

ACCOUNTING TRANSFORMATION IN SUPPLY CHAIN: INSIGHTS ON SHARED SERVICES CENTER

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ABSTRACT

Purpose: This research examines how the Siam Cement Public Company Limited (SCG) Corporate Accounting Office transformed its cost center to shared service center. Specifically, the article objectives are to investigate design, implementation, and transformation processes by SCG corporate accounting office.

Design/methodology/approach: The research method used in this study was a deep single-case study. The unit analysis is the Corporate Accounting Department, the Siam Cement Public Company Limited. The research method was designed according to the guidelines of Eisenhardt (1991) and Yin (2009).

Findings: The findings indicate that the organizational structure with a management team form of governance is influenced by original SCG culture. In this case, leadership is necessary contributed to effectiveness of design, implementation, and transformation processes. Mechanism also requires planning, people, and processes, with technology as the accelerator.

Practical implications: The implementation involves strengthening the accounting department. Provide commercial information of the same standard across all business units of affiliates. Delivering services to these business units. It's not just about publishing accurate financial reports and tax information. It also values the visualization of strategic management as well as a comment on the trends and forecasts of companies for clients. There are big data as data mining, which is useful for analyzing data at both business unit levels and big picture data for the Siam Cement Group.

Originality: The research shows that SCG Corporate Accounting Office plays important role in creating value at the 1) individual level, 2) organizational level, and 3) profession level.

Keywords: Accounting Transformation, Shared Service Center

Introduction

The organizational structure of a for-profit organization was originally intended to divide the line to delegate authority and responsibility to executives and employees at various levels. These may be referred to as departments, divisions, entities, or business units. The design of divisions within such an organisation can be divided into groups called responsibility centres can be divided into 4 types: 1) revenue center, 2) cost center, 3) profit center, and 4) investment center.

From the above organizational structure, we can see that the accounting service is a cost center whose main activities consist of serving other parts of the organization that is not profitable. It is a business unit that only generates costs and expenditures, which makes the accountant's role in this type of organization less important and the added value to the organization is limited. Thus, the idea of converting cost centers like the accounting department into an organization shared service center began in the early 1990s (Cacciaguidi-Fahy, Currie & Fahy, 2002). It is a form in which an organization operates by merging common business functions with previously separate divisions with independent operations in a subsidiary or subsidiary. Be a centralized unit to deliver services to all affiliates by calling this shared service centre (Ulrich, 1995).

For example, there is an accounting service that is responsible for accounting and preparing financial statements. Specifically in a company for operations in the form of a joint service center for supporting work, shared accounting services center has a major management concept that is a form of pooling accounting personnel from all affiliates together. Provides accounting services in a variety of dimensions for all national and international affiliates, divided into: 1) recording accounts, 2) reporting & analysis, 3) accounting system & process development / it support, and 4) accounting professional standards & taxation.

The Shared Services Centre is a business tool to improve organizational effectiveness. More precisely, the objectives of the Shared Services Centre are to:

1. reduce redundant work, make work efficiency, better services, increase customer satisfaction,
2. focus on improving the quality of service,
3. reduce costs,
4. elevate the working standards and use modern technology to assist workforces.
5. be able to move resources to carry out other tasks that constitute the core work.
6. provide flexibility in the event that new services or jobs are added.

To support change and stable business development, the Siam Cement Public Company Limited has set up a central accounting service center as a shared services center. It provides accounting support functions to Siam Cement's business units. Ideally, the Siam Cement had adapted and modified the accounting business model by assigning a new role as a business partner. That is the Corporate Accounting Department, the Siam Cement Public Company Limited. It is notable for being Thailand's first accounting share service center and serves as a model for other large firms to utilize as a reference point for establishing a joint service center with similar characteristics. Of the importance of the shared services center as mentioned above, researchers are interested in studying the design process of the SCG accounting shared services center, its application, and the transition from a cost center to a value creation center.

Research methodology

The research method used in this study was a deep single-case study. The unit analysis is the Corporate Accounting Department, the Siam Cement Public Company Limited. The research method was designed according to the guidelines of Eisenhardt (1991) and Yin (2009) as follows:

Research in the form of a case study is an empirical research method when it involves the study of specific problems or phenomena in the unit requiring in-depth analysis. In the context of real-life work (real-life context), in addition, the area that needs to be studied must be able to provide important knowledge that has not been studied before. The identification of a case study or unit of analysis is the first step in a case study-based research design. A case-study methodology utilized in this research is in accordance with the advice of Eisenhardt (1991) and Yin (2009).

In this step, analytical approaches were applied to the data analysis method suggested by Miles and Huberman (1994) as the main method to analyze, summarize, evaluate, and respond to research questions using all the interview data, field notes, and observations. First, organizational approaches for matching patterns of similar and contradictory data are used. To demonstrate the validity of the analytical findings by comparing the results to the theoretical triangulation, which serves as a guideline for data analysis. The two researchers will examine the data independently. Next, the results of the analysis will be compared and reviewed with the theory and interview data. Finally, all researchers reviewed the findings and delivered conclusions.

Research results

1. The beginning of the transition from being a cost center to a shared service center of the Corporate Accounting Department.

In 2000, the idea of creating an accounting department as a shared services center first emerged. How to make the accounting department valuable and profitable was the main concern at SCG Group.

Thus, the organization started to spread this idea. To reconstruct the accounting support agency in its original form as a service center for accounting work was something top management talked about at a meeting of its executives. However, at this early point, no formal policy had been announced. Management recognized the importance of this issue. They were concerned that it will have an impact on numerous accounting department staff. Therefore, there needs to be a strategy for a smooth transition within the organization. Importantly, they did not lead to opposition within the organization or against this policy. It is, therefore, shrouded in secrecy, just a top executive-only working group. The accounting department's initial focus was on the key objectives of this transition, which include welfare, wages, and labor laws.

Establishing the Corporate Accounting Department as a shared services center has the principal aim in the initial phase, which is to reduce operational costs, improve execution quality management and improvement of work processes to be able to compete with competitors. At the management meeting, they talked about transforming the support units into units that elevate the level and increase the capacity of the accounting department. First, SCG wanted businesses to focus on their core business and minimize the burden of caring for support agencies. Second, to ensure effective control systems, the Corporate Accounting Department was the primary function responsible for providing information to senior management for administrative control, such as warehouse control, cash flow control, and performance control. In addition, it was intended to provide significant information in the decision-making at the business group level of all affiliates of the Siam Cement Public Company Limited. Third, to reduce the cost of doing business and jointly create benefits for the business units that were customers of the Corporate Accounting Department. The goal is to reduce costs after using the services of the the Corporate Accounting Department, or to be able to keep costs under control.

Corporate Accounting Office Services Shared Services Journey

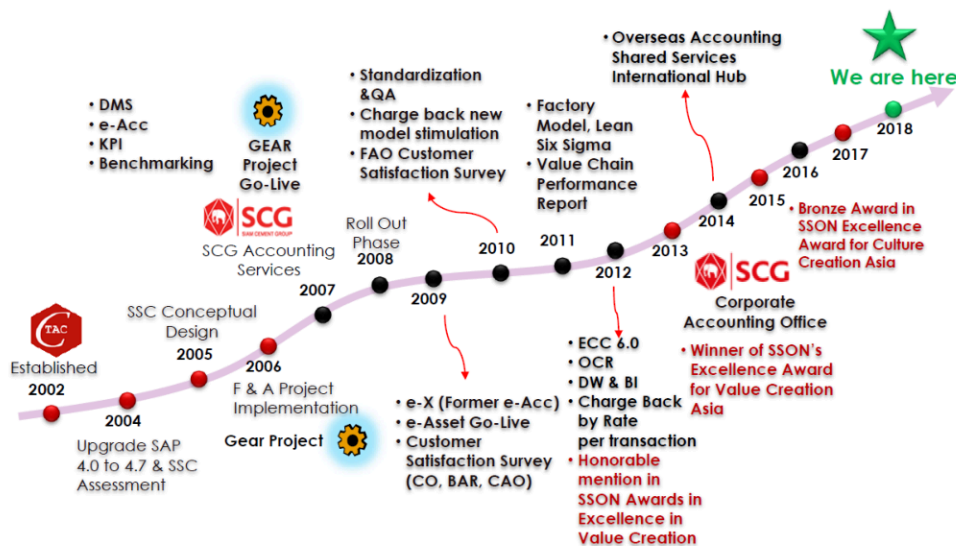


Exhibit 1: The SCG Accounting Shared Service Journey

2. Design process, Implimentation and Transition

The process of transforming the organization from the traditional operating model to the establishment of a joint service center has 4 important processes, which are:

1) Organization design

The structure of the accounting firm has continually evolved and changed since the establishment of the organization in 2002. Currently, the organizational structure is organized according to

an organization's vision, which provides services to reach the leading accountancy work in the region and create value for the Siam Cement Group.



Exhibit 2: The SCG Shared Accounting Services Center Organization Chart in 2018

2) Work process design

The design of the first stage of work began by replicating best practices within the organization. Survey the work of accountants from all affiliates to see where they have the best processes and use them as a model. In addition, lessons learned from other organizations' best practices enable separate studies for each accounting function, such as accounts receivable, accounts payable, capital asset management, etc. In this phase, emphasis is placed on adjusting how quickly work is done. Obtaining the best work process at that time, it was announced as a work manual for each function. Additionally, it is the work design that responds to the differences between each business unit that is a client. Each group of accountants continued to manage its respective business unit, dealing primarily with one client.

KPI and target setting: Process Perspective

Process	No. of KPI
P2P Invoice	3
P2P Employee Expense and Payment	8
O2C	9
GA	14
GL	8
OAS	12
CO	13
BAR	3
SCG Consol	4
ASPD	2
APS	5
BD	4
PP	4
Total	89



• Process Improvement
• BU Improvement

P2P Employee Expense and Payment	Target
% of account check (High/Medium/Low risk account)	100%
% of outstanding transactions reviewed	0%
No. of VAT penalty fee for late submission & error	0
No. of WHT penalty fee for late submission & error	0
% of monitoring and clearing deferred VAT within 6 months	100%
No. of transaction payment errors	0

BAR	Target
% of standard managerial reports sent out within commit timeline	100%
No. of standard managerial reports with errors	0
No. of proactive report/action per year	9 reports / 18 points

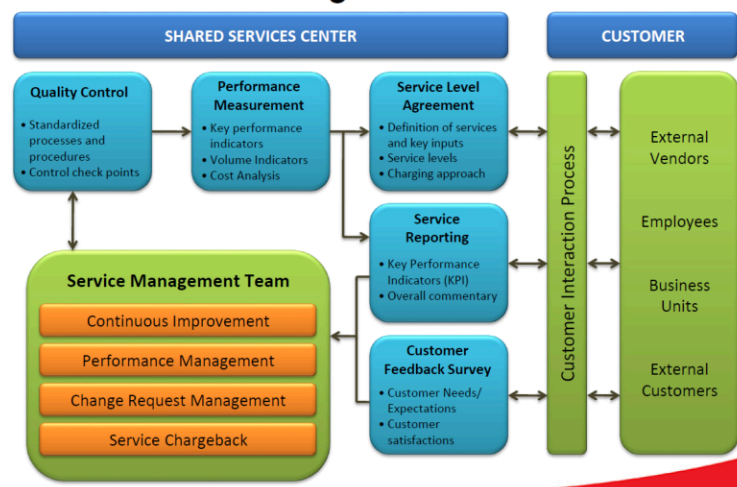
The second phase of the design is a process-based functional design. By emphasizing this process, the accountant's job is no longer related to looking after a single client. Rather, accountants will be able to work on a process for several business units. An important aspect of the process redesign at this point is the presence of a dedicated HR function within the organization. Reskill is the creation of new skills required to perform tasks according to the redesigned workflow. In addition, upskill is the development of upgrading existing skills to support the upgrade of services to business units according to the new plan. This phase of work will conform to the system (workflow), including the standards of storage of accounting documents. This represents the beginning of the use of a management framework that facilitates access to an internationally standardized shared service centre.

Functional Design Phase 3 is a functional design that emphasizes development and value creation for clients or business units that deliver services (business development and value creation). The workloads and manpower of accountants as well as the process have suitable jobs. What process is not in place? and which process is overworked for surplus jobs. A business unit support had been established to provide consulting services in various areas for business units of the Siam Cement Group, including SAP implementation, accounting system implementation and accounting services, etc.

3) Change management design

Starting in 2005, consideration was given to hiring a consultant to launch the project in 2006, given the desire to design a successful organization. The standard which is essential to the Shared Services Centre is process design and change management design. The outcome of hiring a consultant, Ascenture Consultancy Services (ACS), leads to a self-evaluation. (Self-Assessment) What is this process? What services do you provide? How is the pattern? Identification of best practices within the working group. Started to do Gear Project by Ascenture in 2006. Collecting information on organizations in various aspects, which aims at designing work that is intended to be an organization in the form of a world-class shared services center. It is interesting to note that the transformation process within the organization is dynamic on an ongoing basis and that changes in many processes always come with barriers. It is one of the benefits of hiring a consultant to contribute to the transformation of the organization. An external consultant discussed and directed change on a number of issues. Facilitate the transition rather than being manually led by people in the organization. The corporate image had been changed to SCG Accounting Services Company Limited to support a new business model. This new brand created awareness and trust among clients early on because the SCG brand was initially believed by public. It created pride for the employees of the organization that they were part of SCG. They were proud to be part of SCG and when they communicated with clients, it builded trust in business negotiations.

Shared Services Management Framework



4) Designing application processes for success

Enterprise Resource Planning (ERP) technology was used, the SAP system, prior to the 1997 economic crisis and underwent major modernisation in 2004. However, the technical department of technology remains a central unit of the head office of Siam Cement. Not yet under the supervision of the Corporate Accounting Department. Following the improvement of the work process, the result was that the work process was more efficient. From the beginning, the work plan focused on cost savings and the delivery of quality services that were not less than the original when an accounting firm was created. He moved into the era of focus on creating value for business units (value creation), giving importance to being a business partner with business units. While this was a work process that emphasizes creating value for business units. But it could also reduce costs in the work process and increase the efficiency of the work simultaneously. Key drivers that improved the successful application process were a skilled workforce and supportive technology that contributes to service value creation.

The fact-finding process is a common process among members of the organization. Not all projects or plans implemented will achieve the intended results for each project. But learning from mistakes is a process of insertion which occurs periodically due to the vision of the organization to become a leader in the accounting profession. As a result, it always leads to pilot investments before other organizations. Of course, there are risks associated with this. However, this is a risk that can be assessed at that time.

Conclusion

This research aims to study the design process of the SCG accounting shared services center, its application, and the transition from a cost center to a shared services center. The results showed that there are two major factors in moving from a normal business model to shared services center: economic factors and strategic incentives. This conforms to the findings of Janssen and Joha (2006), Goh et al. (2007), and Paagman et al. (2015). While the transformation process into a shared service center consists of 1) corporate design, consistent with the research results of Ratz et al. (1991), and Wang and Wang (2007). 2) Workflow design, which is consistent with the findings of McCracken and McIvor (2012) McIvor et al. (2011). 3) Change management design, this is in line with the findings of Su et al. (2009). Finally, 4) designing an application process for success, this aligns with the conclusions of Knol et al. (2013), Lacity and Fox (2008).

The important management strategies are: 1) a good governance structure that is linked to the duties and responsibilities in the decision-making process of the organization and internal communication interaction between the service provider and the client. This is consistent with the findings of Janssen and Joha (2006). 2) Management and strategy, this is a process whereby the Common Service Centre must work with other organizations that end up using the service as a value in terms of increasing competitiveness. This is in keeping with findings from Janssen and Joha (2006). 3) cooperation mechanism. This is an issue with service centers receiving services for the purpose of adding value together. The way the joint service center works with the agencies that come and use the service smoothly. This is consistent with conclusions from Minnaar and Vosselman (2013) and Maatman et al. (2010).

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