowledge is exchanged in a dyadic (that is, one-to-one) relationships but sometimes knowledge can be documented and used later on by the same person. Incentives and tools and channels for knowledge sharing must be provided by the organization. Although some researchers do not agree on the use of external incentives in knowledge sharing because they see that trust which is gained through incentives is not trust at all but collaboration. However, many have agreed that incentives seem to work better in situations where knowledge can be separated from the person communicating it. It should also be kept in mind that often the type of knowledge determines the degree of trust. With more sensitive knowledge more trust is needed and vice versa.

An important aspect in knowledge sharing is organizational learning. Past research concurs that there is no generally accepted theory on organizational learning (Yeomans, 2008). However, it can be described as a “process through which individual knowledge is transferred to the organization so that it can be used by others” (Henderson & McAdam, 2003, p.776). It is also inherently understood in learning organizations that individuals must actively transfer the knowledge and learn from their environment. Many authors agree on the point that organizational learning is cyclical (see e.g. Henderson & McAdam, 2003; Falconer, 2006). Information is created and collected, then it is assimilated in the organizational context, after which it is acted upon. These actions, in turn, create new information and the cycle begins again. The skills required in organizational learning, according to Marshall and Smith (2009), include “systems thinking, personal mastery, and mental models, experimentation, systematic problem solving and transferring knowledge quickly and efficiently through the organization and building commitment to learning” (p.40). Marshall and Smith (2009) discovered in their own empirical study that all interviews had references to organizational memory sources, such as people, archives and databases. These memory sources are an important factor in organizational learning, as is management support. Henderson and McAdam (2003) found out that effective communication supports learning and thus internal communication is linked with learning organization and knowledge transfer. Organizational learning only occurs when relevant information is transferred around the organization, and good communications are needed to ensure that the right knowledge finds its way to the correct organizational unit.

Yeomans (2008) discusses two perspectives in relation to organizational learning: technical and social process perspectives. The technical perspective includes concepts of single- and double-loop learning and they are popular with the academic world and business managers. The single-loop, also called instrumental, learning maintains that fundamental values are no changed, whereas double-loop learning aims to challenge those values. The technical perspective is based on the notion that organizations are open systems which adapt to the environment, either through feedback as in the single-loop learning, or through the organizations challenging their fundamental values and then changing to suit their current environment, as in the case of double-loop learning.

The critics for this perspective point out that it does not take into account the concepts of time, space and interrelationships of organizations.

The social process perspective Yeomans (2008) discusses focuses on "how people make sense of their experiences at work and this incorporates three notions of learning: learning as social construction, learning as a political process and learning as a cultural artifact" (p. 274). In this perspective, researchers hold the view that new entrants to organizations learn their work through informal exchanges with others, with less emphasis on the formal, written instructions. Researchers believe that much of the tacit knowledge needed in work is passed on through the organizational community, rather than through knowledge management systems. The political process way of learning views organizational politics as a barrier to learning or as a natural characteristic of a social process. The barrier to learning occurs when employees are faced with an issue that includes embarrassment of threat and thus they by-pass the issue, effectively deferring learning. Learning can be seen as a cultural artifact by some, when they perceive that learning not about what happens in people's brains but more about what happens between people, their views, perspectives and actions of a practice. Organizational culture plays a huge role in this, as does people's national culture.

Many authors agree that tacit knowledge has to be converted into explicit for it to be shared (Falconer, 2006). This requires face-to-face interaction and the exchange of experiences. Nonaka (1994) has created a four-step model showing how tacit knowledge is translated into explicit and vice versa. The model has four processes as illustrated in Figure 2:

1. Socialization: tacit to tacit knowledge transfer, through implicit learning or "learning by doing"

2. Externalization: tacit to explicit transfer through communication

3. Internalization: explicit to tacit transfer by distribution, where it is combined with other explicit knowledge
4. Combination: explicit to explicit transfer by systematic procedures of communication.

	Tacit knowledge *To*	Explicit knowledge
Tacit knowledge	Socialization	Externalization
From Explicit knowledge	Internalization	Combination

Figure 2. Modes of the Knowledge Creation (Nonaka, 1994)

Tacit knowledge is inherently present in context, often in groups or communities. When tacit knowledge in embedded in the learning organization, it can improve decision-making, by making it more efficient because more information is available. (Falconer, 2006.) Pathirage et al. (2007) argue that tacit knowledge is embedded in individuals, and thus difficult to communicate. Saint-Onge (1996) adds that it is the experience of individuals that creates tacit knowledge, experiences that create attitude, motivation, commitment and beliefs and through these we interpret what we see and do. Tacit knowledge guides our behavior, creating boundaries and establishing what is accepted behavior and what is not.

Rebernik and Sirek (2007) stress that not only is tacit knowledge difficult to share, it allows people to perform at a higher level, and hence, is also more difficult to grasp than explicit knowledge. Through experience, people become more skilled. A novice construction worker, for example, cannot become an expert by simply studying construction, that is, through explicit knowledge; he needs the experience and hands-on work of the construction itself. In construction especially, this could be achieved through apprenticeships and action learning, which requires face-to-face interaction and practical experiences. Rebernik and Sirek (2007) show four categories of tacit knowledge in their research paper:

- Hard-to-pin-down skills, which is the know-how, the practical skills of people.
- Mental models, which are models people draw on when assigning meanings to situations, when determining how people analyze and understand situations.
- Ways of approaching problems, which are the ways people use when dealing with problems.
- Organizational routines, which are the views of employees and managers on what is relative data and what to prioritize; they are routines that have proven good in the organization and stay in the mind of the organizations even if people leave.¨

"To rely on personal tacit knowledge in organizations is risky. Conversion of tacit knowledge to explicit or at least the ability to share it offers greater value to the organization" (Haldin-Herrgard, 2000, p. 359). Sharing tacit knowledge has many difficulties, and perception and language are the main issues. As tacit knowledge is in a non-verbal form, language can create barriers in transferring it, as well as culture, which is one of the most important factors, according to Qin et al. (2008). When dealing with people from different cultures and backgrounds, internal communication becomes much more complicated, as does the transfer of knowledge. As noted above, sharing tacit knowledge requires face-to-face interaction, but organizations today are large and geographically dispersed, creating a huge problem for knowledge sharing. Albescu et al. (2009) state that managers should have some degree of intercultural competence. This would include cognitive aspects such as cross-cultural awareness, knowledge of cross-cultural fundamentals and tools and country specific know-how. Also behavioral skills such as cross-cultural communication are needed in order to build trusting and sustainable lasting relationships.

“The competitive advantage of multinational corporations (MNCs) lies in their ability to exploit locally created knowledge worldwide“ (Qin et al., 2008, p. 262). National culture, which is a pattern of beliefs and values, as manifested in practice, behavior, and various artifacts shared by members of a nation, has an important impact on knowledge transfer. Hofstede’s (2001) cultural dimensions show how people in different cultures process information and they are used widely in knowledge transfer research (Qin et al., 2008). The five dimensions are individualism versus collectivism, power distance, uncertainty avoidance, masculinity versus femininity and long-term versus short-term orientation. By studying and learning these dimensions managers can get an idea of an approach for knowledge transfer that would work best in a specific culture. Most authors see cultural distance as an obstacle to knowledge transfer, pointing out language and trust as the main barriers. In their research Qin et al. (2008) found out, interestingly, that expatriate managers did not see language as a problem. The managers thought that Chinese employees had sufficient language skills to express their ideas. Communication styles, on the other hand, were seen as a problem for the employees. Upward knowledge transfer as well as knowledge transfer in certain situations was also problematic due to large power distance in the Chinese culture. It was also discovered that when there is more than one culture in the knowledge transfer process it is more time and energy consuming and demands more communications-wise and face-to-face interaction played possibly an even bigger role than in national knowledge transfer.

The study by Rolland and Kaminska-Labbé (2008) shows how knowledge sharing creates competitive advantage. They studied a French multinational food and beverage company GoodFood and how the creation of knowledge-sharing networks increased the performance of the company and helped maintain their competitive advantage. A Networking Attitude project was launched in 2002 to facilitate efficient knowledge flows across the world. The project had two tools: Knowledge Marketplaces and Message in a Bottle sessions. The Knowledge Marketplace gatherings bring managers together to participate in role-playing exercises that are designed to share knowledge to solve specific business problems. As these gatherings were scheduled during other business events, the managers were already present, creating no additional costs. The Marketplaces have a theme (for example Star Wars) and people have to be in costume. This facilitates free communication without the normal hierarchical set-up of the office. Managers like to participate in these events as they are seen entertaining and an opportunity to network and socialize. Each Marketplace has a specific topic and if a manager feels the topic is relevant for him, he can participate in the discussions. Material relating to the topic is provided before-hand, giving the managers a change to familiarize themselves with it and come up with problems. There are three roles in the Marketplace: Givers who pitch their good solutions to specific problems; Takers who look for solutions to their problems and Facilitators who act as mediators, propelling the right Giver to the right Taker.

Message in a Bottle was the other tool of GoodFood’s Networking Attitude project. These are small meetings where participants talk about their problems in front of their peers, a carefully selected group of experts in the field. The problem is posted on a bottle-shaped post-it note on a discussion board and the experts attach their solutions on the same board after the presentation. More in-depth discussions continue between the solutions that are deemed relevant. The idea behind these two tools, Knowledge Marketplaces and Message in a Bottle, was to prevent the managers from solving same problems again and to encourage managers to share their ideas and ask for help. These tools succeeded in eliminating the problems of the company: lack of effective communication routine and motivation to exchange good practices. As this project was designed from the very start to be measurable, it was easy to see whether it was successful or not. Without the measures, who would have known whether the project was successful in the end? The project had many good outcomes but the most relevant for this study is that people communicated more freely because of it, transferring knowledge across cultures and hierarchical positions. People were more interested in the performance and business of other business units and cooperated more. In a sense, the company became more unified. The accessibility to knowledge is enhanced over and above the two tools in the company nowadays. Specialized portals, web conferences and chat rooms have been created to share knowledge. This whole project started from the top management, but later on, people from all levels could express their ideas and enhance knowledge sharing. (Rolland & Kaminska-Labbé, 2008.)

To summarize, the relevance of knowledge sharing for the present research is obvious because the aim of the thesis is to find out whether knowledge is shared in the case companies. Knowledge sharing occurs in many ways, according to the literature, from transferring explicit knowledge to tacit and vice versa, to open communication and organizational learning. The benefits of knowledge sharing are manifold: improved employee commitment, a better working atmosphere and ultimately, added value to the organization. Studying previous literature gives a good starting point to the empirical research, to see whether the empirical results concur with previous literature on knowledge sharing. In the next section, Business Process Management is introduced.

2.3 Business Process Management

This section gives an overview of Business Process Management and its relevance to the present study. As previous research in this area is fairly new, many researchers seem to agree on the fact that the subject is not studied enough nor does it have a strong theoretical base.

Korhonen and Kankaanranta (2010) focused on how Business Process Management (BPM) can be used in communication processes and depicted BPM as a set of tools and techniques for the improvement of business processes. Kujansivu and Lönnqvist (2008) add that the main idea of BPM is "to develop an organization's business processes by eliminating non-value adding activities and by improving the fluency of processes at the boundaries of different organizational functions" (p. 160). The emphasis Hung (2006) wants to make is that BPM aims to give and maintain a competitive advantage for the organization, through improving business processes in order to maintain and add customer satisfaction. To fully understand BPM, a definition for a process is in order. On the basis of previous research on BPM, Korhonen and Kankaanranta, (2010) defined a process in their study on communication processes "as a systematic series of interrelated and predefined actions, directed to the achievement of a specific goal" (p. 154). These processes would then be improved through different tools and techniques, to create value and competitive advantage.

Hung (2008, p. 23) presents seven rules by which Business Process Management has to be governed:

1. Major activities have to mapped and documented
2. A focus on customers is created through horizontal linkages between key activities
3. Systems and documented procedures are depended on
4. Measurement activity to assess performance is relied upon
5. Continuous approach is used for the basis of BPM
6. BPM has to be inspired by best practice
7. Culture change must be the used approach.

Hung (2008) also points out that BPM takes a holistic view and is enabled by information technology. The use of BPM has a corporate-wide impact and it emphasizes cross-functional process management. In fact, many researchers agree that the key element of BPM is to flatten the horizontal hierarchy in an organization and to embrace the cross-functional working environment (see e.g. Hung, 2008; Trkman, 2010). This means that everyone is responsible for controlling their work, not just supervisors and managers. In his empirical study, Hung (2008) used six composite variables to understand BPM, Process Alignment and People Involvement better. These variables were horizontal structure alignment, IT alignment, strategic alignment, executive commitment, employee empowerment and organizational performance. The study showed that Process Alignment, measured by the first three variables, is positively correlated with organizational performance. Process Alignment acts also as a mediator between People Involvement and organizational behavior, linking the three in a positive correlation. Organizations perform better with top management commitment, employee empowerment and the strategic alignment of objectives with core processes.

Benefits of Business Process Management include improvement in customer service, increased productivity, better competitiveness, reduction in errors and waste, better quality in products or services as well as flexibility and cost effectiveness (Kujansivu & Lönnqvist, 2008). Korhonen and Kankaanranta (2010), referring from previous research, add greater consistency, improved employee satisfaction, facilitated knowledge transfer and shorter cycle times. Process documentation also improves which means better risk management. Consistency seems to be the key work in regards to BPM, as well as iteration. Much of the previous literature on BPM highlight that it is not enough that the processes are identified and documented once; they need to be updated when needed (see e.g. Trkman, 2010; Smart et al., 2009). The disadvantages of BPM are reported to be employees' resistance to change, insufficient communication, lack of resources, improbable expectations and IT related problems (Kujansivu & Lönnqvist, 2008).

Trkman (2010) has a different starting point to discussing Business Process Management than most of the previous research. He points out that existing literature fails to put the research within a theoretical framework and thus he aims to create a theoretical basis for the field. He proposes a combination of three theories: contingency, dynamic capabilities and task-technology theory. Critical success factors (CSF) are searched to explain the (un)successfulness of BPM. Trkman (2010) establishes the definition of success of BPM as continuously meeting predetermined goals, within a single project and over a longer period of time. Contingency theory proposes that there is no one best way of organizing and that an organizational style may be effective in one situation but not necessarily in another. For organizations to perform effectively they must align their strategy and structure with the competitive environment. Organizations must therefore cautiously study their contingencies and align their BPM programs accordingly. The dynamic capabilities (DC) theory attempts to link the shortcomings of the resource-based view by assuming a process approach. DCs help the organization to adjust its resources to the changing business environment, in order to gain competitive advantage. In Business Process Management DCs can be described as a set of specific processes, such as strategic decision-making and product development. The last theory, task-technology fit (TTF) theory, suggests that information technology has a positive impact on individual performance if the capabilities of IT are equivalent with the user's tasks. This indicates that IT has to be aligned with the business strategy and provide support for it.

The most significant critical success factor for the contingency theory was found to be the proactive implementation of BPM as part of the business strategy of the organization together with focused BPM efforts on core-customer business processes (Trkman, 2010). One of the main reasons for failures was the lack of connectivity between strategy and BPM projects. Another CSF is the correct involvement of IT. As IT does not create competitive advantage by itself, managers must reengineer their core processes from a customer perspective. Also, performance measurement is critical to the success of BPM. Lack of proper documentation and measurement of processes do not create competitive advantage. New processes have to be measured for time, costs, productivity and quality after which they should be compared to the old processes to see whether there has been improvement. Standardization was mentioned by other researchers as well (see e.g. Korhonen & Kankaanranta, 2010), and Trkman (2010) stresses that process standardization is desirable because it offers compliance with regulations, improved customer confidence and technical interchangeability. However, standardization is not the answer to everything. Many processes cannot be standardized because they are ad hoc and unique in nature and rigid standardization can crush innovation and harm performance (Trkman, 2010; Korhonen & Kankaanranta, 2010). Employee involvement and training is seen as a critical success factor as well, as was discovered by Hung (2008). In summary, Trkman (2010) identifies the critical success factors for BPM to be: identify the contingent variables that influence the organization's strategy and critical success areas, enable continuous improvement, generate the necessary organizational changes and remember that IT should be used as a tool for support, not as a cure.

Smart et al. (2009) view BPM as the "way customer requirements get transformed into actual goods and services" (p. 494) and they have formulated five key themes of BPM: process strategy, process architecture, process ownership, process measurement and process improvement. First, process strategy deals with the linkages between strategic intent and the deployment and management of the process infrastructure. Strategically, an integrator between the strategic level planning and the task level deployment should be present. There are several advantages to the articulation of business strategy, such as reduced costs, speed of new product introduction and consistent product quality. These benefits can be gained if the strategy is deployed effectively through an infrastructure that is process-driven. BPM itself could be described as the deployment, as a strategy in action, where the goal is to successfully manage a business through the improvement of individual processes.

Second, process architecture is developed to understand the organization (Smart et al., 2009). This also includes the linkages between processes, not just the processes themselves. Smart et al. (2009) mention that in their experience, organizations tend to focus on specific processes and forget to look at information flows between the processes. This creates a distorted view of the organization because very rarely processes can exist and function well on their own; they interact with one another. The authors also emphasize that both the “inter” and “intra” connectedness of processes have to be managed and described accurately.

The third key theme of BPM is process ownership, according to Smart et al. (2009). Processes must have identified owners who take responsibility for the changes in that process as well as for its performance. Process owners should also work with other processes to prevent from creating an organization where all processes are separate from each other. As mentioned before, processes are not horizontal silos that can operate indefinitely by themselves. The literature also suggests that process teams should be developed to create a process-oriented environment. This can lead to structural changes in the organization, and this is where the organization must weigh the benefits against the disadvantages. Is the potential loss of experts worse than the benefits gained from better process understanding and customer focus, formal control of performance worse than the empowerment of teams or unclear network structure worse than a comprehensible functional structure?

The forth key theme in BPM is process measurement. It aims to “optimize process performance against customer requirements and economic targets” (Smart et el., 2008, p. 497). Current literature points out that performance measures are often influenced by financial results and these do not take into account customer satisfaction. Therefore, strategic and operational targets should be linked. Efficiency, customer satisfaction and customer loyalty are important aspects of performance measurement and they must be included in the process measurement.

The final key theme is process improvement. This is essential in reaping the benefits of BPM. An organized, consistent approach to process improvement is the key. Improvement should be continuous and sufficiently radical, according to Smart et al. (2009).

In summary, Business Process Management is critical for this study because it examines the processes as value-adding activities. The aim of BPM is to remove non-valuable processes and the thesis seeks to find out whether the case companies have value-adding or non-value-adding processes. Therefore, the current literature on BPM was studied to find out what the definitions for those activities were and what the current tendency was. These can then be used as a starting point for the empirical research and to see whether the case companies show similar processes. Next, a brief review of current literature on management reporting is presented.

2.4 Management reporting

Management reporting is used for internal decision-makings as opposed to financial reporting which is mainly for external users, such as financial institutions (Howson, 2004). Management reporting is done to guide the operative decision making of a company, for the management to make good and accurate decisions regarding the performance of the company (Petty & Ng, 1999). Usually, management reports are prepared every month to provide the management financial figures of the previous month's performance. This will help them see how the company has done in the past and what actions should be taken in the future. First, some different approaches to management reporting are introduced to provide a more cohesive view on management reporting. Second, the balanced scorecard is discussed in more detail as it is probably the best known tool for management reporting (Johanson et al., 2006).

2.4.1 Management reporting approaches

Management reporting has many approaches, of which only a few are discussed here. First, the change of management reporting in Microsoft, a software and computer program company, is presented; second, One Day Reporting is introduced; third, the improvement of management reporting procedures in Fonterra, a multinational dairy company in New Zealand is presented; and fourth, management accounting systems are examined from the perspective of task uncertainty and their effect on managerial performance.

O'Leary and Markus (2006) discuss the change of the management reporting of Microsoft, a software and computer program company. Even though the change itself was done nearly twenty years ago, the points the authors make in the article are still very valid. In the early 1990s, Microsoft used a general ledger program for its financial reports and each month closing took from two to three weeks. All the reports were printed, copied, faxed and mailed to the managers and by the time they received them, information was already outdated. The management of Microsoft decided that management reports have to be delivered on a timelier basis and therefore Microsoft implemented SAP and developed other tools in order to make reporting easier and faster. The first step of the implementation was to identify the users and three categories were found: expert users who need access to create and review for example general ledger data and usually these people were accounting and finance specialists; casual users, such as managers, who need access to more summarized reports and a special tool was built by Microsoft for these users so they could access the needed information quickly and easily; shareholders and investors, which are shareholders both inside and outside the company, and the aim was that these users could access published quarterly reports in any format, including graphs and tables. Howson (2004) also points out that managers expect more easier-to-read reports than ever before, with graphs and charts that are analyzed quickly, with the possibility to adapt report formats. O'Leary and Markus (2006) go into great detail about the technological innovations Microsoft developed in order to minimize their reporting period but the end result was that the reporting period was reduced from two weeks to four days. This was achieved through technological changes, by implementing programs that enabled the users to access and input data at a faster pace as well as circulate the reports faster, and also by implementing procedural changes.

The second aspect to management reporting is provided by Petty and Ng (1999). They talk about One Day Reporting (ODR), also called Just In Time Accounting (JITA), which means "the accelerated production, dissemination and review of monthly management results within one or two days at the end of the month" (p. 72). The main benefit of ODR is the more timely delivery of management reports which allows the management to review the reports sooner. This means that the management can make more informed and effective decisions faster. Also, the finance team has more time to focus on value-adding activities, as Petty and Ng (2006) put it:

"The ODR issue is essentially one of choice: specifically, choosing between information which is detailed, precise, and accurate, but received too late and of little value; and information which is less accurate and detailed, but is provided quickly and is of more value for decision making. " (p. 72)

With today's fast-paced world, the second choice is preferred because the report is more beneficial to the end-user, according to Petty and Ng (1999). The disadvantages of traditional management reporting can be overcome with ODR. These disadvantages are

- The inability of the finance team to deliver the kind of information that the top management needs
- The underutilization of the finance resources, which means spending a lot of time on preparing monthly reports but adding little value in the process
- The failure to provide management with reports on a timely basis
- The generation of irrelevant data as well as too many reports that are not used

- The failure to motivate staff as the staff only focuses on report generation which is tedious, repetitive and lacks responsibility

- The cost of the finance function.

ODR addresses all the issues that are disadvantages in the traditional management reporting. Managers receive information on a timely basis, within one or two days. The quality of the information is improved through better understanding of the key business drivers, information is communicated more effectively to the management with only necessary information reported and information is also better analyzed with charts and graphs. Ultimately, the staff is more motivated as they are more involved in the analysis and less work is required in the tedious monthly closing.

Interestingly, the empirical study Petty and Ng (2006) did in twenty Australian organizations about the length of the reporting times shows that there is a clear trend towards shortening reporting periods. They found out that ninety per cent of the respondents had shortened their reporting cycle in the past five years, on average from 13.6 days to 5.6 days. Ten per cent showed no changes in their reporting cycle, but in the following five years, all companies forecasted their reporting cycle to shorten. Over half thought they would achieve ODR within five years and about a third thought they could achieve a reporting cycle of three days. Astonishingly, ten per cent of the respondents thought they can achieve a Half-Day close, which would mean that the reports would be send in half a day. Many also commented on how they see the reporting cycle to continue to develop, on a continuous basis in the future. Another find that Petty and Ng (2006) made was that almost half of the respondents currently send out a Flash Report in a day which means a report that has quick approximate results for the management to view immediately with a more comprehensive reports sent out a bit later. The survey also asked about reporting periods and timings. Most of the respondents close on the last physical day of the month whether it was a Wednesday or a Sunday. A quarter close on the same week as the last day of the month and ten per cent use four-week-periods and had therefore thirteen reporting periods in a year. The respondents said that the main reasons why their reporting cycles have been reduced are the changes in the processes and the mindsets rather than in the IT systems. These reasons include adopting different processing timetables, entering only error-free data in the month, using predefined report formats and generally working smarter. IT systems allow for the additional reductions in reporting cycles, that is, after the above changes have been made. An IT system helps bring the reporting cycle to one day, from three or four days.

The third approach to management reporting is introduced by Ward and Callaway (2004). They studied Fonterra, which is a multinational dairy company in New Zealand. Even though the company in size is much larger than the case companies in this thesis, the fact that Fonterra operates in 43 countries, 17 time zones and many different languages and currencies creates an interesting comparison to the case companies that have similar operating environments. In 2004 Fonterra wanted to focus on improving financial systems and processes. Their goal was to improve financial and management reporting and business planning processes globally, establish a global back office, with simple core processes through SAP, implement a global chart of accounts and International Financial Reporting Standards (IFRS). As the operating environment for Fonterra is so multifaceted, the financial and management reporting systems and processes had to be strong enough to support entities from joint ventures to wholly owned multinational companies operating in many countries, from developed countries to developing countries. The reasons for Fonterra to undergo this change were to provide better reporting for management in terms of transparency and quality, enhance financial consolidation process by reducing the number of days the reporting takes, decrease and automate many inter-company accounting activities, provide a base for future reporting enhancements, replace current different consolidation systems with one web-based system, facilitate drill-through to supporting data at lower levels and build a base for IFRS compliance.

Fonterra began their improvement from the financial consolidation project. After careful review, Hyperion Financial Management (HFM) was seen as the best solution because it had a central database, was accessible from the internet and the company's intranet, was well-supported internationally, was flexible enough to handle multi-jurisdictional requirements and also had broader business intelligence capabilities that could be added later on if wanted. The project was completed within a six-month period as scheduled and within budget due to good support from the business and a project team that worked well together. Critical success factors were identified by Ward and Callaway (2004): the availability of Fonterra staff to participate in the project while managing their daily work, effective stakeholder management and strong committee participation, careful planning and coordination of the other projects such as the IFRS implementation, effective management of regional and county participation and ultimately, the ability of the standard HFM to meet operational reporting requirements. The successful implementation of the changes brought Fonterra the improvements they wished for: timelier reporting of monthly consolidated results, more accurate and insightful reporting with drill-down capability, easier-to-use interface that can be tailored to specific needs, simplified and automated processes for inter-company eliminations and foreign currency translation processes, a global chart of accounts, a single global financial consolidation system and a system capable of supporting the introduction of IFRS. As this project was a change management issue, throughout the project all stakeholders were kept informed of and involved in the changes and a plan for communications and stakeholder management was devised to ensure everyone was aboard the project. All the users were trained appropriately and even though they were spread out across the world, everyone was reached. (Ward & Callaway, 2004.) Howson (2004) also stresses the need for tailored interfaces and the ability for managers to drill down deeper into the reports.

The fourth approach to management reporting is brought by Chong (2004) in his article about management accounting systems (MAS) and task uncertainty and how it affects managerial performance. Chong (2004) quotes Sprinkle, Romney and Steinbart when he says "*information is relevant if it reduces uncertainty, improves decision makers' ability to make predictions, or confirms or corrects their prior expectations*" (p. 2). According to him, current literature suggests that the use of more broad scope MAS information by managers in a low task uncertainty situation would lead to information overload and this would in fact lower the managers' performance. Therefore, information overload reduces the value of information and decision-making quality. On the contrary, when task uncertainty is high, managers need more broad scope MAS information to be able to deal with the complex decision-making environment. More detailed reports from management accounting systems can help the managers to reduce task uncertainty and ultimately improve the managers' performance. Chong (2004) proposes that because job-relevant information in the form of feedback can play an important role in helping the manager learn, the use of broad scope MAS information in a high task uncertainty environment can in fact lead to superior managerial performance. The survey Chong (2004) conducted included 131 senior managers from manufacturing firms in Australia and the results show that in low task uncertainty situations, regardless of job-relevant information, the outcome is usually information overload, which reduces managerial performance whereas in high task uncertainty situations, with more broad scope job-relevant MAS information the outcome leads to improved managerial performance. This means that management accounting systems should provide appropriate information to suit the needs of the managers, whether the needs are more or less broad scope MAS information.

As can be seen from the above examples, technology only takes companies so far, it is also about procedures and people. The changes must first come from procedures and the mindset of the employees and managers, only then can IT systems help bring the reporting cycle to the shortest possible. This creates a need for people that are less involved in the actual accounting and more involved in analysis and internal services. Next, the balanced scorecard is discussed.

2.4.2 The Balanced Scorecard

The Balanced Scorecard (BSC) was developed by Kaplan and Norton in the 1990s (Johanson et al., 2006). It is defined as a strategic management system and used to direct current and future performance by looking at measures in four categories: financial performance, customers, internal business processes, and learning and growth (Broccardo, 2010). In order for employees to know what is expected of them, strategies have to be translated into congruent goals at each level of an organization (Johanson et al., 2006). As Broccardo (2010) points out, the BSC is not a tool that can be used as is but every organization should tailor it to their specific needs. If the BSC is to represent the strategy of an organization, which is unique for every organization, then the BSC should also be unique and specific indicators for every stakeholder category as well as possible other categories must be identified and developed.

"The Balanced Scorecard is a strategic management system that translates strategy into action: it is balanced on multiple fronts, such as short and long-term objectives, financial and non-financial measures, lagging and leading indicators, external and internal performance perspectives." (Sushil, as cited in Broccardo, 2010, p. 82)

Moreover, the BSC itself evolves over time as the organization evolves and therefore it needs to be revised to see whether there are new stakeholders that have to be taken into account or such. Broccardo (2010) also emphasizes that the BSC can be used as a guide in the process of reporting to check whether the actions are corrects, goals can be met and the strategies are proper.

Walker (1996) describes traditional financial systems used for internal reporting limited in several ways: measurements are in monetary terms, information is highly combined and integration with other functional information sources is very narrow. He sees four reasons as to why companies continue to use systems that are inadequate for their needs, from a management point of view. The first reason is that internal reporting systems naturally evolve over time, so a system that was sufficient ten years ago, simply is not today. Secondly, the turnover of managers or lack of it influences management reporting. As managers grow up with a system and they are used to it, they rarely think about improving it and reports get done as they always have been done, with no thought to whether the way reports have been done in the past is still satisfactory today. Thirdly, many managers are not financial experts and therefore they are used to seeing things in the same format and this limits opportunities for change. Finally, as bonuses and incentives are usually determined based on accounting measures and accounting measures are deemed objective and the performance of the whole company is assessed through them, other measures for bonuses and incentives are difficult to use.

According to Walker (1996, p. 25) the Balanced Scorecard has several advantages over the traditional reporting systems including greater flexibility, inclusion of non-financial information, ability to communicate key factors that drive performance, customer-based reporting and innovation and organizational learning. The BSC also makes sure the behavior of management and employees is taken into account, indicating that you get what you measure. There are of course some disadvantages to the BSC as well. Management reporting remains static, even with the use of the BSC and managers get used to seeing the reports and thus desensitized to the message in the reports. As mentioned earlier, the BSC has to be revised in order to be up-to-date with the dynamic business environment. All in all, reporting should be developed into a dynamic proactive process where internal financial reporting is constantly measured and updated. This is called Dynamic Management Reporting (DMR) and Walker (1996) describes it as "an approach that emphasizes innovation, flexibility and a high degree of independence of the reporting staff" (p. 25). The goal is to encourage improvements in managerial and organizational performance to reflect the constant changes in business. The point of DMR is to make reporting less static and more responsive to changes in the operating environment. DMR aims to overcome the weaknesses of traditional reporting systems and strengthen the Balanced Scorecard as well as change the attitudes of the management and the accounting staff about reporting systems. In management reporting, as in many other things, the process itself is iterative and never fully completed, something always needs changing. (Walker, 1996.)

Johanson et al. (2006) view the Balanced Scorecard from a different point of view. They look at the critical issues, identified as dilemmas, which can be seen in the implementation and use of the BSC. Many of the issues identified in relation to BSC are not in fact unique to BSC but can be observed in other more traditional reporting systems as well. The dilemmas are grouped under four headings: implementation and employee mobilization, one-size-fits-all problems, the time dimension and various organizational logics. Johanson et al. (2006, p. 844) list the enablers of successful implementation: the commitment of top management, the participation of the middle managers and employees, a culture of performance excellence, training and education, keeping the BSC easy to use, clarity of vision, strategy and outcome as well as links with incentives and resources to implement the BSC. The most common reasons for the implementation to fail are the lack of top management commitment, the lack of highly developed information systems and the undue management focus on short-term issues. An estimate done by KPMG, which is cited by McCunn on Johanson et al.'s (2006) research showed that over 70 per cent of BSC implementations fail.

The first heading of the four dilemmas is the implementation and employee mobilization. The idea of implementation creates a dilemma in itself because at one hand there is a new idea, in this case the BSC, which has to be implemented and in another hand the idea of implementation creates an overwhelming barrier through the notion that the new idea is the idea of the top management and others must agree to it without the opportunity to participate and discuss. In employee mobilization the dilemma lies in the fact that a too strong focus on performance measures may alienate the employees who wish to learn and understand. So there is a delicate balance between the focus on performance measures: too much is not good but neither is too little. The second heading, one-size-fits-all idea, discusses how the BSC was not originally targeted to small and medium sized enterprises, but for larger organizations. Therefore the model has to be revised according to the needs of the organization, as pointed out by

Broccardo (2010). The third heading was the time dimension and this is often left out of discussions and analyses according to Johanson et al. (2006). They classify two different sets of time: one time and right timing. On time means that activities are done according to a schedule and finished at a specific time, for example 2 pm GMT. Right timing is linked to the management control activities in the sense that activities are done with a right timing in terms of how the organization is affected by the activities and how they fit into the organizational situation. The BSC may not necessarily separate between these two and as activities are measured at the same time, the right timing may not be visible at the measurement time. The last heading, various organizational logics, looks at different issues. Different BSC perspectives look different in poor financial conditions and the question is whether a balance between these perspectives can be found. The BSC also may sift focus in management control processes between input and output, but for example in many public organizations this has been proven to be difficult and the result ends up strengthening input instead of output. As a conclusion, Johanson et al. (2006) see the future of the BSC as complex. Many pitfalls of traditional management reporting may also affect the BSC. They believe the BSC will always exist but it manifests in different forms in different organizations, some more useful and effective than others. Ultimately, Johanson et al. (2006) would use BSC as tool to open up and shift the boundaries of management control systems and processes.

In summary, management reporting is relevant for the thesis because it is the specific area of which the thesis focuses on. This section examined different approaches to management reporting and the Balanced Scorecard in more detail. As can be seen from literature, all companies have their own unique management reporting procedures, and although others can learn from previous examples, they should create their own procedures to be truly successful. Next, a theoretical framework is portrayed.

2.5 Theoretical framework

Figure 3 shows a synthesis of previous literature as described above and the relations of internal communication, knowledge sharing, Business Process Management and management reporting to one another, giving a theoretical framework for this thesis.

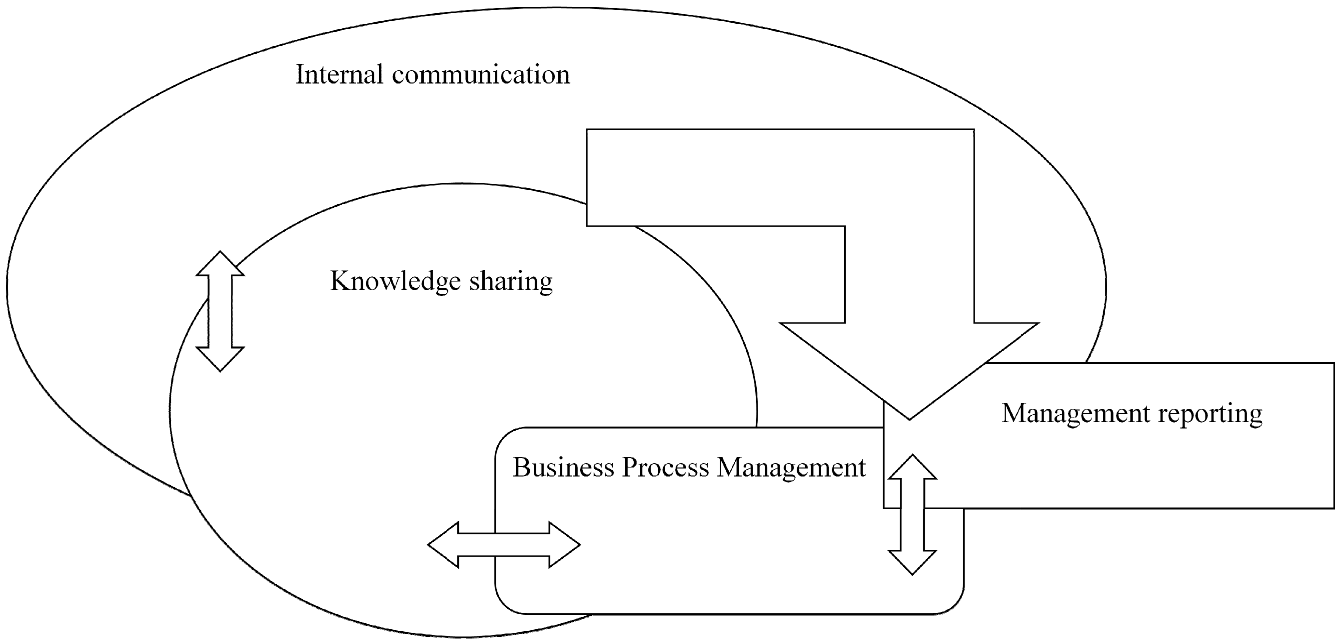

Figure 3. Theoretical framework.

Figure 3 aims to show the interrelations of the four literature view topics: internal communication, knowledge sharing, Business Process Management and management reporting. Internal communication provides the umbrella for the literature review. It is the basis for the whole research and although it covers a lot of subjects, the focus here is on knowledge sharing and management reporting more specifically. Knowledge sharing is one subarea of internal communication and the first arrow on the left hand side describes the interrelations of the two subjects. Knowledge sharing can also occur outside of internal communication, for example from customers and suppliers, thus a part of the knowledge sharing circle is left out of the internal communication circle. Business Process Management is partly related to knowledge sharing and internal communication and partly it can be a subarea of management reporting. Internal communication and knowledge sharing affect management reporting, and this is described by the big arrow starting from internal communication and knowledge sharing and pointing to management reporting at the top right corner of the figure. Management reporting can also be viewed as a subarea of internal communication. The big arrow at the top right corner is also the main research aim of the thesis; that is, the effect of internal communication and knowledge sharing on management reporting procedures. This theoretical framework is used as a starting point for the empirical research of the thesis and the methodology and data are presented in the next chapter.

3 METHODOLOGY

This chapter outlines the methodology of the study and focuses on the data collection and the analysis and discusses the trustworthiness of the study. The present study uses a qualitative research approach. Since the study is done as a case study, qualitative research will give more insight into the research than a quantitative method would. Qualitative research cannot be statistically generalized but the aim is to examine this specific case organization in more detail. Case study design was chosen because it has an obvious advantage in situations in which “how” and “why” questions are asked (Yin, 2009). Case study research is often used to understand areas that are still emerging and not widely studied (Trkman, 2010). Case study research also allows for the understanding of complex issues or objects and contextual analysis of a limited number of events (Broccardo, 2010). The present study uses case study research because the aim was to find out what the current situation was in the case companies’ internal communication in management reporting. The case study research seemed the best way to study the companies and their management reporting and overall internal communication. As the researcher was working for Companies B and C at the start of the thesis process, she was in a position to observe their internal communication in management reporting.

3.1 Data collection and analysis methods

The empirical data for this thesis consists of interviews and figures of balanced scorecards and process descriptions provided by the three case companies belonging to the same group: A, B and C. Also, the researcher has observed the financial reporting of the case companies as an employee for almost four years and this has given her a general view of the subject as well as access to the internal data of the companies that outside researchers would not be allowed to have access to. The interview data was collected through semi-structured interviews in the case companies. The other data, two process descriptions and two balanced scorecards, were received from the managers of the case companies.

The interview method was chosen because interviews allow for deeper answers and views on the subject and additional questions can be asked. Semi-structured interviews have areas of interest but no specific questions. (Hirsjärvi et al., 1997.) These interviews were seen as the best way to gather a cohesive and all-inclusive view on the subject by giving the interviewees a chance to express their views freely. The interview sample consisted of ten interviews. Table 1 presents the interviewees, their employers, job titles and work experience.

Table 1. Case companies and interviewees

Company info	Reference number	Interviewee's position	Age	Gender	Interviewee's work experience in the company
Company A	*1*	Chief financial officer (CFO)	40	Female	2 years
	2	Controller (C)	57	Female	21 years
Company B	*3*	Finance manager (FM)	55	Female	1.5 years
	4	Business controller (BC)	50	Female	10 years
	5	Controller (C)	44	Male	7 years
	6	Controller (C)	32	Female	5 years (currently on maternity leave)
Company C	*7*	Chief executive officer (CEO)	43	Male	20 years
	8	Business controller (BC)	29	Female	5 years (currently on maternity leave)
	9	Business controller (BC)	27	Female	7 months
	10	Controller (C)	24	Female	3 years

As can be seen from Table 1, two interviewees work for Company A, four for Company B and four for Company C. The interviewees were chosen because of their positions in the respective companies, to achieve a wide range of opinions as well as to ensure that all levels in the chain of financial reporting are represented. Also, all interviewees worked in an international setting, providing a view of international business communication to the present study. Of those ten interviewees four were controllers, three business controllers, one finance manager, one chief financial officer and one chief executive officer. The titles of the interviewees have slightly different connotations in different companies but the overall work is similar (see Table 2). In Company A there is one chief financial officer and three controllers, of which the CFO and one controller were interviewed for this thesis. Company B has six people working in management reporting and four were interviewed. Company C has one CEO, two business controllers and ten controllers, of which the CEO, business controllers and one controller were interviewed. The finance manager, interviewee 3FM, worked partly for Company C as well, even though being employed by Company B**.** For Companies B and C, not all the employees were directly employed by the mentioned companies; some were also employees of the subsidiaries.

The work experience of the interviewees in the company ranged from seven months to twenty one years with most of the interviewees having worked in the company for three to four years. The ages of the interviewees ranged from 24 to 57 years. Two of the interviewees were positioned abroad, in Europe and Canada, and one interviewee frequently travelled to Asia; the others were positioned in Finland, working in the same headquarters building. The reference number in Table 1 will be used to identify the interviewees in this thesis. For example the first interviewee of company A will be 1CFO, the second 2C, the first of Company B will be 3FM and so on. Business controller 8BC was on maternity leave at the moment of the thesis and 9BC was her substitute. Even though they did the same work, it was perceived beneficial to this research to have a view from someone who has worked for the company for five years and compare it to someone who has worked there for less than a year. Table 2 shows the general differences in the job descriptions of the interviewees based on their positions.

Table 2. Interviewees' position and job descriptions

Interviewee's position	Interviewee's general job description and reporting chain
Controller	Responsible for specific subsidiaries' figures
	Reports to business controller
Business controller	Responsible for the whole company's figures
	Reports to finance manager or CFO
Finance manager	Responsible for Company B's and Company C's figures
	Reports to CFO and CEO
Chief financial officer	Responsible for Company A's figures
	Reports to CEO and Board of Directors
Chief executive officer	Responsible for Company C's figures and overall management
	Reports to Board of Directors

As Table 2 shows, the titles of the interviewees give a general idea of their work description. The table is a generalization as the companies use the same titles for people who do different work but it shows the different levels in management reporting. There are five positions covered in the interviews. First, controllers generally had specific subsidiaries for which they were responsible. In the monthly management reporting cycle they had to get the figures from the bookkeepers, check that the figures were correct, ask for clarification or changes from the bookkeepers and feed the figures to the Current Actual Status (CAS) reports and X3, for details, see section 1.4.5. Quarterly, they also had to fill the figures in to the Group Consolidation 7 (GC7) in order to prepare the financial statements. Controllers reported to business controllers. Second, business controllers were usually one step up, though not necessarily hierarchically. Business controllers gathered all the figures of the subsidiaries together to create the figures of the company. Business controller received the actual figures from controllers and the forecasted figures from project managers in order to prepare the management report for managers to review the past month and decide on the future goals. Business controllers reported to the finance manager or the chief financial officer. Third, finance managers were yet another step up from business controllers. The finance manager, interviewee 3FM, oversaw the figures of Companies B and C. However, the finance manager was mostly involved in the quarterly financial statements for Company C and took more part in the monthly reporting of Company B. The finance manager reported to the chief financial officer (CFO) and the chief executive officer (CEO). Fourth, the chief financial officer was responsible for the figures of Company A, and all of its subsidiaries. The subsidiaries included the other two case companies B and C as well as all the Finnish subsidiaries that were left out of this study. The CFO reported to the chief executive officer and the Board of Directors. Finally, the chief executive officer (CEO) interpreted the figures monthly and went over them with other managers. The CEO was the head of the company and ultimately responsible for everything that goes on in the company. The CEO reported to the Board of Directors.

The interviews were conducted in November 2010 and a pilot interview with one controller was conducted half a year earlier in May 2010. Following the pilot interview, some of the questions were modified to a small extent, to better gain insight into the research questions. Six of the interviews were conducted face-to-face and they all lasted approximately half an hour, varying between twenty-five and forty minutes. The other four interviews were conducted via email. The face-to-face interviews were recorded and notes were also taken by hand. The interviews were transcribed within two to five days of the interviews. These six interviews were all conducted in Finnish, as this was both the interviewer's and interviewees' mother tongue. The researcher has later translated them into English, to the best of her abilities. General questions were created on the basis of the research problem, questions and objective. As the interviews were semi-structured, even though some questions were explicitly asked, the interviewees were encouraged to express their views on the matter freely, with the questions only providing a starting point. A copy of the questions asked will be given in Appendix A. Specific care was taken to ensure that as much information about the subject could be gathered as possible: therefore, most questions were open-ended. Table 3 provides details of the interviews.

Table 3. Interview details

Company info	Interviewee's position	Interview date	Face-to-face interview duration	Interview language
Company A	Chief financial officer	November 26, 210	25 minutes	Finnish
	Controller	November 2, 2010	36 minutes	Finnish
Company B	Finance manager	November 2, 2010	27 minutes	Finnish
	Business controller	November 4, 2010	email interview	English
	Controller	May 17, 2010	41 minutes	Finnish
	Controller	November 8, 2010	email interview	Finnish
Company C	Chief executive officer	November 26, 2010	email interview	English
	Business controller	November 5, 2010	email interview	Finnish
	Business controller	November 3, 2010	30 minutes	Finnish
	Controller	November 3, 2010	37 minutes	Finnish

Table 3 shows the dates, durations and interview languages of the interviews. The four email interviews are also identified. These four interviews were conducted via electronic mail due to geographical reasons. The chief executive officer of Company C was positioned in Canada; therefore, email was seen a necessary tool. One business controller was positioned in Europe and one controller in Asia for awhile; consequently, they were also interviewed via email. One business controller took a maternity leave and due to time management issues, had to be interviewed via email as well. In the email interviews, there were specific questions that were asked, in order to receive answers that were related to the subject but the interviewees were also encouraged to write freely of the subject. Two of these email interviews were conducted in English, as it is the first or second language of the interviewees. The other two were conducted in Finnish. As was mentioned, some of the interviewees were positioned abroad, but all the interviewees worked in an international setting. The interviewees were in contact with other employees who were positioned abroad or with foreign suppliers on a daily basis.

The interviews were divided into three main categories, with a few questions for background information as well. Firstly, management reporting was discussed, questions about the processes and systems of the management reporting were asked, and whether reporting procedures had been actively improved. The second category focused on communication more specifically. The interviewees were asked whether they deem communication in management reporting as working well or not and why. Also, questions about meetings, intranet and cultural issues were asked. The last part dealt with knowledge, how the interviewees shared knowledge and what they saw as important in knowledge sharing. As the researcher had recently worked for Companies B and C, she had a comprehensive view on the subject beforehand, was familiar with the terminology used in the case companies and was able to ask specific questions and raise issues that outside researchers could not.

In addition to the interviews, some other data was used for analysis, such as figures and documents provided by the case companies, as well as all background information that the researcher has collected in the three and a half years of working for Company B and Company C. This data consists of four figures: two balanced scorecards of companies B and C and two descriptions for financial reporting procedures of Company C. These figures will be presented in the next chapter. The possible problem of objectivity and the validity of the research which arises from the researcher having recently worked for Companies B and C will be addressed in the following subchapter.

Hirsjärvi et al. (1997) present that the analysis, interpretation and conclusion of the collected data are the most important parts of a study. Often conclusions can be drawn after the data have been checked, supplemented and organized. In this thesis the data were first checked to see if there were any relevant data missing or if the data collected were irrelevant or false. The original data, the interviews, were later supplemented with the figures received from the case companies in order to expand the empirical data. Finally, the data from the interviews were organized according to the case companies and the questions asked. Sometimes the data were compared across companies and often the interviewees with similar job descriptions were grouped together. Hirsjärvi et al. (1997) provides two approaches to analysis: explanatory and comprehensive. As the explanatory approach is often used in statistical analysis, which is not the case in this thesis, the comprehensive approach was chosen. Here, the conclusions were drawn and interpreted after the analysis was done. The research and findings are interpreted by researchers, interviewees as well as readers and sometimes these interpretations do not correspond. In this thesis the findings are organized according to the research questions to ensure an interpretation that is as unified as possible.

3.2 Trustworthiness of the study

This subchapter discusses the trustworthiness of the study. According to Yin (2009), the quality of the research has been judged by concepts of trustworthiness, credibility, conformability and data dependability. However, other tests have been used to establish the quality of empirical social research, such as case studies. These tests include construct validity, internal validity, external validity and reliability. Internal validity is not relevant for this study, as it concerns more explanatory or causal studies. The other three points, however, have been taken into account when conducting this study.

Construct validity, the first test, stands for identifying correct operational measures for the concepts being studied. In this thesis, it signifies that multiple sources of evidence have been used, such as multiple interviews and other data collected. Also, a supervisor from Company A reviewed the data and made sure it was correct. As the researcher had recently worked for Companies B and C, it could have provided a problem for validity through objectivity. However, the fact that she had worked for two case companies allowed the researcher to gather information that outsiders would not have had access to. In addition, the understanding of the information was easier and faster, as the researcher had previous knowledge of the companies and issues. This recent working relationship in fact adds to validity, as the researcher was able to ask the right questions to receive insightful and useful answers.

External validity deals with the problem of whether the findings of the study can be generalized outside the research in question. Typically, single case studies have been criticized for not being a good basis for generalization (Yin, 2009). As case studies rely on analytic generalizations instead of statistical generalizations, this criticism does not apply. The researcher aims to generalize a particular set of results to some broader theory; therefore, the test of external validity has been proven acceptable. The last test, reliability, is ensured during the data collection phase of the research. The objective of the test is to ascertain that if another researcher were to repeat the same research in the same case company, he/she would get the same results as the original researcher. The purpose of this test is to minimize the errors and biases in a study. In this research, all the results and procedures have been documented carefully to ensure external validity.

4 FINDINGS

This chapter presents the findings of the research. The findings reveal some shared views of the interviewees, as well as some individual viewpoints. This allows the discussion of the findings in such a way that answers to the research questions can be found. This chapter is divided into three subchapters, each addressing one research question. The first subchapter looks at the management reporting procedure, the second one at how the case companies share knowledge and the third one evaluates whether the management reporting procedures are sufficient to ensure good internal communication. The terms financial and management reporting are used quite interchangeably here because the interviewees rarely separate the two in their daily work.

The three research questions are presented below with some comments on relevant subchapters. The first subchapter looks at the first research question.

1. What are the existing management reporting procedures in Company B and Company C?

This section presents the existing management reporting procedures in Company B and Company C. The subchapter looks at each company separately with some overlapping findings presented at the end.

2. In what ways do Company B and Company C with Company A, share knowledge in management reporting?

The second subchapter discusses the ways in which Company B, Company C and Company A share knowledge with each other and among themselves.

3. Are the existing management reporting procedures sufficient for effective internal communication, and if not, how could they be improved?

The final subchapter evaluates whether the current management reporting procedures are enough to create an atmosphere of effective internal communication in the case companies. The research objective is discussed more in depth in the following chapter.

4.1 Existing management reporting procedures

As the interviewees represent different positions in the companies, their involvement in the management reporting procedures varies. This allows the researcher to view the procedures from different aspects. First, a general shared management reporting procedure for Companies B and C is presented. This is based on the researcher's own experiences and knowledge as well as the data provided by the case companies. The interviewees commented on some of the procedures but they were not asked to describe them as the procedures in general are the same for all. Second, the existing management procedures will be looked at from Company B's perspective and third, from Company C's perspective and finally, in the fourth subchapter the procedures will be compared with one another to see whether there are similarities and differences.

4.1.1 Shared management reporting procedures

This section discusses the management reporting procedures that are shared in Companies B and C. The findings are based on the interviews, the figures provided by the case companies and the researcher's own experience. First, the monthly reporting cycle is described, then the additions that were done quarterly to create financial statements are explained.

In general, the monthly management reporting cycle started from the bookkeeping cut-off, which for Company C was at the end of each month, usually the 28th, and for Company B in the beginning of each month, around the 2nd. The cut-off dates were different because Company C has more subsidiaries and it takes more time to gather and combine all the information. The Group determines its cut-off date and from there the companies determine the cut-off for themselves. After the bookkeeping, which for both companies and their subsidiaries was outsourced, had been closed for the month, the bookkeepers sent their reports to the controllers. In each subsidiary and country the bookkeeping agency's own bookkeeping system was used, for which the parent companies had usually no say in. The reports were sent to the controller in Finland in either Excel or PDF format. The controllers then interpreted and checked the figures to see that all sales and purchase invoices were booked, salaries and other transactions were booked to the correct accounts with correct amounts. If there were problems, the controller asked the bookkeeper to correct them, either to that month's reports or then to the next one's, depending on the severity of the mistake. Of course, in management reporting the controller reported the correct figures even if the correction to the bookkeeping was not done until the following month.

In Company C, after the controller checked the figures from the bookkeepers, the figures were then fed to various Excels, which were called Current Actual Status reports (CAS) and they showed that month's income and costs for each project and subsidiary, with calculations for figures from the beginning of the project and the beginning of the year. These CAS reports were sent to project managers who prepared a project report which is another Excel that showed the project's actual figures and forecast for the rest of the project. In Company B the project managers received monthly bookkeeping reports directly because there were less subsidiaries involved in projects, therefore there was no need for CAS reports. Company B's project managers fed their actual and forecasted figures to X3, Company A's management reporting system, whereas in Company C the controllers fed the actual figures and the business controller the forecasted figures to X3. Other costs, such as fixed costs, depreciation and exchange rate differences were also fed to X3. The 12 month report was exported from X3, which was then looked at by the finance manager and the presidents of the companies. Changes were made if needed, after which the figures in X3 were sealed and sent to Company A. The same figures, only not as detailed, were fed into the Group's management reporting program X1 so that they were in the Group's figures as well. This was the basis for monthly management reporting for Company C and Company B. In addition to X3, the Group's cash management program X4 was filled in monthly as well as some additional Excel sheets regarding cash management. Figure 4 shows a process description of the CAS report.

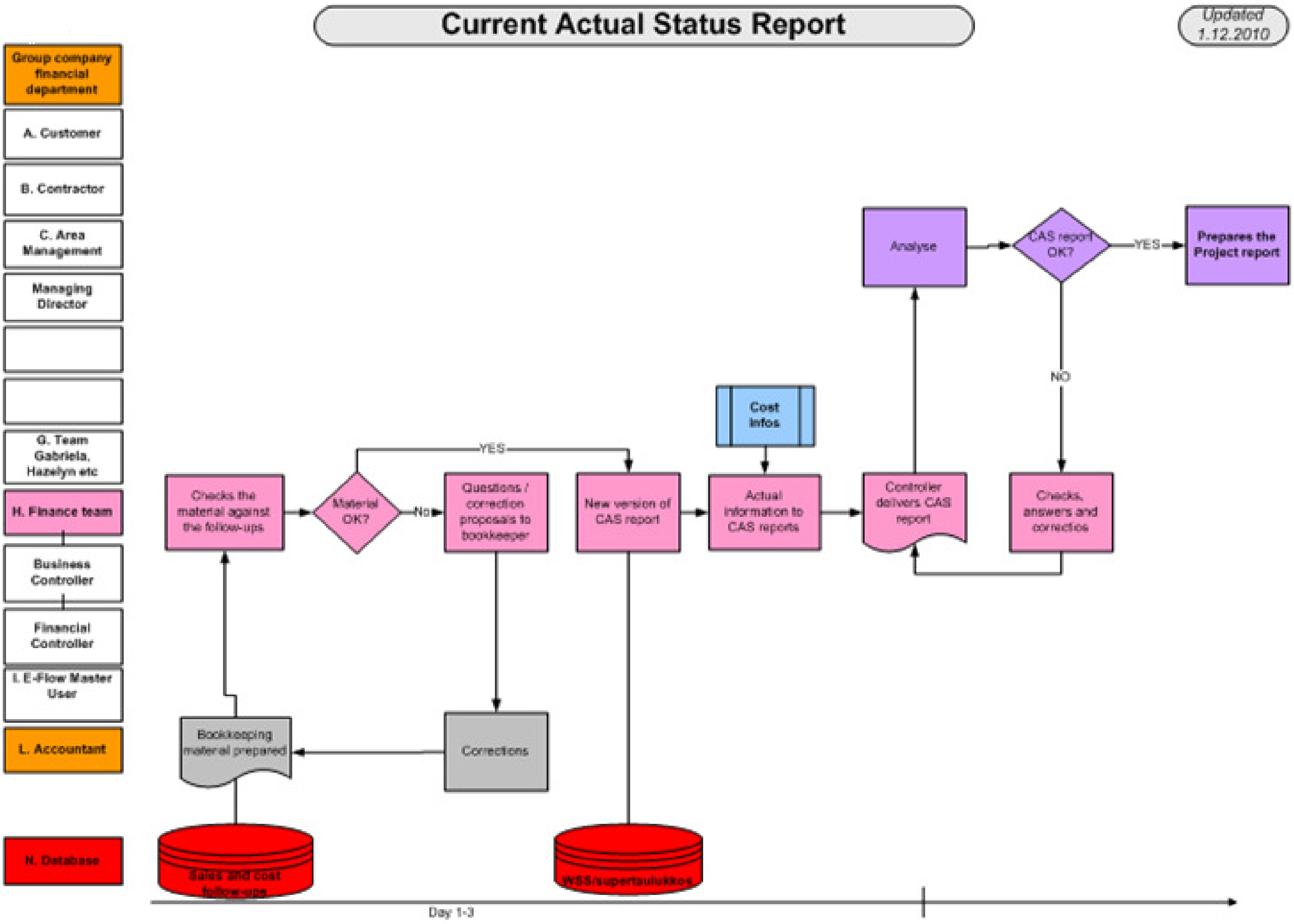

Figure 4. CAS Report of Company C

Even though Figure 4 is not completely finished, it still shows who does what in the preparation of the CAS reports. This authentic figure was made by an employee and interviewee of Company C as a part of a project of Company C to create process descriptions, and the interviews and the researcher's own experiences confirm the process of CAS report. In the left hand side of the figure, the rectangular boxes show who is responsible for what step. The boxes in pink are for the finance team, which means the controllers. There is a separate box for the business controllers but they do not take part in the preparation of the CAS reports. At the bottom of the figure, the red boxes and blocks are databases where the report or material is stored. The process begins from the left hand side and continues with the arrows to the right hand side. In the bottom left corner there is a box Accountant in orange. These are the bookkeepers of each subsidiary and they are not employees of the company; their services are purchased. The accountants do the monthly bookkeeping, adding sales and purchase invoices, expense claims, bank account details and such to their bookkeeping system. At each bookkeeping cut-off, the accountants send the reports to the controllers who check the material to see whether everything is correct. Correct here means that all bookkeeping transactions are booked to right accounts, all value added taxes (VAT) are calculated according to each country's VAT percentage, all transactions that should be booked that month are booked and there is nothing added that should not be added. If the bookkeeping is not correct, the questions and correction proposals are sent to the accountants who answer the questions and if needed, send revised reports to the controllers. When the bookkeeping material is correct, the controller feeds the figures to the CAS reports. The box Cost Infos is not handled by controllers; therefore it is not discussed further here. When the CAS reports are completed, they are sent to the project and area managers for analysis. If the managers have questions or changes they want to make, these are made before the managers prepare their project reports. The project reports are sent to the business controller who collects them and feeds the forecasted figures to X3 based on the project reports and prepares the whole management report. This is all done on a monthly basis.

Quarterly, financial statements have to be prepared. This includes the regular monthly reporting and some additional steps. For Company B, the subsidiaries send some additional reports that are prepared by the bookkeepers for financial statements. These are checked by the controllers and fed to Group Consolidation 7 (GC7), the Group's financial statements program. Accruals and International Financial Reporting Standard

(IFRS) changes are done by the controllers, with help from the finance manager. In Company C, the controllers transfer the bookkeeping figures to a specific Excel, called bridge calculation, one for each subsidiary. This is to make sure that the bookkeeping figures are comparable to the Group's figures and in accordance with the Finnish bookkeeping laws and regulations. The accruals are calculated by the business and financial controllers and then fed to the Excel. After the bridge calculation is checked, the figures are fed to GC7. Additional information, such as notes to the statements and the cash flow statement, is also fed to GC7. The process for the preparation of the financial statements at Company C is depicted in Figure 5.

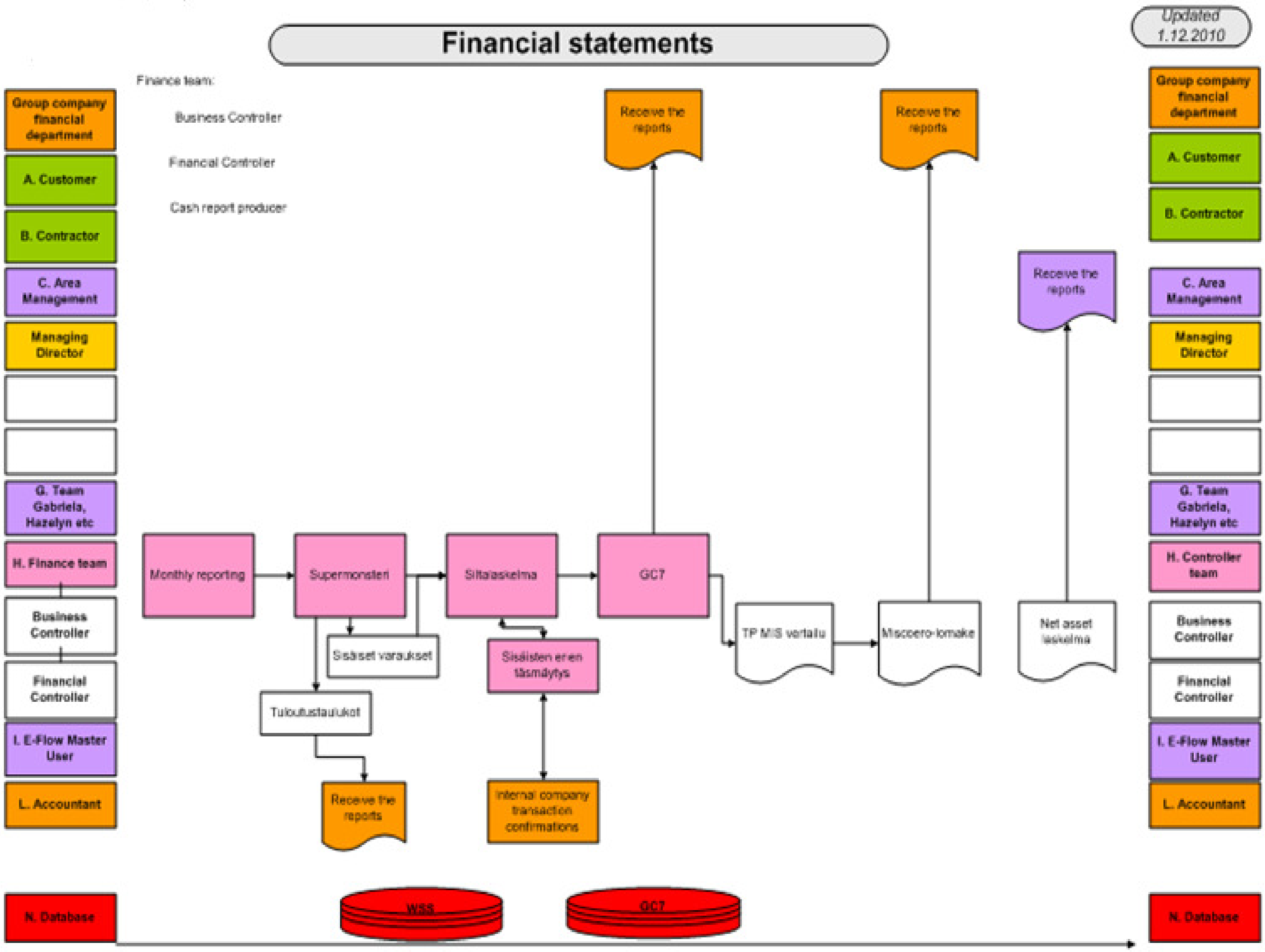

Figure 5. Preparation of financial statements of Company C

Figure 5 was prepared by the researcher in cooperation with other controllers and the business controller in Company C as part of the company's project to create process descriptions of all major processes. In Figure 5 the controllers are again depicted in pink color. The layout is the same as in Figure 4, except that the rectangular boxes showing the responsible party are also in the right hand side of the figure, simply to help readers view the figure. The first box of the process in the middle, Monthly reporting, consists of the preparation of the CAS reports, X4, X3 and X1. For the next box Supermonster, the controllers simply fill in their subsidiaries' actual figures for the year, and based on this Excel sheet, the business and financial controllers prepare accruals and do other reports they prepare for the Group's accountants. After this, the third box "siltalaskelma", which translates into the bridge calculation, is prepared, during which the internal items are matched. This means that all the Group companies that have done business with each other that year, or who have unpaid loans or accounts payable, check with each other that they have the same figures. After the bridge calculation is finished, the figures are input to GC7 and the Group's finance department receives the figures and prepares the financial statements for the Group. This is where the controllers' work end, but for business and the financial controllers there are still reports to be prepared. One report, TP MIS vertailu, is a comparison between the figures in the bridge calculations and X3, as there are some differences. Based on this report, the X3erolomake (X3 differences) is prepared. This is basically the same as the previous report TP MIS vertailu, but in a different format and it is sent to the Group's finance department for review and analysis. A net asset calculation is also prepared by the business and financial controllers and this is sent to the area managers.

4.1.2 Management reporting procedures of Company B

The four interviewees working for Company B and one of its subsidiaries have worked for them from 2 to 10 years. There were two controllers (5C, 6C), one business controller (4BC) and one finance manager (3FM) and their work in relation to financial reporting consisted of controlling foreign subsidiaries' bookkeeping, coordinating with project managers, coordinating with other finance people in the Group, preparing monthly reports for management, overseeing monthly reports and checking their correctness and interpreting them. The controllers reported to the finance manager who in turn reported to the company's management group and Company A's chief financial officer. Although this section discusses the management procedures of Company B, there will be some overlapping issues as all case companies use the same reporting systems and have similar procedures.

In general, the interviewees felt that management reporting worked quite well in Company B. Schedules were tough, and sometimes seemed impossible to meet but it had improved somewhat recent years. Also, if a schedule was especially tough one month, it had been loosened to some extent and it was not always the people at the bottom of the reporting chain that had to tighten up their schedules, but other levels of reporting took their share as well, which was appreciated by the interviewees. Internal reporting programs such as X3 had been helpful in reporting, but there were still some overlapping reports that needed to be done.

Interviewee 3FM mentioned that a project in Russia had been a new area to Company B, and with it and the new International Financial Reporting Standard (IFRS) regarding the project's percentage of completion there were some challenges in management reporting at the moment. A specific report for X2 had to be filled out about the project for Company A, and the employees of Company B were not yet certain how that report was filled out and used. The interviewee 3FM felt that more instructions and help were needed from Company A, in order to efficiently and correctly report the necessary figures, especially in the early stages of preparing the report. Most of the internal management reporting was done for Company A but there were some Excel-based reports that were done for Company B's own management. During financial statements quarterly reporting there were additional reports that had to be done for the Group. The timetable for this was quite strict as well which meant that employees were struggling to complete the reports on time. A new reporting program for financial statements, GC7 from Basware, was introduced in 2007 and it was being improved continuously. Instructions for GC7 came from the Group, and the interviewees of Company B perceived the instructions to be good.

There were quite a few reporting tools in use in the case companies: X1, X2, GC7, X3, X4, Windows SharePoint Services (WSS), Microsoft Excel and X5. X3 was the monthly reporting tool for Company A and its subsidiaries, X1 the monthly reporting tool of the whole Group, GC7 was the Group's financial statement reporting tool, X2 was the Group's specific project reporting tool, WSS pages were used by all the case companies, although Company C had its own pages in addition to the ones used be Company A; Excel was used by all case companies to varying degrees and X5 was the invoicing program used by Company C.

The internal reporting program for Company A and its subsidiaries was X3 and all the interviewees used it. X3 had been designed for Company A originally, before Company B or Company C were a part of it. X3 had been used exclusively in the Finnish subsidiaries, therefore when Company B and Company C started using it, it had to be developed to suit their international needs as well. Quite a lot of developments had been done and it was still an ongoing process. Figures were reported in thousands of Euros in X3, and this was sometimes problematic for the international subsidiaries which used different currencies. Several interviewees also mentioned that X3 would have been more useful if all the different currencies were in the program so that figures of each subsidiary could have been looked at in their own currencies, and for total reports X3 would convert the currencies into Euros. With big figures in different currencies, figures exceeding hundreds of millions or even billions, there were big exchange rate differences and it would have been easier if these could be followed up in X3, instead of all the Excel reports that were in use currently. At the moment, as one interviewee pointed out, because X3 did not show exchange rate differences, Companies B and C had to use additional Excel sheets to be able to follow the currency fluctuations. Many interviewees also saw that X3 was not overly user-friendly. Although some interviewees concurred that the problem could have been in their own inability to interpret and read the reports X3 generates, the consensus was that the program could have been easier to navigate and its reports could have been easier to read.

As X3 was only in use in Company A and its subsidiaries, the Group 1 needed its own monthly reporting tool. This was X1 and it had been developed in-house. Company A and its subsidiaries only needed to feed one set of figures for the whole company to X1 and the interviewees did not see this as a complication. A cash management program called X4 was used in the Group, and it was filled out on a monthly basis. X4 used different currencies but its structure was quite flat and it was not dynamic, therefore being quite non-user-friendly. The reports X4 generated were one-dimensional and they could not be used for deeper analysis. X2 was used for reporting specific projects and as this area was new to Company B, reporting in X2 was sometimes rather challenging. The people filling in the information to the program did not know or understand what the information was used for and how and this could be a reason why using it was difficult. Training and instructions for X2 were needed, and also the more it was used, the more familiar it became, therefore increasing the know-how of its users.

A general reporting tool in Company B was Microsoft Office's Excel. Excel spreadsheets were used for calculations, combining reports, modifying them, collecting all kinds of data from different sources into one report that were then interpreted, according to the interviewees. Excel was not foolproof. When there were thousands of figures and formulas, it was easy to get something wrong. Many interviewees commented that someone might press a key in the Excel sheet without even noticing and this could create huge problems when the formulas were not correct or there was one wrong number. Finding the mistake could be fairly difficult and time-consuming. In addition, Excel has a limited number of rows, columns and cells, and when the reports were big enough, Excel could not withhold any more information. This will be a possible problem in the near future. When many Excel reports are in use, some of them have the same information, for different purposes. When the reports were filled in by hand each time, there was a possibility that some reports have different figures from one another, when they should have the same figures.

One issue has arisen from all the interviewees and this was that all the programs and systems were quite old fashioned and did not respond well to today's needs. There is clearly a need for one data warehouse, one integrated system that can be used for many purposes. Or at least dynamic and user-friendly programs that interact with one another. And of course, some of the big Excel sheets have to be transferred to a system, to ensure good and consistent quality in reporting.

When asked about management reporting processes, many interviewees of Company B thought that processes exist but no one had seen any visual graphs about them. Of course, as interviewee 6C mentioned, if the person has done the job for several years, he does not need any graphs as he knows what to do but for new people they could be helpful, especially to see the bigger picture in reporting. The interviewees perceived monthly management reporting as a process in itself, with specific steps to be taken by each member of the process chain at a specific time. Quarterly financial statements added onto the monthly process with additional steps. Interviewee 3FM stressed that even though management reporting is a process, there should be some auditory measures to ensure that all reports show the same picture of the financial status of the company, with same figures in each report. The interviewee mentioned specifically X3 and X2, saying Company B was not sure whether they were reporting correctly in X2, and whether the figures in each match. As the reporting in X2 become more familiar, however, the problems lessened. Interviewee 1CFO brought up the concept of sub processes, saying that for example cash forecasting could be seen as a sub process. All the sub processes should be linked with the main process but since there are no graphs, no one is quite sure what the processes are and if they are synchronized. Interviewee 1CFO also pointed out that there are processes in the management level and in the board of directors but these are broader descriptions, including the whole company.

Most interviewees viewed that internal management reporting has improved in the last few years but not enough. Some of the new improvements were not as effective as they were thought to be. X3 was being developed continuously, but some interviewees saw that this development was not fast enough to meet their particular needs. X3 was firstly developed to ensure accordance with the law and the new IFRS standards and thus other development ideas were not acted upon that quickly. Two interviewees, 5C and 6C, also expressed the need for clearer instructions for controllers both on a Group level, with descriptions of processes and more general instructions, and a more detailed company level, with specific guidelines for controllers using certain programs and reporting certain figures. More training, especially for new IT programs, was called for also.

4.1.3 Management reporting procedures of Company C

Of the interviewees, two business controllers (8BC, 9BC), one controller (10C) and one chief executive officer (7CEO) worked for Company C. 9BC was 8BC's maternity leave substitute and the view of a new employee compared to an old one was interesting. New employees see things from a different perspective and older ones have knowledge and know-how from a longer period of time. The work of these four interviewees, on the subject of financial reporting, consisted of collecting information from foreign bookkeepers, checking them and preparing monthly reports for project managers, analyzing and interpreting the project reports, combining a report for management, analyzing the management report, reviewing project margins and forecasts and evaluating risks and the overall profit for the company. The controller reported to the business controller, who in turn reported to the CEO, who was then responsible to the board of directors.

Management reporting in Company C worked reasonably well, according to all the interviewees. Schedules were as strict here as they were in Company B, if not stricter due to the larger number of subsidiaries, and with many time zones to consider, schedules were not always met. One interviewee mentioned that the steps in management reporting could be simplified, in addition to relaxing timelines, in order to save people's energy, time and nerves. Another one felt that sometimes there was a need for more detailed reporting but the current programs and systems did not support that.

One main concern for all the interviewees of Company C was reporting tools. There was definitely a need for an integrated system that is up to date. When asked about reporting tools that the interviewees use, the answer was always Excel. Excel was constantly used, if not as the primary reporting tool, then at least as a supporting tool. And as mentioned earlier in section 4.1.2, using Excel to a large extent can cause major problems. There were presently dozens of different Excel trackers, but it was difficult to compare them and check that they matched and the information in them was correct. Searching for mistakes was time consuming and did not always yield any results. All interviewees expressed their wish that the number of Excel sheets be reduced, if not completely eradicated. Often same information was fed to many Excels and reporting programs, and this was not an efficient use of anyone's time.

X3, Company A's internal management reporting tool, was in use in Company C as well and it was seen as rather easy to use and some reports could be exported to other programs or Excel sheets, saving time and reducing errors. An Excel report called 12 month report was in use in Company C. This had been developed by the company's vice president several years ago but it still was very much in use and deemed extremely useful. The report showed all the projects, their income and margin for the current year, as well as rolling forecasts for twelve months. This was the main tool that Companies' B and C CEOs and finance managers used when reviewing and evaluating the profitability of the company. Monthly figures were fed to X3 and then a report was exported to the 12 month report. The management viewed the report and gave possible changes to be made to the figures based on the report and then the changes were made to X3, after which the figures were added to Company A's figures. Although the figures were added to the figures of Company A, Company C was not a judicial subsidiary of

Company A and therefore the management of Company A did not provide many instructions for Company C.

Also X4, the cash management program, was mentioned as needing definite improvements. In Company C there were several cash-related Excel sheets that had to be filled out by the controllers, in addition to X4, and they all had fundamentally the same information. Interviewee 10 C hoped that X4 could be developed in order to be used in a more versatile manner so that all the other reports could be derived from there. This would also reduce the possibility of errors when information was fed to one place only.

Another program that was mentioned by the interviewees was X5. X5 was a purchased program that was used for invoicing. Company C used the program very differently from what it was designed for and possibly for that reason the program did not bend to the requirements needed from an invoicing program. One interviewee described the program as being completely unusable. X5 was very slow and considering that it had only been in use for two years, what would happen in five years when there was even more information? There was no easy way to get a list of invoices from X5; this might take awhile. Also, the invoices were numbered based on who had made it; therefore one had to know who made the invoice in order to find that specific invoice. And if one did not know who had done it, one had to go through each number to find the correct invoice. This was not efficient or effective use of time and resources.

There were a number of processes in management reporting:

"There are tons of processes; in our various subsidiaries (25+) and in parent company. Processes for sales (invoice generation, payment follow-up), for cost acknowledgement (invoice receipt, payroll, payments, accruals); and for book-keeping in general. Some

are company-decided, whilst some are dictated by local government/authorities." (Interviewee 7CEO)

These included invoice generation, payment follow-ups, cost acknowledgement, bookkeeping, to name a few. The monthly management reporting was seen as one process by many interviewees, with additional steps in the quarterly financial statements. There were also some other work issues that cannot be described as processes, but these usually varied employee by employee. Interviewee 10C had in fact done process descriptions earlier and saw that one main process was easy to describe, and helped especially new employees. More detailed descriptions, whether they were process descriptions or more detailed work instructions, were seen as quite useless, if the employee planned to stay in that position for longer. If, however, there was an approaching maternity leave in the future, then it would be beneficial for the substitute and the company in general to have more comprehensive instructions to that person's work. Especially in Company C, where it was quite common that at least three people were on maternity leave at any given moment, it was highly crucial to preserve and transfer the knowledge of the people on leave. Interviewee 9BC thought that country and/or project cards that describe the special features of that country or project, instead of process descriptions, would be more helpful but given the sheer number of projects and countries involved in those projects, the cards might not be feasible to make and update.

"I would prefer country and project specific cards but they are not taken so well. So that we could write down why this is done this way, what is the reason for this. But that is also a difficult question because so many companies take part in one project, so basically there should be (cards) for both countries and projects to make it work and then it is very difficult, as to how that kind of tracker can be updated. But so there would be at least something written down, it would help significantly." (Interviewee 9BC)

Some interviewees also wished to know more about the processes, especially about Company A’s processes, and what happens to the figures after they were sent to Company A.

Most of the interviewees of Company C felt that internal management reporting had not really improved. There had been some developments in the reporting programs, but these were not sufficient yet. The fact that the business of Company C was so different from the other Group companies created problem when there were more strict requirements from the Group, in terms of financial reporting. Sometimes the financial procedures given by the Group were more difficult to adhere to in Company C, principally because the business occurred in so many countries, with so many subsidiaries involved and some of the laws were different. Receiving information took longer when many countries were involved and sometimes the information was just not available. The maternity leaves had also created a hindrance for developing management reporting, thought interviewee 9BC, because the employees did not have the resources or the knowledge for development. 9BC also thought, comparing from previous positions, that getting to know the history of the figures reported and why things were done they way they were took a lot of time and effort in Company C. In other places that had more sophisticated computer systems, one could simply open the system and view what had been happening. In Company C there was not enough historical data recorded or it was recorded in a way that was very difficult to find and interpret.

4.1.4 Comparison of the management reporting procedures of Company B and Company C

In a comparison between the two companies, Company B and Company C, it would seem that there were quite a lot of similarities in the management reporting procedures. Both companies used Excel more than they saw was reasonable and would want to use. The computer programs that they used were seen as fairly old-fashioned and inadequate to meet the reporting requirements the Group demands and also what the employees and managers themselves needed. X3, Company A's internal reporting program, was not very user-friendly and currencies could be reported there as well, as mentioned in section 4.1.2. The 12 month report was very useful to both companies but it was an Excel report where mistakes could happen easily. X4, Group's cash management program, could be more versatile and benefit the companies in addition to being a reporting tool for the Group. X5, which was only used in Company C as the invoicing program, seemed to be quite inadequate for the needs of the company. X5 was used in the subsidiaries but recently it had been noticed that some subsidiaries could not use the program because it did not allow for the subsidiaries to invoice in a way their clients required. Therefore, old invoicing follow-ups, several Excels that were used before X5, had been resurrected to keep track of all the invoicing in Company C and its subsidiaries. One main argument for X5 two years back was that the program would keep track of the invoices and invoicing follow-ups would be history. This did not work out and in some countries invoicing has gone back to the level it was two years ago: different Excels. Both case companies also use the balanced scorecard in their management reporting. These scorecards are shown in figures 6 and 7.

BSC 2011

Objectives	Action 2011	Measurement 2011
Financial view: • Increase profitability level • Creating basis for growth (in Russia xx ap./2013) • Cost effective structure	• Profitability increase in business area 1 (design, procurement, area 1 time) • Business lot procurement for 2011-2013 start-ups • Management of fixed costs, structure review if needed	Operating profit (EBIT) ≥ xx M€ (minimum target xx M€ / "50%") Net sales ≥ xx M€ Fixed costs < xx M€ Lots needed for strategy period purchased
Client view: • New contracts • Key client management • Ability for project exports remains	• Active marketing and sales & Continuous contacts with key clients • sales development • Effective sales processes carried out in Helsinki and in the area offices	At least x new clients, zz-project OK, many new leads in Sales Process New clients in operating countries and/or project exports Overall net sales in Russia xx pcs (100% target), xx sales ratio over 70%, and xx ready Value Sales process is in successful use
Staff view: • Everybody knows his/her personal objectives • Company is a desired employer	• Development discussions • Improving staff motivation through good management and continuation	Development discussions are kept widely by May 2011 Good everyday management in all levels, no major changes to company's main organisation
Development view: • Increase in price compe-titiveness and profitability • Major player in comfort segment • Better project performance • Company HSE objectives 2011 and environmental program, as applicable	• Developing area 2 works tendering and implementation • Preparing standard design solutions • Adopting the use of Web-reporting tool • Developing the Quality System • Improving safety at sites	More cost effective area 2 implementation, Company area 2 in better use Standard details for business area 1 available Web-report in use in all projects (except ones followed as "small projects") Quality System for business area 1 documented, International Quality System update in good speed TR-level 50% in Russia (new method), TR-measurements done also in Asia and Europe in all larger projects, 0 serious accidents Waste costs followed in all projects 0 serious environmental accidents

Figure 6. Balanced scorecard of Company B

MISSION STATEMENT	Company C is the most wanted service partner for its customers in its chosen target areas. Company C is a successful and respected specialist with international, skilled and motivated staff. Company C 's operations are effective, of high quality and support all aspects.		
BUSINESS IDEA	Company C secures the success of projects and operations by strictly controlling the schedule and quality in a cost effective manner.		
PERSPECTIVE	**Strategic targets 2013**	**Action plan for 2011**	**Indicators**
Customer	• continuous partnership with customer A • larger customer base • full-scale business services • operation & maintenance • technical leader • preferred staffing supplier to customer A and other Customers • Business area 1 supply and services business	• continuing and developing cooperation with customer A in key areas – LAM, NAM, NE • increasing number of contracts/projects with other OEM • developing area 2services • deleloping area 3 services • developing further managed services to support long term contracts • developing a business case with operator directly	• extended contracts > 6 • Non-customer A turnover > 20 % • Non-customer A margin > 15 % • customer satisfaction > 3,0 • 2 turnkey project > 3MEUR • Service contract for RNO • Supply contract > 1MEUR
Finances	• steady and profitable growth • good liquidity • improved profit margins • reaching group ROI target • contract risks and rewards are well aligned	• improving global tax efficiency • developing business and financial control processes, tools and reporting • developing subsidiary & branch office administration management • improving compliance processes, solutions and risk management • developing currency risk management • Complete revision of contract insurance coverage	• reaching volume / profit budgets in all Areas • optimize tax burden (group wide; % of sales, % of gross profit) • monthly invoicing done within 30 days of the end of the month • overdue receivables less than ½ month invoicing • long term debt < 2 mths invoicing • Overhead (Area < 6%; global < 5%) • All contracts have risk evaluation, insurance coverage (or equivalent) and quarterly follow-up
Personnel	• staff and skill profiles support business development / growth • staff policy supports productive, development-minded and customer focused operation • desired employer, high personnel satisfaction	• increasing the number of key staff • implementation of in-house training programmes • defining and implementing screening process and staff policies • competence development in operational key areas	• staff satisfaction > 3,1 • key staff number + 10% • training actions implemented • job induction/target discussions done > 90% • development discussions done +15%
Processes and development	• effective and high quality processes • effective and flexible management system • documents processes for O&M • software development leads to sellable products & services	• X6 includes Cost Control module • company H&S program implemented • Development of tools • Sellable package	• no major non-conformities in ISO9001 follow-up audits • all internal audit non-conformities fixed within a period of 6 weeks • X6 timesheets + cost control modules in operation • accidents = 0 • Contract for sale/licensing

Figure 7. Balanced scorecard of Company C

Figures 6 and 7 show Companies' B and C authentic balanced scorecards for a certain time. Only the management of the companies has access to these scorecards and therefore, questions about the balanced scorecards were not asked from the interviewees. The balanced scorecards give the companies' plans for the next two to three years. Some pseudonyms were used in the Balanced Scorecards to maintain the identity of the companies secret. As figure 6 shows, Company B has divided its objectives into four categories: financial, client, staff and development. As figure 7 shows, Company C also has the same categories, though in different order: customers, finances, personnel and processes and development. Both scorecards show the actions for 2011 and the measurements or indicators for those actions. Both companies aim to grow steadily in terms of finances and focus on key customers as well as on acquiring new customers. Growth is also expected from foreign markets, in increasing numbers. In figure 7 customer A represents Company C's main customer globally. Both companies also express a target to be a desired employer and this would be achieved through competence development and good management and staff motivation. Processes, systems and tools are also planned to be improved. Communication is not mentioned explicitly but it is implicitly implied in all aims; for example, the development of a new reporting tool is mentioned.

All the interviewees would like to have an integrated reporting system that supports and is supported by other systems. This would help keep information stored in an accessible location, lessen human errors and make sure information is correct. All agree that process descriptions would help see the bigger picture in reporting and would help new employees in particular. Management reporting has improved some but not enough. Especially because it seemed to be a growing trend to need more detailed information even faster and currently these two companies cannot answer to these demands. It would also seem that a lot of improvement and development ideas were put to hold because there was a rumor that the Group will adopt SAP as its reporting tool. Therefore nobody wanted to put a lot of effort in improving existing systems, if these systems were eradicated in a few years.

In summary, section 4.1 discussed the findings in terms of the first research question and listed the existing management reporting procedures in Companies B and C. The monthly and quarterly reporting cycles were presented for both companies, as were the many reporting tools that are used the companies. There tools were X1, GC7, X2, X3, X4, Windows SharePoint Services (WSS), Microsoft Excel and X5. The interviewees saw that reporting schedules were quite tight but mostly manageable. They thought management reporting worked reasonably well but it had not improved enough. All interviewees agreed that there were management reporting processes, but they were not illustrated explicitly, which would be more helpful, especially for new employees. The interviewees also agreed that an integrated computer system would be essential to keep up in the changing business environment and to lessen the work done by hand, as well as mistakes, when same figures were fed to different systems. The next section will discuss knowledge sharing in the case companies.

4.2 Knowledge sharing in case companies

Knowledge sharing in the case companies occurred in many ways. This subchapter is divided into five sections: first, communication and changes in management reporting are discussed; second, the channels for knowledge sharing are listed; third, reporting and communication procedures are viewed; fourth, time zone and cultural issues are discussed and fifth, the intranet and WSS pages are examined.

4.2.1 Communication and changes in management reporting

Typically, both subsidiaries Companies B and C received information from their parent, Company A. Of course, as Company B and Company C had the same finance manager, there was some knowledge sharing between the two companies as well. Informal communication happened more often, at the coffee machines or in the hallways and the employees of the companies shared thoughts occasionally. Certainly, a lot of information sharing occurred within the companies themselves.

Communication and knowledge sharing in management reporting seemed to be a controversial subject for the interviewees of Company B. Three of the interviewees said communication was at an acceptable level but interviewee 6C disagreed and said communication does not work at all. She felt there was very little or no guidance or instructions from the Group and even when asked, they were not provided. In the case of Company B where they had a joint interest in one of the subsidiaries with another Group company, the Group gave few guidelines as to how they should report, in order to report in a same way with the other Group company, interviewee 6C felt. Everything had to be decided by the companies themselves and no one was quite sure in the end whether they reported in the same manner. Interviewee 6C saw that the same had continued with Company A. For example, there had been new reports and other changes done in X3 but no one had informed the controllers about these changes. The controllers saw the changes in the program but were not sure what to do with them, whether they had to report something in a different way or not. Interviewee 6C felt that this affected the work they did greatly. The controllers did not know what was expected of them and if they did not know the expectations, it was very difficult to meet those expectations, as the following citation shows:

"It creates unnecessary stress, when each time you prepare the report, you feel as if I have done what I can, the complaint comes after when I have done wrong." (Interviewee 6C)

There had been times, according to interviewee 6C, when there had been exceptions that needed to be done which nobody had mentioned until they should have been done. Interviewee 6C thought that the companies of Company A had worked quite independently before and no one had analyzed the figures of all the subsidiaries when they were summed up, in her opinion. In Company B the figures were analyzed and interpreted as a whole as well as on a subsidiary level, and interviewee 6C felt this created problems in the directions given by Company A. However, according to interviewee 3FM of Company B, this had been gradually changing and more information was being shared between Group companies.

Sometimes changes were not communicated clearly. Interviewee 6C noted that in the case of X3, there had been some emails sent to everyone using it about new developments but when the users went to the program, the development did not work the way it was supposed to. Of course, with a complex business environment with many subsidiaries, one development could be very useful for one subsidiary and problematic for another. As interviewee 1CFO pointed out, X3 was developed to suit the needs of the domestic businesses first, to ensure accordance with the law. Often the controllers in the international companies were not aware of these changes beforehand and this was frustrating:

"We received an email that (new tool) was added, and do this, but then it did not work and we were told it does not work, they were still working on it. When they should inform, you get no information, and when they should not yet let everyone know, then they do." (Interviewee 6C)

The interviewees felt that there was no one set way of informing users of changes and this created confusion and unnecessary stress. Sometimes the reason was a simple human mistake, someone simply did not remember to inform the necessary people of changes but if there was a set process or way of doing this, then maybe these mistakes would not happen as often. The interviewees also pointed out that if there were some unclear issues, they could and did send emails to ask for more clarification and this was thought to be quite efficient. The only problem came when the schedules were tight and the interviewees did not receive the information they needed when they needed it. Especially in these cases it would have been important that the information received was correct.

4.2.2 Channels for knowledge sharing

The channels for communication and knowledge sharing in management reporting were electronic mails, reports and meetings. Some phone conversations took place but mostly everything was done via emails. Necessary information came from project managers, bookkeepers and subsidiary personnel, such as the controllers and other finance personnel that were positioned abroad and were the subsidiary's employees, as well as from managers of the case companies. Also employees in Company A and the Group provided information though these were more related to reporting and program issues than management business reporting itself. Interviewee 6C noted that information from below, not necessarily in terms of hierarchy, but in terms of what reports have to be prepared before other reports can be prepared, was delivered on time. Another interviewee, 5C, felt that information from management was hard to get:

"Our own management probably thinks that the less information they give the easier it is for them. So information is hard to obtain and it is withheld until the very last possible moment." (Interviewee 5C)

There were several meetings that took place regularly in the case companies. In Company C, controllers had a regular meeting with business and financial controllers, business and financial controller had a meeting with the vice president and the finance manager, and the business and financial controller had their private meeting with the vice president. Also, there were regular online meetings between the controllers in Finland and the subsidiaries abroad. Company B did not have regular meetings with their finance team. There were also no routine meetings between Companies A, B and C in the controller level but the managers of the companies and specific project teams had their own regular meetings. 1CFO mentioned that meeting procedures were changing in 2011, to ensure knowledge sharing. The interviewees were quite divided in their opinions as to whether they would want to have regular meetings. Company C had a controller meeting every two weeks, where the controllers discussed new developments and suggestions. Often the meeting was about the business and financial controllers telling the other controllers of coming changes, whether from the Group, Company A or the management. The meeting was generally very useful, of course there were not always issues that needed to be discussed, but this was a place where the controllers could express their opinions and provide feedback, suggest new ideas and such. In other words, knowledge was shared among this group. The business and financial controllers also had a regular meeting with the vice president and the finance manager. This meeting was also very useful because the current, important issues were discussed and the future was planned. The agenda for these meetings was very informal, the issues that needed to be discussed currently were, there were no specific topics to be covered. The business controller also had a one-to-one meeting with the vice president, who was also the head of the administration and financial services in Finland, twice a month. Here management reporting was conferred and practically any other issues that were current as well. Interviewee 9BC also mentioned that it was extremely good that one can walk into the vice president's or the finance manager's room whenever needed:

"Of course (one) can walk to (the vice president's) room and ask. That is an absolute requirement also." (Interviewee 9BC)

Company C had clearly a lot more regular meetings than Company B but as interviewee 3FM mentioned, Company B was such a small organization at the time that there really was no need for regular meetings, as everyone could just walk into other's rooms or send emails. Naturally, to the employees living or spending a lot of time abroad it was a different matter. Interviewee 4BC mentioned that she would like to have some regular meetings so that she could meet with other employees and communicate face-to-face and it would also create a better atmosphere in the company.

There were management meetings between the parent Company A and the subsidiaries B and C but no meetings with all controllers. Six interviewees said that regular meetings with Company A would be helpful. These could be a few times a year, every other month, if not monthly, and general reporting issues could be discussed. This would also encourage spontaneous knowledge sharing when people were more familiar with each other and more issues were discussed. At the moment, the international companies were somewhat removed from the Finnish subsidiaries of Company A and knowledge was shared in a very limited manner between the companies. There were several issues that could be discussed in the meetings, as interviewee 6C pointed out:

"It would make sense to have a meeting, a common channel, to the development of programs and reporting, knowledge sharing, how others do this. Everyone does their own thing at the moment, no one has any idea what others are doing. It would bring clarity and openness, if knowledge was shared. And if I had a development proposal, in the meeting I could ask if the others thought that it was good, useful, necessary. … Simple things could be discussed and problems avoided, if everyone was involved in the planning phase or if everyone heard beforehand and then could think and ask if everything was thought of." (Interviewee 6C)

The meetings would also be a good channel to share knowledge in the sense that if one company had a very good procedure for certain tasks, others could learn and utilize it. This would save money and time. Regular meetings could be a good way to share knowledge. In general, as interviewee 3FM pointed out: *"there should be more time to just talk with people"*.

Not everyone liked meetings but there were other ways of knowledge sharing, such as copies of meeting minutes. Interviewee 10C did not personally like meetings, she said they were not usually very helpful and some things were still left unsaid. She would have also preferred that the business controller was in touch with Company A and then informed the other controllers of necessary issues. She also saw that there were not many issues that she should discuss with Company A; therefore it would have been more beneficial for all if the business controller was in touch with them. She had a suggestion, though, that interviewee 9BC also remarked on. There were regular online meetings with employees abroad in Company C and not everyone was invited. The suggestion was that even if the controller whose subsidiary was in question was not invited to the meeting, he/she would get a copy of the meeting minutes and the controller could go over the salient points and find out if there were new developments. At present, there were a lot of things the controllers were not aware of, simply because no one had thought to tell them or others thought it was not relevant to the controllers. Therefore, if there was a habit of always copying the controller or sending them the memo, more information would get shared.

"But when they have their meetings, I would want the memos, if they are about my (subsidiaries') issues. Then I can read and ask for clarification if needed, but at least I know approximately what is going on over there. And I can see if there is something that does not concern or interest me, but I know what winds are blowing there." (Interviewee 10C)

This same habit of copying necessary people in emails was also expressed in Company A, in the management level.

"I try in all possible ways to inform and if it is for information only, to keep as cc(=copy) in email so that people get the information but they don't have to react, but it's good that people know what is going on, they stay better informed when changes happen." (Interviewee 1CFO)

"In many contexts it comes up and we have discussed that even more the controllers should be involved in their own areas, in the decision making and… I think it is unbelievable that we are founding a subsidiary in (Latin America) and (the Latin American controller) is not invited to the meetings. To be honest, I do not know what is the reason why she is not invited, I think it is quite central, if she will report the new subsidiary to us or is responsible or checks its bookkeeping figures, so it is unbelievable if we think what will be the bookkeeping program, but she is not a part of it." (Interviewee 9BC)

There was also a saying in Company C that could be viewed as a company line, three interviewees of Company C mentioned it, that is

"Need to know, want to know."

This suggests that there was information that one needed to know and then there was information that one wanted to know. The problem arose when someone needed to decide whether information was need to know or want to know and which it was to which employee. And often for the person, or controller in this case, the information was need to know, but someone else viewed it as want to know and hence the controller did not know everything he/she should know. It was acknowledged by several interviewees that sometimes information was not necessary for the controller to know, but it would have made their job easier if they knew what was happening in their subsidiaries. And this was something all the interviewees agreed on: it is better to know more than less. As interviewee 5C put it: "*there is a need for a change from silence to transparency and openness*".

Interviewee 3FM said that information overload was a problem, as was the lack of knowledge what the reports that the controllers generated were used for. Sometimes it seemed that the information everyone received should have been more in terms of quality, not quantity. There were a lot of different reports in use, and it was a good thing that when someone looks for something it could be found. However, people cannot absorb endless amounts of information, and interviewee 3FM mentioned that information should be available in a more easily accessible and absorbable manner. Here, the integrated computer system would also provide benefits. Interviewee 3FM described a system that provides information in a clear and concise form, but where there would also be the possibility of digging in deeper and finding more detailed information, all in one place. Interviewees 3FM and 2C also mentioned that more information would be needed on who were reading the reports and what they were used for. The controllers would be able to provide and generate better reports if they knew what kind of information the managers needed to manage the company. The dilemma, as mentioned by interviewee 3FM was of course what was enough information and what was too much? And making things more difficult, this usually varied from person to person; too much information to someone may be not enough for someone else.

4.2.3 Reporting and communication procedures

The reporting and communication procedures were constantly changing and they were being developed in Company A, according to interviewee 1CFO. The management teams met regularly and for 2011 there would be subsidiary reporting meetings every other month, where all big margin and forecast changes were discussed, along with other current issues. Presently, these issues were discussed with the relevant people in a more informal manner but during the following year this would be more structured. Interviewee 1CFO said that she shares knowledge to all relevant people.

"I try to hold regular meetings, and at the moment there is … one person from each area, form the international side the finance manager, so my job is to keep them up to date in knowledge and they are in these development processes in regular meetings… but I have aimed that I won't call directly to an area's controller if not necessary, so that responsibilities and reporting functions go systematically, everyone must be crystal clear on that. Sure we have some developing to do there that when I inform these five different areas, necessarily the information does not reach everyone in all areas." (Interviewee 1CFO)

The aim was that the chief financial officer of Company A contacted the subsidiary's head of finance and then it was their responsibility to share the knowledge within their companies. The chain of information sharing would be the same in all subsidiaries or at least as similar as feasible.

4.2.4 Time zone and cultural issues

There were some time zone and cultural issues mentioned by the interviewees. All of the interviewees of Company B saw that these were not big issues. Sometimes, as interviewee 6BC mentioned, the tight schedules from the Group created problems in getting the reports on time from various subsidiaries, but these issues were acknowledged and everyone worked accordingly. Interviewee 3FM stated that the controllers acted as middle men between the managers and the subsidiaries and they managed to dilute the time zone and cultural problems. This was also pointed out by the interviewees from Company A. Interviewees 1CFO and 2C did not struggle with these issues that much because there were controllers who softened the impact.

"Not to me, single cases may have been, especially in the international side, (vice president and finance manager) have probably been main intermediates, so through them, but to me (time zone) issues have not been problems." (Interviewee 1CFO)

Company C had more subsidiaries than Company B and they had more problems with time zones. Since the schedules were tight, it usually meant that for one part of the world there was more time to prepare the reports and for another there was less.

"So when I deal with Latin American countries, they send me a question during the night, I have the whole day to answer. And they I get an answer (to my questions) the next day. But I'm used to this working habit that I get an answer the following day. But then sometimes if there is something I really need for today, then it makes things more difficult." (Interviewee 10C)

All interviewees agree that very little can be done about time zone problems and they therefore work as best as they can with the time zone limitations.

However, cultural issues have more impact, and as all case companies operate internationally, the cultural issues can be quite significant. As interviewee 6C said that sometimes if the controller had to receive an answer immediately, it seemed that occasionally the culture dictated whether she received an answer or not. From some countries it was impossible to get an instant answer, no matter what the controller did. Interviewee 6C said that it would seem that those countries did not view urgency in the same way. The interviewee acknowledged that it was also possible that this was person-related, that a specific person was just not able to meet strict schedules. Also, interviewee 8BC pointed out that one needed to have different approaches to different countries and cultures. Questions and requests had to be rephrased depending on if the controller was mailing to Brazil or South Africa or Indonesia. And as interviewees 6C, 9BC and 10C mentioned, sometimes it was necessary to go to a higher ranking manager in order to receive answers. Some cultures, or people, did not seem to do anything about urgent request unless they were asked by their manager or manager's manager and this created not only delays in terms of time but also undue stress to the Finnish controllers who had strict schedule to keep. Interviewee 8BC also brought up a problem of language, as some of the reports from foreign subsidiaries were in other languages, such as Spanish or German, and this created additional problems for knowledge sharing.

4.2.5 The intranet and WSS pages

The intranet can be an important tool for knowledge sharing, but the interviewees did not use it much. The intranet was recently remade completely and many employees were not yet very familiar with it. Previously, there were several different intranets, one for each company, but now they were all unified into one shared intranet. The intranet held quite a lot of information currently but as several interviewees commented, employees did not know where exactly and they were more likely to find the information elsewhere. Interviewee 1CFO pointed out that as the improvement of the intranet was still ongoing, the employees would use it more and become more familiar with it, and then it was likely that employees would find it more useful. Currently, all interviewees said that they used the intranet very little if at all and the use was mostly other than strictly work-related. However, many interviewees saw the potential for the intranet:

"The intranet is not useful. Nothing is put there, and you can get nothing from there. It could be used as an information warehouse for instructions, announcements." (Interviewee 6C)

"In Company B there's been some development in project reporting that (intranet) would have certain key figures, in a traffic light system (where figures in red needed immediate attention and figures in green were at an acceptable level)." (Interviewee 3FM)

"New instructions and changes in external reporting. Also possible new report models." (Interviewee 5C)

"Exchange rates are already there, all information regarding external financial reporting and some about internal management reporting will be there someday." (Interviewee 2C)

In addition to the intranet, Company C and Company A had their own WSS sites and this stands for Windows SharePoint Services. These sites were similar to the intranet in usage but they could be accessed anywhere without access to the internal network of the company. This was the main reason WSS was used; many employees worked abroad and had poor access to the Internet and even poorer access to the intranet and it had been determined in Company C several years ago that the WSS sites were more useful than the intranet. In Company C these sites were used extensively. The sites were used for storing information but also for working. Different reports and Excel spreadsheets were uploaded to the sites and then employees all over the world used and updated them. For example for controllers, they had to upload all the bookkeeping material they received from subsidiaries for managers to view and different spreadsheets had to be filled in every month for management reporting. Guidelines and instructions as well as schedules were also in the WSS pages. According to the two interviewees of Company A, their WSS sites were mainly used for storage. Every subsidiary should upload their management reports there. Interviewee 1CFO stressed that it was important that all the relevant information was in the WSS sites, to keep track of the history so that it was accessible to those who needed it. For Company A, the goal was to transfer their WSS sites to the intranet at some point, preferably during year 2011.

All interviewees of Companies B and C viewed themselves as a part of Company A's reporting cycle but most had very little contact with the employees of Company A. The information from Company A was primarily channeled via the finance manager, which was seen as a good way by some interviewees and a poorer way by others. Interviewees 10C and 9BC thought that it was good for one person to hear and gather all the necessary information and then pass it on to those who needed it. Interviewee 10C also noted that even though it would be time-saving and more effective to have one person who was in contact with Company A, sometimes information was not passed on by the middle man, when he did not realize others needed specific information or simply forgot to pass it on. The interviewees for Company C all said yes and no to whether they viewed themselves as part of Company A's financial reporting. Yes because if their figures were not delivered to Company A on time, someone would demand the figures. The interviewees also said no because even though they reported to Company A, they did not know what the figures were used for and they did not see the end result, unless they read the financial statements and those were for the whole Group, not specifically about Company C. The management of the companies, however, have traditionally wanted to keep the companies independent, thus there has been little cooperation or knowledge sharing in management reporting. Also the limited contact surface to Company A might have made the employees feel less as part of Company A, as interviewee 10C put it. Interviewee 9BC also stressed that even though the Group's goal was to have One Group, that goal was still quite unrealized. However, as a public limited company, Group 1 is bound by the obligation to maintain secrecy in any matters that can affect the stock prices. Therefore, the management has to balance with what information they can tell the employees and what is not allowed to share, by law.

One big problem that many interviewees had was time; they said they only had time to do the absolute necessities; there was little time for planning or improvement. All interviewees recognized that there was need for improvement, both in computer systems and in knowledge sharing among employees but due to the lack of resources, very few managed to participate in the improvement process. Also, as was mentioned earlier in section 4.1.4, because there was the possibility of the computer system SAP being implemented in the Group, nobody wanted to start to improve existing systems because in a few years' time these would be changed.

In summary, section 4.2 discussed knowledge sharing in the case companies. According to the interviewees, knowledge was being shared in the case companies and in a lesser degree between the case companies. Internal communication and knowledge sharing occurred mostly via email, some through the intranet and the WSS pages. Meetings as a knowledge sharing tool were discussed and most interviewees saw these would be useful. The reporting procedures and knowledge sharing tools were being developed but some interviewees were in the opinion that this development was not fast enough. As the case companies operated in an international setting, time zones were a problem but as the interviewees pointed out, this problem could not be solved and therefore they worked with it. Also cultural issues were examined. In addition, the intranet and WSS sites and the interviewees' view on them were presented. The following section will show the findings to the third research question of whether the existing management reporting procedures of the case companies are sufficient for internal communication.

4.3 The sufficiency of the existing management reporting procedures for effective internal communication

Some management reporting procedures worked fine but there were also procedures that needed work. The monthly reporting cycle was clear to everyone but there were very few official guidelines. The substitute system was nonexistent which created problems when someone was on a leave or left on a short notice. The lack of proper documentation system was mentioned by all interviewees as being a serious problem. Process descriptions were seen as helpful and a more standard approach to creating process descriptions would make internal communication more effective.

All of the interviewees acknowledged that there was need for improvement in terms of internal communication and knowledge sharing. Interviewee 6C pointed out that when there were no specific guidelines on how to do things, everyone did as they saw best. In the worst case scenario this could mean that each of the dozens of subsidiaries these case companies own were run and documented in different ways. And when someone who was not the controller and did not know everything about these subsidiaries tried to find out something, it was next to impossible. Many documents were saved on employees' own computers and no one else could access them. Even in short term absence situations, such as a week's sick leave, this had been seen as a problem. It took an unacceptable amount of other employees' time to try to find out how the absent employee has done a specific task. Interviewee 1CFO called attention to the fact that often technical instructions to different computer systems were given by the Group and much of the instructions for content were given by the IFRS standards. These instructions were general and therefore many interviewees felt that more detailed instructions to each user and subsidiary would be helpful as well.

Another problem identified by several interviewees in Company C was that there was no organized substitute system. When an employee left on a vacation, most of her work waited until she returned. The few tasks that could not wait, tasks that had to be done weekly or daily, were transferred to someone else. Directions were given, of course, but the substitute depended on who was working and who had time; no set substitutes for each employee were assigned. Also, with a working substitute system the training of a new employee would be smoother as existing employees could handle the work until a new one was hired and in the beginning they could help the new employee learn her work.

"The substitute system we should get fixed somehow. We cannot not know what to do if someone breaks their leg. In a previous job I have seen what happens in that case and it's not pretty to watch. When the whole system collapses when one person is on a sick leave for a year. We are trying to find a solution for this. But it can't go like this. Or someone quits in the middle of the preparation for financial statements, we can't get anyone new at that point." (Interviewee 9BC)

As interviewee 9BC was fairly new to Company C, it was asked what she saw as being difficult and easy to learn in the new job. As interviewee 10C mentioned, when someone has done the work for years, she gets used to it and does not see the problem points anymore or think of them as normal. Therefore it was interesting and enlightening to get a view from a new employee who saw if there were problems or if some processes did not make any sense and could be done in an easier manner. The most difficult for interviewee 9BC were the different Excel spreadsheets that were used. All of the subsidiaries' book keepings came in either an Excel or PDF format and these were modified to the controllers' own preferences. There were also different Excel sheets where these bookkeeping materials were presented in different ways for different purposes. In addition to the controllers' tools, almost everything else was in Excel too. Juggling these Excels could be difficult for current employees, and for new employees it was very confusing.

Lack of proper documentation was also mentioned by all the interviewees and this ties into the lack of an integrated computer software. With a proper computer system where everything can be stored and accessed easily the documentation would happen as a side benefit. Now, as interviewee 10C mentioned, the information was in everyone's personal computers and their heads, and retrieving them could be difficult. 10C also pointed out that sometimes documenting and writing something down explicitly could help the employee herself see the matter more clearly, not just help others. Interviewee 10C wrote work directions for herself and these helped her notice that the way a certain task was done now was not efficient. These directions are helpful for others but also for 10C Documentation at present consisted of the WSS sites, X3 and X1 for management figures and then subsidiary and project maps that included prints of important papers, as interviewees 9BC, 10C and 3FM told. Any comments on these could be Post-it notes on the maps or handwritten comments in the paper versions of the book keepings. These interviewees also described how sometimes a controller made her own Excel sheets to keep track of something, but these might not be found on WSS, just on her own computer and therefore it was of no use to the other employees. Practice had shown that often the information was not passed on, as interviewee 10C remembers. Sometimes there was no documentation at all by a controller that had left and thus it took some searching until everybody knew what had been reported in those subsidiaries of the departed employee.

Interviewee 10C mentioned that lately the turnover of people had been quite swift in Company A and in the whole Group. Sometimes the employees did not know who to contact if the regular contact person was not working at the moment and nobody seemed to know how to help.

"Sometimes it feels like it's quite a detective work to find out who does what in Company A." (Interviewee 10C)

She also brought up that it would be nice if the new employees were shown around and introduced to the coworkers, even if the coworkers were not working for the same company. This would make future contact easier and more personal when everyone knew what the person they were conversing with looked like. This of course was not possible if the new employee worked abroad, but for those who work in Finland it would be possible. And as mentioned earlier by interviewee 4BC, this would also create a better atmosphere inside the company.

One suggestion for improved management reporting and knowledge sharing for Company C came from two interviewees, 9BC and 10C. Currently, there were two middle level managers, the business and financial controllers, in the financial reporting chain that these two interviewees saw as somewhat ineffective. The business controller and the financial controller were supervisors of the other controllers but the administration vice president was the one responsible for the financial reporting and the one who made all the decisions. The two interviewees believed that the business and financial controllers were an unnecessary additional layer to knowledge sharing. When instructions came from the Group or from the head of the company, the business and financial controllers passed it on to the other controllers. The word that the two interviewees used for them was filter. The business and financial controllers filtered the information they received, and this was seen as both a positive and a negative. The positive was that not every single detail was brought to the controllers' attention and the negative was that not every single detail was brought to the controller's attention. Sometimes it could be good that information was filtered. Interviewee 9BC commented that for example the area managers of the company were not always very pleasant with their choice of words and it was less stressful when only a few heard those words. Other times, some critical information was left unsaid because the filters had not realized that it was important or they had simply forgotten to pass it on:

"The limit could be that what is secret is secret, everything else is told, really. And what (the financial controller) has said, there would not be as big difficulties in knowledge and information transfer if the middle points were removed completely." (Interviewee 10C)

The two interviewees' suggestion was that everyone would be called controllers; they would just have different job descriptions from one another, as the controllers did to some extent already. There would not be any supervisor-subordinate relationships but all controllers were equal. That way, information would come to all at the same time and then everyone could determine whether the information received was necessary for them. And all of the controllers would have a more general, comprehensive view of the matters of the company and more specifically of the subsidiaries for which they were responsible. This kind of an arrangement would mean more direct subordinates to the administration vice president which would of course add his work. Also, this would mean that the business and financial controllers were essentially demoted, but the two interviewees saw that this was a necessary step in enhancing knowledge sharing.

Interviewees 3FM and 9BC thought that process descriptions would be helpful for improving knowledge transfer. The case companies had process certifications, and quality handbooks of process descriptions existed, in accordance with the certifications, but these were quite general and not everybody read them. Thus, interviewees saw a need for more detailed process descriptions. Even though for example in Company C process descriptions have been under development for many years, they have not led to any concrete actions, as far as the interviewees could see. Two examples of process descriptions were shown in figures 4 and 5. Approximately every two years, the process description development had been resurfaced and more efforts were made to complete and update them. The latest effort was in the fall of 2010 but for several different reasons, the process descriptions were not finished. Interviewees 9BC and 10C thought that the main reason might have been that the schedules were always so tight and when they were not met, the development was dropped again. Also, almost all interviewees thought that general process descriptions would be helpful, but still the preparation of the descriptions was not done.

Next, a list of improvement suggestions from the interviewees is given. The list was assembled based the findings already discussed in this chapter. The interviewees saw a need for

- an integrated computer system
- proper documentation
- better quality information rather than a larger number of reports
- regular controller meetings between Company A and its subsidiaries Companies B and C
- regular meetings or memos of those meetings sent to controllers for them to know everything relevant in the subsidiaries they control
- more informal discussions as to how things are going

- more knowledge on who uses the reports that are produced and for what to ensure the best possible reports
- a change of organizational culture: from silence to transparency and openness

In this chapter, the findings for the three research questions were discussed. The first section described what the existing management reporting procedures in Companies B and C were, first by examining each company separately and then by comparing them. The second section showed the ways in which the three case companies share knowledge in management reporting. These ways were both formal and informal: emails, meetings, online conversations and chats. The last section presented the interviewees' thoughts on the effectiveness of the existing management reporting procedures to ensure good internal communication. The interviewees in general thought that knowledge sharing and internal communication was at an acceptable level but some improvements were also mentioned. More regular meetings were desired, proper documentation and an integrated computer system were seen as necessary, good quality information was seen as more useful than more information and openness and transparency were called for. The next chapter discusses these findings with the research questions, linking them with the current literature.

5 DISCUSSION

This chapter discusses the findings and the research questions, linking them to the theoretical framework of the thesis and the current literature. The research findings indicate that internal communication and knowledge sharing can improve management reporting in the case companies.

The objective of the thesis was to find out how companies A, B and C communicate and share knowledge in management reporting. To reach this objective, three research questions were devised:

1. What are the existing management reporting procedures in Company B and Company C?
2. In what ways do Companies B and C, with Company A, share knowledge in management reporting?
3. Are the existing management reporting procedures sufficient for effective internal communication, and if not, how could they be improved?

As described in Chapter 4, the existing management reporting procedures in the case companies were varied. The monthly reporting cycle was the basis for the management reporting and this included the preparation of the CAS reports and the 12 month report as well as feeding figures to X3 and X1, along with X4 and X2. These routine tasks were clearly defined, and the present study shows that the management reporting procedures worked relatively well, although they were not always clearly presented visually in process descriptions. Often the same figures were fed into different reporting systems, creating more chances for error and duplicating employee's work, with no added value. This study found out that visual process descriptions would be helpful and eliminate irrelevant tasks, thus concurring with the main idea of Business Process Management (BPM): to develop organization's business processes by eliminating non-value adding activities and by improving the fluency of processes at the boundaries of different organizational functions (Kujansivu &Lönnqvist, 2008).

The current study found a need to remove extra layers in horizontal hierarchy that acted as filters; again highlighting the aim of BPM which is to flatten the horizontal hierarchy (see e.g. Trkman, 2010). A need for an integrated computer system was another finding of the current study and this would also realize some of BPM's benefits. These benefits would be increased productivity, reduction in errors and waste, better quality of services or information, greater consistency, improved employee satisfaction and facilitated knowledge transfer as well as improved process documentation (Kujansivu & Lönnqvist, 2008).

Interviewee 5C stressed the need for *"an organizational change from silence to transparency and openness"* and trust is an important issue here. In a trustful environment knowledge is shared more freely and this creates an atmosphere of transparency and openness. The current study found that the employees of the case companies had little trust, and thus knowledge sharing, as described in literature (see e.g. Karkoulian & Mahseredjian, 2009; McNeish & Mann, 2010; Bratianu & Orzea, 2010; Park et el., 2009), does not seem to occur very much. The current literature suggests that knowledge sharing is influenced by the level of trust between the organization and its employees. McNeish and Mann (2010) point out that in a trustful relationship people are more willing to give useful knowledge and to listen and use knowledge given to them. In an organization it is imperative that people and teams can trust each other and this can be achieved through transparency. Trust is built on open communication and free flow of information, and these were quite scarce, according to the current study.

The findings of the current study reveal that information from the management was hard to obtain and the unofficial line of "*need to know, want to know*" of Company C suggest little knowledge sharing. Perhaps this lack of knowledge sharing is due to the point raised by Park et el. (2009), the dilemma of knowledge sharing: knowledge sharing is disadvantageous in short-term but advantageous in long-term. The person giving the knowledge is at a disadvantage because he has given up his expertise but in the long run the sharing of knowledge will benefit him and the company. Therefore, it is up to the organization to create an environment where people feel relatively safe and can trust one another so that information can flow freely and knowledge is shared, and this was lacking in the case companies. Open communication and knowledge sharing could prove to be difficult if the management was against the idea because management support is essential in changing organizational behavior (Marshall & Smith, 2009).

The current study found that employee turnover was high and oftentimes the tacit knowledge was lost when a person left permanently or took a longer leave. As Karkoulian and Mahseredjian (2009) point out, the existing and future employees will need to have sufficient knowledge on how to do their jobs. Therefore, the organization has to encourage its employees to conserve and share knowledge. At present, there were no good storage systems available in the case companies and knowledge was often lost when an employee left. Generally, the term of notice of an employee was fairly short, usually two weeks, and in two weeks it is practically impossible to recruit a new employee and familiarize him to the work before the old employee leaves. Here, the systematic and organized procedures of knowledge transfer would be essential. Effective communication supports learning, and thus internal communication is linked with learning organization and knowledge transfer (Henderson & McAdam, 2003). Organizational learning could present a good solution to high employee turnover and loss of valuable knowledge. If the companies created good processes for business management and knowledge transfer and established a cycle of continuous learning, important knowledge would remain in the company and not depart with the employees.

Most of the communication in the case companies occurred via email, especially in Company C that had a large number of subsidiaries and employees abroad. In addition, some meetings were held online and some face-to-face. Also informal chats occurred, and for those who worked in the headquarters in Finland, they could have ad hoc meetings by walking into each other’s offices. However, the current study found that there was a lack of communication and practical solutions were offered at the end of Chapter 4: an integrated computer system, proper documentation, regular meetings, better quality information and openness and transparency. Achieving openness and transparency can be challenge, as the companies have to remember the obligation to maintain secrecy in terms of information that may affect stock prices. The empirical findings of the current study concur with Robson and Tourish’s (2005) research in terms of communication: a clear gap existed between perceived and actual communication.

The improvement suggestions listed above and at the end of Chapter 4 suggest similar problems that were found in Fonterra, a multinational dairy company from New Zealand. Ward and Callaway’s (2004) study of Fonterra gives an interesting comparison to the case companies as they all operate internationally with similar complex business environments. Fonterra aimed to improve their financial systems and processes, specifically in management reporting and the reasons were to provide better reporting for management in terms of transparency and quality, enhance financial consolidation process by reducing the number of days the reporting takes, reduce and automate many inter-company accounting activities, provide a base for future reporting enhancements, replace current different consolidation systems with one web-based system, enable drill-through to supporting data at lower levels and build a foundation for IFRS compliance. Fonterra’s solution was to implement an integrated computer system while paying attention to critical success factors: staff involvement, careful planning, management support and effective management of country participation. Many of the problems of the case companies could be solved using the example from Fonterra and the Fonterra case could be a good reference point for the case companies.

The Balanced Scorecard was covered extensively in current literature, and case companies A, B and C all use the scorecard. The scorecards of Companies B and C were shown in figures 6 and 7 in the previous chapter. Broccardo (2010) points out that the BSC is not a tool that can be used as is but every organization should tailor it to their specific needs; therefore the BSC should be unique for each organization. Clearly, Companies B and C have adapted the BSC to suit their needs, to depict their aims and measures. The BSC itself evolves over time as the organization evolves and therefore it needs to be revised to see whether there are new stakeholders that have to be taken into account or such The BSCs of the case companies were made for year 2011 and onwards and even though previous scorecards were not included in the thesis, the researcher was able to study an older BSC and determine that the case companies did update their BSCs. Walker (1996) introduces Dynamic Management Reporting (DMR) that is linked to BSC. DMR is a dynamic proactive process where internal management reporting is constantly measured and updated. The aim is to strengthen the Balanced Scorecard and change the attitudes of the management and the accounting staff about reporting systems. In management reporting the process itself is iterative and never fully completed, always something needs changing. This is something that the case companies could also take into account, to help them create and keep up an environment proactive to change and transparency.

To summarize, the objective of the thesis was to find out how companies A, B and C communicate and share knowledge in internal management reporting. Three research questions aimed to reach the objective by discovering the existing management reporting procedures in Companies B and C, the knowledge sharing practices of the case companies in management reporting and by determining whether the reporting procedures were sufficient to ensure good internal communication. The management reporting procedures were clear but complex and many of them did not add value because same tasks were performed in different reporting systems. These procedures started with the monthly bookkeeping cutoff and ended with the finished management report. Companies A, B and C shared knowledge sporadically. Very little knowledge sharing occurred systematically and with strategic intent. Knowledge was shared in few meetings, via email and face-to-face contact. Process descriptions had been an effort to share knowledge or at least provide a basis for it but the descriptions had not been finished. Based on the findings, it was clear that the existing management reporting procedures were not sufficient to create an atmosphere for openness and knowledge sharing, in other words effective internal communication. Suggestions for improvement were presented, from implementing an integrated computer system to having more regular meetings and getting to know coworkers better for improved working environment.

6 CONCLUSION

This chapter presents the conclusion to the thesis. The research aim, methods and findings are summarized and the main discussion points of Chapter 5 are presented. This chapter is divided into four sections. The first section summarizes the research, the second provides practical implications and recommendations for the case companies, the third presents limitations of the study and the final section gives suggestions for further research.

6.1 Research summary

Previous research has studied internal communication and knowledge sharing quite extensively but their effect on management reporting has been studied less. Thus, the aim of the research was to find out whether management reporting can be improved through good internal communication and knowledge sharing and more specifically, how the case companies A, B and C communicate their finances. Three research questions were devised to answer the research problem and these were:

1. What are the existing management reporting procedures in Company B and Company C?
2. In what ways do Companies B and C, with Company A, share knowledge in management reporting?
3. Are the existing management reporting procedures sufficient for effective internal communication, and if not, how could they be improved?

The answers to these questions were searched through interviews at the case companies and other data received from them. The theoretical framework was constructed on the basis of previous literature on internal communication, knowledge sharing, Business Process Management and management reporting. The empirical research consisted of ten semi-structured interviews at the case companies: one chief financial officer and one controller from Company A, one finance manager, one business controller and two controllers from Company B, and one chief executive officer, two business controllers and one controller from Company C. Also additional data was received from the case companies: balanced scorecards from Companies B and C and graphs of the business processes of Company C. The findings were presented in Chapter 4 and they were discussed and compared with current literature in Chapter 5.

The main findings of the thesis show that although the existing management reporting procedures in the case companies worked relatively well, there was still a need for improvement to ensure good internal communication and knowledge sharing. An imperative need for an integrated computer system was something all interviewees agreed on, to ensure proper documentation and concise and better quality information on monthly figures. In this way errors would be reduced when employees only fed figures to one system, instead of feeding them to several systems. In addition, the interviewees called for more information from managers in the form of meetings or memos of the meetings. This would facilitate the flow of necessary information to all in a more systematic manner instead of rumors heard in the hallways. A more large-scale change was proposed in organizational culture: from silence to transparency and openness.

These findings are consisted with the findings in current literature. For example, Robson and Tourish (2005) did a communications audit in a European health care organization where they identified a lack of communication; a need for more information from managers and more time for interaction. Ward and Callaway (2004) studied a multinational dairy company Fonterra from New Zealand that improved their management reporting successfully. Fonterra also had problems with reporting systems and transparency and quality of the management systems and they managed to overcome these problems with an integrated computer system. Park et el. (2009) discuss the dilemma of knowledge sharing where knowledge sharing is disadvantageous in short-term but advantageous in long-term and this was corroborated by findings of this thesis: little knowledge was shared because of a company atmosphere of "*need to know, want to know*". A major problem identified, especially in Company C, was employee turnover. Many interviewees pointed out that much knowledge is lost when an employee leaves. This finding coincides with Karkoulian and Mahseredjian (2009) who stress that existing and future employees will need sufficient knowledge to do their jobs. And the solution for this would be an organization that encourages employees to conserve and share knowledge. The findings of the thesis agree with current literature, although there was very little literature on the specific subject of internal communication and knowledge sharing's effect on management reporting. The findings suggest that the trends in current literature of internal communication and knowledge sharing also extend to the area of management reporting.

6.2 Practical implications and recommendations

The findings of the thesis seem to indicate that internal communication and knowledge sharing are important in management reporting. There are clear improvement needs in the management reporting procedures of the case companies. A lack of an integrated computer system was the most prominent problem and implementing a good computer system can solve other problems, such as lack of proper documentation and poor quality information in reports. Ward and Callaway's (2004) study of Fonterra is a good reference point for the case companies. Fonterra is quite similar to Companies B and C in terms of internationality and organization structure and their problems in management reporting were similar to the problems identified in the current study. Fonterra's aim to improve financial systems and processes was successfully reached through an adoption of an integrated computer system with critical attention paid to staff involvement and management support. Fonterra's solution could be used to solve the problems of the case companies providing more detailed reports and faster report generation times.

Other practical implications and recommendations for the case companies were presented at the end of Chapter 4:

- an integrated computer system
- proper documentation
- better quality information rather than a larger number of reports
- regular controller meetings between Company A and its subsidiaries Companies B and C
- regular meetings or memos of those meetings sent to controllers for them to know everything relevant in the subsidiaries they control
- more informal discussions as to how things are going
- more knowledge on who uses the reports that are produced and for what to ensure the best possible reports
- a change of organizational culture: from silence to transparency and openness

The last recommendation is more difficult to achieve than the previous ones because organizational culture requires much more work than adapting a new computer system or having additional meetings. With management support and encouragement and a true desire to create a better environment for knowledge transfer, this can be achieved.

Recommendations for the case companies from the previous literature are Walker's (1996) Dynamic Management Reporting (DMR) and organizational learning. DMR is a proactive process where management reporting is constantly measured and updated. This process could help the case companies to create and upkeep a management reporting environment which aims to proactively seek best practices to ensure transparency and up-to-date reporting. Organizational learning is a process for knowledge transfer from individuals to organizations (Henderson & McAdam, 2003).

Organizational learning could present a good solution to high employee turnover and loss of valuable knowledge. With good processes for management reporting and knowledge transfer in addition to continuous learning, the case companies could minimize knowledge loss and increase competitive advantage.

6.3 Limitations of the study

This study has four limitations. First, the data was collected only from one organization and qualitatively, therefore specific care should be taken when generalizing the results. The results apply to the three case companies, and if the whole organization, Group 1, had been included in the research, the results could have been different. Second, the results could also have been different if other organizations were used: organizations in different business fields, different sizes or different countries. Third, only ten interviews were conducted, to narrow down the focus of the thesis. Additional interviews might have provided other views on the subject.

The fourth limitation is that four of the interviews were conducted via email. The reasons for this were geographical distances or in one case, a maternity leave. Email interviews lack the interaction a face-to-face interview has. In face-to-face interviews the interviewer can ask for clarification on an answer or ask additional questions on a subject that was brought up by the interviewee. All email interviewees expressed their willingness to answer additional questions if needed but this option was utilized only in the case of one interviewee who wished to add to her answers. However, supplementary information could have been received if all the interviews had been conducted face-to-face.

Despite these limitations, the results of this study are still valid and reliable. Section 3.2 addressed the trustworthiness of the study and it was determined that the study was done in a manner that considered all possible difficulties to trustworthiness and overcame them.

6.4 Suggestions for further research

The thesis process provided answers to the questions that were asked but also produced many new questions and possible future research areas. Five suggestions for further research regarding the case companies have been identified and one suggestion for broader view. First, more interviews in different subsidiaries within Group 1 could provide results that reflect the whole Group's position. Second, interviews with the Group's finance department could also be useful and provide different views. Third, the whole research could be broadened to apply to all financial reporting in the Group. Fourth, the use of outside consultants to do supplementary interviews with the case companies would also provide more information on the subject, to see if outsiders receive the same answers and come to the same conclusions as the researcher who has worked for two of the case companies for almost four years. Fifth, if the case companies decided to act on the recommendations given in this thesis, the process, changes and results of those acts would be interesting to study. And finally, a greater number of interviews or quantitative research with different companies could provide more generally applicable results.

This thesis focused on the impact of management reporting procedures on internal communication and knowledge sharing and obtained valid results that can be used for further research. The thesis process has been very interesting, bringing new views on the subject of management reporting for the researcher. The conclusion of the long thesis process is rewarding and having previously worked for two of the case companies the researcher sincerely hopes the findings and recommendations are useful for the case companies. The journey to transparency and openness in organizational culture may be difficult but definitely gratifying and helpful, bringing results from the employee perspective as well as from the financial perspective.

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APPENDICES

APPENDIX 1: Interview questions

Background information

- What is your name, age, position in the company?
- How long have you worked for the company?
- What does your job consist of?

Financial reporting

1. What is included in financial reporting by you?
2. Who do you answer to regarding financial reporting?
3. How would you describe financial reporting in your company? Does is work well, why or why not?
4. Are there any processes in financial reporting, if so, what are they?
5. Do you think you know enough of financial reporting processes, is there something you would want to know more?
6. Do you view yourself as a part of Company A's financial reporting, why or why not?
7. What reporting programs are there? Are they sufficient, easy to use, should something be developed more?
8. Do you think reporting has developed in the past few years? To a better, worse direction, enough?

Communication

9. What is communication like in financial reporting?
10. How does communication go in financial reporting, in your opinion?
11. Do you feel communication is inadequate, why, why not?
12. Who do you get information from, and to whom do you deliver it?

13. Do you get the information you need easily? From for example Company A, your company's management, project managers, controllers?

14. How do you get the information about changes? (For example about new style in reporting, new reports, program changes etc)

15. Do you have regular meetings with your management and /or Company A? Are they useful, why, why not? Would you like for there to be meetings, and who would they be with and what would they deal with?

16. Is the intranet useful in reporting, why, why not?

17. Have you encountered any cultural problems in communication? Time zone problems?

Knowledge

18. How do you get tacit, explicit knowledge, how do you transfer it forward?

19. Should knowledge transfer be developed and if so, why and how?