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SCHOOL OF BUSINESS, ECONOMICS AND LAW

The Finance Function of Car Corporations in the Age of Digitalization

Case Study: Volvo Cars

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Preface

This Bachelor's thesis has been written at the School of Business, Economics and Law in Gothenburg as a part of the bachelor course Industrial and Financial Management. The bachelor thesis has a scope of 15 credits and is done in collaboration with the finance function at Volvo Cars.

A special thanks to our supervisor Gert Sandahl at the School of Business, Economics and Law who has given guidance throughout this thesis work. We would also like to thank Petter Jarlöv who has continuously helped us in the understanding of the case study, and kept us updated through weekly meetings. Thank you also Malin Andersson, for the encouragement in our work and for making this thesis possible. Finally we thank all managers and employees from the Volvo Cars finance function that has helped us through meetings and interviews during the course of the project.

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Abstract

The aim of this thesis is to analyze the affects of the current market change due to digitalization in Volvo Cars finance function. An extended literature search was made in order to gather information regarding the current marketplace, and in what direction it is heading. Further, a case study within the finance function of Volvo Cars was done. These sources of information were then used to establish an organizational structure and way of working, that would be able to handle the requirements of new and the ever changing market. Likewise the capabilities and mindset needed to successfully implement the new way of working was analyzed. It was found that companies that work in ways that strictly define responsibility between different parties, while allowing for adjustments, flexibility and development could better meet the challenges of digitalization. They also have to be up to date in systems that can be used to automate simple processes trough different RPA-systems. In order to achieve such a way of working the organizational mindset has to be matched with the new processes. It has to allow for openness, inclusiveness and encouragement for continuous learning and personal development.

Keywords

Automotive, Organizational Transformation, Scrum, Finance Function

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Abbreviations

AI	Artificial Intelligence
B2B	Business to business
B2C	Business to consumer
ERP	Enterprise Resource Planning. An internal system for control and information in a company.
IT	Information Technology
RPA	Robotic Process Automation. A system or programs for automating different tasks within a company.
CEO	Chief Executive Officer
CFO	Chief Financial Officer

Glossary

Capabilities	The ability of an entity to achieve its objectives in relation to its overall mission.
Digitalization	The integration of digital technologies into everyday life.
Mindset	An established set of attitudes and inclinations.
Platform	An organizational structure that offers the connection between two or more parties.
Scrum	A framework for agile and dynamic work. Invented for software development but implemented in many areas.

1

Introduction

In the last decades the world has become more digitalized, which sets new demands on the market, its companies and people within it. From this digital market, the old way of organizing companies that stems from the industrialization are challenged by novel business models and organizational structures that have proven to be efficient in this dynamic, service oriented market(Schwarz Müller, Brosi, Duman, & Welp, 2018).

1.1 Background

During the industrialization organizations were structured hierarchically, where owners and stakeholders at the top of the company first and foremost hired a board. Below this board a managing director was placed, where after the staff that performed tasks within processes were operating. The authority thus flowed from the top down in the organization while value flowed from the bottom up. In this way knowledge accumulated at the top. The majority of the industrialized companies sold one product to one type of consumer, i.e. they were a linear, one sided business. A type of business model which was, and in many cases still is, quite successful(Fenwick, McCahery, & Vermeulen, 2019). Michael Porter has described how value in a such a typical linear company flows and is created with a value chain. Here tasks are divided in primary- and support activities, which enables analysis of activities from which a firm can create value and competitive advantages(Porter, 1985). However, many of the recent successful businesses on the market has shown that this model is not applicable to all companies in the age of digitalization. This since value not only flows in one direction, but is created in the connections between companies and consumers, something which can

be considered a network. As a result of this, there are no simple inputs and outputs to the value chain that Porter described(Kompalla, Geldmacher, Just, & Lange, 2017).

The digitalization and growth of internet during the last decades has meant that new types of businesses have emerged, forcing already established businesses to change, since customer demands has altered(Piccinini, Wayne Gregory, & Kolbe, 2015). Some of these more traditional linear one-sided businesses are companies in the manufacturing industry that now have to integrate two different worlds, the physical and the digital, to stay competitive. One of these companies is General Electric that is known for selling high quality industrial equipment and services for maintenance for over a century. Nevertheless, they are now facing competition from non-traditional competitors as IBM and SAP, i.e. technology providers(Bilgeri, Wortmann, & Fleish, 2017). This is true for many manufacturing industries. The car industry is another example where manufacturers and retailers are facing new competition from car-pooling and car-sharing services such as Uber and Lyft. This because costumer demand has shifted towards buying the service of transport instead of owning the car itself(Piccinini et al., 2015).

1.2 Problem Discussion

The current digital environment puts new demands on automotive companies, especially those who have been around since before the digitalization and still have the hierarchical and one-sided-value creating organization and mindset(Kompalla et al., 2017). Many of these car corporations are trying to transform their businesses to sell a mix of services and products instead of only cars as previously. These services can include car-pooling or car-subscription services(Athanasopoulou, Bouwman, Nikayin, & de Reuver, 2016). Furthermore, cars are more complex and technologically advanced products than ever with a multitude of sensors, internal digital systems and infotainment systems, which means that the car is not only developed and built by one company, but a group of companies with a synergistic independence(Kessler & Buck, 2016). This complex business environment puts new requirements on the finance function. Modern car corporations should be service providers and

producers of goods, who should handle both B2B- and B2C-opportunities as a result of the digitalization. To handle this in an effective way these companies have to reconsider how they are organized and what capabilities are needed within the organization.

When traditional car manufacturers begin selling a new mix of services and products due to the digitalization, the finance function of the automotive companies faces new challenges. These may come as a result of changed assets in the companies, new demands from partners and affiliates or that they have to face end consumers. There are also challenges involved with having a synergistic independence relation with other companies that may require altered or new financial services in order to operate (Athanasopoulou et al., 2016). The finance function has to reconsider the way it is organized in order to meet these challenges. The traditional and functionally based way of organizing a finance function with departments that handles for example tax, accounting and treasury having a low cross-functionality, might no longer be suitable when a finance function has to act as a service provider to the affiliates of the car manufacturer as well as towards end consumers.

One of the companies undergoing such a transformation is Volvo Cars that has traditionally been involved with manufacturing cars and selling them to retailers. Now however they are partners in a number of companies with whom they have a lot of synergies. These are among others Polestar, Lync&Co and Zenuity. They are in the midst of rolling out two new brands directly related to providing services to end consumers, Care by Volvo and Mobility. Volvo Cars' finance function is facing challenges involving the digitalization where they see a need to reorganize the Group Finance part of their finance function to begin selling a mix of services and products both to retailers, end consumer and their affiliates. There is also a need to map what mindset and capabilities that are beneficial in order to meet the challenges the finance function faces due to the digitalization. It is therefore relevant to study Volvo Cars Group Finance in regards to the transformation in response to digitalization.

1.3 Aim

The aim of this thesis is to examine how Volvo Cars' finance function is challenged by the digital transformation, which has led to an altered service minded customer behaviour in the market and a more complex business environment. It further aims to establish an organizational model that facilitates the finance function to successfully meet these challenges. Finally, the aim is to investigate the mindset and capabilities that is needed within a finance function to effectively implement such a model.

1.4 Research Questions

From the aim of this thesis, as described above, the following research question and sub-questions were established. In order to fully understand the sub-questions the first and main question has to be answered. This since the mindset, capabilities and organizational structure needed in an organization depends on the challenges facing it. The thesis will thus further follow this order.

- What are the main challenges for Volvo Cars' finance function due to the digitalization?
 - How can the finance function be organized in order to meet these challenges?
 - What capabilities and mindset is needed to support such an organization?

2

Methodology

The work undertaken for this thesis was done as a qualitative case study, where the process of change was examined. This, since it is an established methodology when trying to create a holistic view based on comprehensive information.

2.1 Areas of Interest

To answer the research questions several areas had to be investigated. The market transformation in regards to the digitalisation had to be defined as a framework for the rest of the thesis. After that, different organizational structures that could be used to meet this transformation were found. The organizational structures contained different approaches for the company to interact with its partners and the rest of the market together with internal processes to support these organizational ways of structuring. Apart from organizational theory, information regarding mindset and capabilities in regards to the changing market and the new demands on finance functions was gathered.

2.2 Methods Used to Collect Information

In order to collect information that would work as a basis for knowledge and that would give a deep insight, an extended search of literature regarding the area of interest was made. Following this, the information was matched with material gathered from the company itself, Volvo Cars, through interviews. Doing so, the report is to explain how transformational

changes affect finance functions within organizations, internally as well as externally.

2.2.1 Extended Literature Search

The articles used in this thesis were mainly collected from the database Scopus. Scopus is a database with articles from a vast number of publishers, where users can grade the papers. By using Scopus, articles could be categorized and sorted, making it easy to search for articles of relevance for the literature search. The choice of database was made from the high quality and supply of articles that Scopus offers. Apart from articles books were read in the given area, complementing the articles found on Scopus. These books were found by using the same keywords as when searching for articles.

To search for relevant articles on Scopus the following keywords were used; *finance function, platform, service economy, organization model, transformation, digitalization, automotive, car industry, organization structure.*

2.2.2 Qualitative Interviews

In order to understand how transformational changes were welcomed and implemented in Volvo Cars finance function interviews were held with five managers. The managers being questioned were from the departments of treasury, internal control, tax and accounting of Volvo Cars Group Finance. A description of Group Finance, which is one part of Volvo Cars finance function, can be found in section 4.1. The treasury department was represented by two managers, which were interviewed separately, while the remaining departments mentioned were represented by one manager each. An alternative would be to interview employees within the departments as opposed to their managers. However, such an investigation would require a larger number of qualitative interviews. With the time available for this thesis, it was impossible to schedule this. Therefore managers from different departments were instead questioned. This way, a deep insight could be obtained, while the research could be made within the time frame of the project. Another reason for interviewing managers of the departments was that questions and challenges regarding organizational structure, missing

capabilities, needs, mindsets, company goals and visions could be discussed, something which may not have been possible otherwise. For example, this allowed for discussions in regards to earlier attempts of organizational and structural changes, something which would otherwise not be possible.

The purpose of these qualitative interviews was to discover and identify the characteristics and nature of the situation within the organization, as described by the interviewees. The structure of the interviews can be found in Appendix A. Since the intention of the interviews was to contribute to a qualitative analysis, the structure and standardization in regards to questions was kept low. This meant leaving a high degree of responsibility for the interviewer in regards to how questions were asked and in what order. This way of structuring questions gave the interviewee freedom to answer questions based on attitude and experience, which gave room to detailed explanations of answers (Patel & Davidsson, 2010). No question alternatives were thus formulated beforehand, since the one true answer cannot be predicted in advance. However, questions were in fact established in advance. This was made in order to ensure that all intended matters were covered by the interview. The interviewer was, as explained above, given permission to change the order of questions and how they were put forward, this in order to obtain a more natural conversation with the interviewed, something that is considered an important factor when carrying out qualitative interviews. This because an abnormal situation may affect the way questions are answered and whether some are answered at all (Lantz, 1993). Further, the interview questions were kept open, while leaving out negations and leading expressions that may affect the answers (Kvale, 1997).

Questions were sequenced by starting neutral and consistently narrowing the scope of them. This method of sequencing questions is considered as motivational and activating, which is believed to be a result of the simple fact that the interviewed person initially was given space to express thoughts in their own way (Patel & Davidsson, 2010). This in order to gather general impressions of the current situation within the organization before exploring questions in regards to organizational structure, capabilities and mindset in-depth. This way, more specific questions would have less effect on general impressions, which allowed for control of whether challenges within the company were perceived in the same way between

employees and managers. As mentioned above, the person leading the interview had to act as a helping hand in the establishment of a purposeful environment in which the interviewee felt confident answering and explaining thoughts. Likewise, long questions, double-questions and assuming questions were avoided. Instead, question such as "why", were considered valuable, when following up answers. In that way, answers would be less affected by the interviewer and the person in question would be given more space to explain matters freely (Kvale, 1997).

2.3 Methodology for Analysis

From the gathered information by the interviews and the extended literature search an analysis was made. First the main research question *What are the main challenges for Volvo Cars' finance function due to the digitalization?* was analyzed and answered by examination of information from literature in comparison to what was expressed in the interviews at Volvo Cars. After that, the following two sub-questions were analyzed from the literature in regards to the challenges obtained by the first research question. Here, a model was established which could be used to meet these challenges, in terms of organizational structure as well as internal capabilities and mindset in such an organization. This model is hence based on both the gathered information from Volvo Cars and the extended literature search. It should be stressed that this model is not claimed to be the best way of meeting the challenges but a suggestion for how they can be tackled. The sub-question regarding the established model reads *How can the finance function be organized...?* and not *How should a finance function be organized...?*, which implies that the model is established in order to analyze how a change of the organizational structure of a finance function could meet the challenges expressed. From the analysis of the established model conclusions were drawn regarding the research questions and to what extent they were answered. The methodology for analysis of the collected information that the thesis will follow is shown in Figure 2.1.

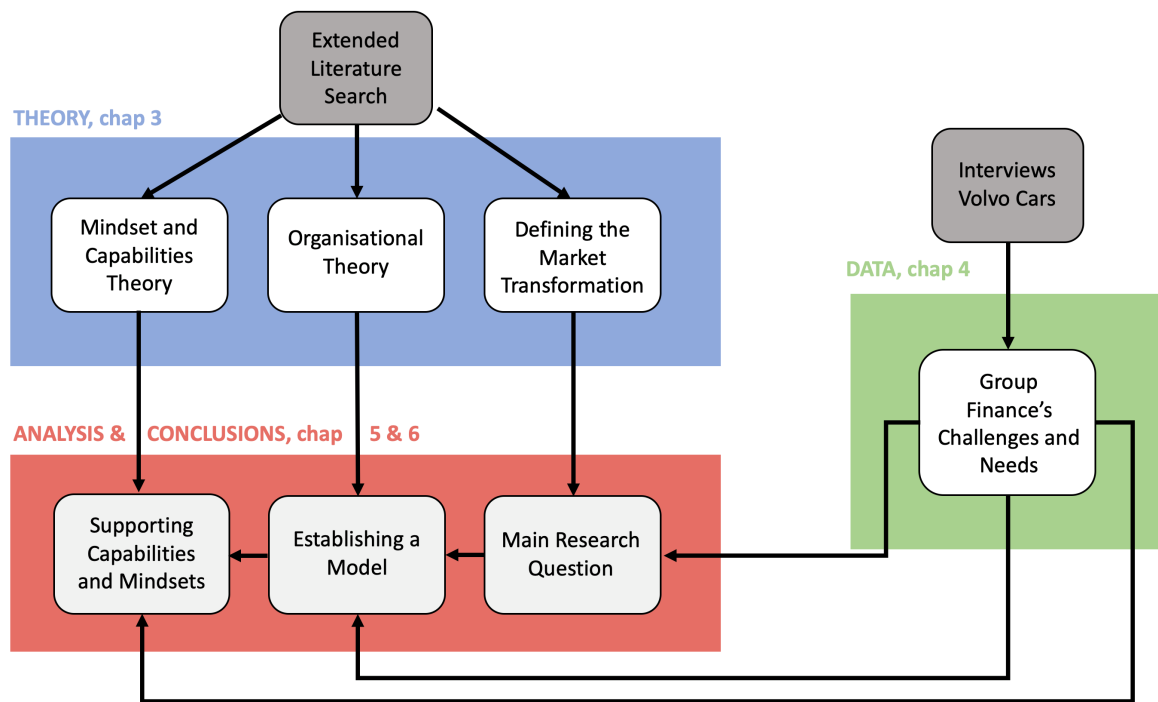


Figure 2.1: Breakdown of methodology for analysis of the information gathered from the interviews and the extended literature search and in what chapters they are to be found.

2.4 Discussion of Methodology

There are some obvious flaws with this type of qualitative case study. The main flaw in this thesis is that only five people were interviewed which could mean that their views are not shared by the whole organization which is assumed throughout this thesis. Further, the operating model established in the analysis could be done in a multitude of ways depending on the information from the first research question and the information from the theory. The creation of the model in the analysis is thus somewhat subjective. However, the operating model in the analysis is not presented as the only way to meet these challenges, but as a suggestion. Its flaws are also raised in order to make it less subjective and give a base for further analysis.

2.5 Ethical Aspects

When compiling the different sources of information, company specific as well as personal information was handled. It was thus made sure that this was done in accordance to ethical aspects. All company specific information was approved before publishing, and personal information is kept confidential.

2.5.1 Company Specific Information

The internal information of the company in the case study of Volvo Cars was collected from the company itself. Meetings were held with a supervisor from the company once a week, where information was shared through internal documents. All company specific information presented in this report has been approved by Volvo Cars to be shared before publishing.

2.5.2 Interview Confidentiality

In order to enhance the motivation of participating in such an interview the purpose was clarified beforehand, relating the scientific purpose of the interview to the interests of the interviewee, something which is important in achieving good results(Patel & Davidsson, 2010). Another factor affecting how answers would be given is how the information gathered would be used(Kvale, 1997). Here it was clarified beforehand that the interview would not be anonymous, but confidential, meaning that the information regarding who answered what question would be known only to the authors and no one else. This because the information from the interview could be sensitive in regards to personal relations at the workplace.

3

Theory

Historically companies in the automotive industry have been vertically structured in well defined hierarchies(Kompalla et al., 2017). The digitalization though, along with the emergence of internet based platforms has changed the market and working environment drastically. Companies are now organizing themselves in new, effective and innovative ways in order to withstand these changes and to adapt to the new marketplace, allowing for higher flexibility and customer orientation(Moazed & Johnsson, 2016). This chapter will thus explain some of the current changes in the market due to digitalization and the effects it has had on corporate organization structure, company capabilities and mindset.

3.1 Defining the Market Transformation

Businesses today has come to operate in highly competitive markets driven by technological innovation, change and transformation. Further, the market of today is driven by its consumers, rather than providers. Technological growth has created a fast-moving consumer demand, which in turn has created a constant pressure not only to deliver, but to innovate in shorter cycles(Fenwick et al., 2019). Considering the new marketplace and environment it does not come as a surprise that firms are undergoing a change, where they tend to move towards a service minded structure, culture and organization, capable of operating in a dynamic ever changing environment. In a world of fast moving markets craving for flexibility within companies the traditional corporate-governance structure tend to be outperformed by new and more effective organizations(Fenwick et al., 2019). The traditional way of organizing firms can give rise to side effects which may actually harm the efficiency and competitive-

ness of the company. Biased focus on shareholder value and over bureaucratization are two examples. The first mentioned may not only harm customer relations, but long term growth as a result of short term profit and "formalistic fulfilment", while the second can result in a non flexible, slow moving company, unable to cope with fast changes in markets as well as struggling to innovate(Fenwick et al., 2019).

The transformation is a direct result of the rising use of technologies, within firms as well as B2B and B2C. The integration of technology and automated processes allows for increased efficiency, minimized waste, standardization and a faster moving organization(Puschmann, Nueesch, & Alt, 2012). Lower costs can be obtained by standardizing and simplifying firms' core processes and systems, allowing them to free up resources and to focus on business partnering and value adding activities, while potentially increasing their service levels(PWC, 2017). All this comes with having a flatter and more inclusive organization, which is thought to allow for a closer and better collaboration between stakeholders. Traditional retailers, such as Ikea, are shifting distributions channels to suit a more technology driven business ideas. Likewise, more and more industrial firms are considering themselves as producers of platform-based services, rather than simply producers of product or goods(Fenwick et al., 2019).

3.2 Organization and Company Structure

The change in markets, altered customer demands and the digitalization all affect how the organization can be structured in order to improve working procedures, streamline processes and interact in business partnering. Traditional ways of structuring organizations and finance functions are now being left behind by new, quicker and more flexible business solutions(Schwarz Müller et al., 2018).

3.2.1 The Traditional Finance Function

In this thesis the organizational structure of a traditional finance function is defined as in Figure 3.1. Stockholders are represented by a board of directors who controls the corporation. The board hires a CEO who runs the corporation. Below the CEO there is traditionally a CFO and a COO. The CFO manages the finance function and the financial processes of the firm. Under the CFO there is a controller function and a treasury function. The controlling function oversees the accounting and tax departments while the treasury function takes care of capital budgeting, risk management and credit management(Berk, 2017).

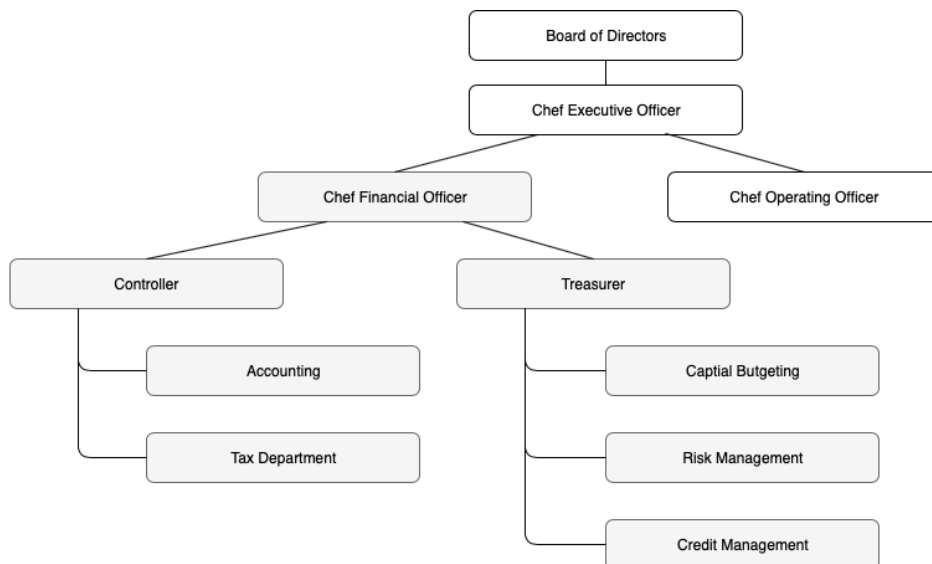


Figure 3.1: The organizational chart of a typical company with the finance organization highlighted in gray(Berk, 2017)(p. 9).

3.2.2 Corporate Governance

The traditional way of organizing manufacturing companies can be seen as vertical and strictly hierarchical. This type of organizational structure ensures that authority, responsibility, and control flows downwards from investors and that accountability flows upwards within the organization. This way of organizing came as a result of the industries in which it was developed, i.e. highly centralized bureaucratic organizations focusing on efficiency in

regards to productivity(Fenwick et al., 2019). Using this type of structure within an organization, the shareholder value and interest of those at the top of the hierarchy is protected. The mentioned way of organizing, often also referred to as the "shareholder primacy model", requires firms to implement measures and proceedings in order to ensure that all actors within the firm act for the benefit of investors. By doing this the firm is ensured to maximize its performance and shareholder value by the measure of share-price(Fenwick et al., 2019). Large and well established companies that have been operating since before the digitalization tend to rely on these hierarchical organizational structures. Doing so might make sense when managing complexities of scale. However, it may result in over-bureaucratization, something that can benefit as well as harm the company. It might work well when mass production is in focus, but may not be as suitable for customer oriented firms with a need of flexibility(Moazed & Johnsson, 2016). These large companies traditionally had a linear value creation, with a number of primary- and support activities, as described by Porter in the value chain. This is shown in Figure 3.2(Porter, 1985).

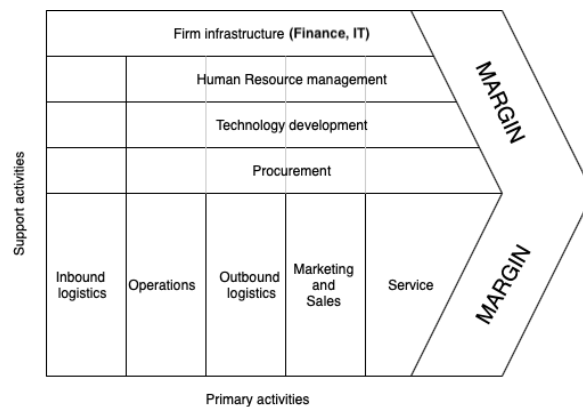


Figure 3.2: The value chain of a company(Porter, 1985)(p. 11-15).

3.2.3 Platform Governance

The change in the market has altered the way companies organize themselves. Companies are using emerging technologies to create community-driven forms of organization, where more open and effective organizational structures and mindsets can be established(Fenwick et al., 2019). Further, companies are being organized as platforms, taking benefit of these

technologies, outperforming already established organization structures(Fenwick et al., 2019). Changes in the industry and IT in particular, has further come to affect customer behaviour, something which has heavily altered the financial industry as a whole, forcing it to more customer oriented service architectures. Customer behaviour, IT and "non-Banks" that provides financial services have been defined as the main drivers towards more customer oriented organizations(Puschmann et al., 2012).

Platforms are network-based organizations that connect two or more businesses or consumers and that do not typically sell physical products(Fenwick et al., 2019). A good example of a platform-based company is Uber that delivers the service of connecting people who wants a ride (consumers) and people with cars that can give them a ride (producers), as shown in Figure 3.3. Uber, as many other platform companies, takes a small transaction fee for development and maintenance of an app and a website that fulfills the requirements of the business while not owning any physical assets that a traditional company does(Parker, 2017). A platform does not necessarily have to be two-sided as Uber. It can also be multi-sided, connecting a wider range of stakeholders(Moazed & Johnsson, 2016). The value generating ecosystem of an platform can be seen in Figure 3.3.

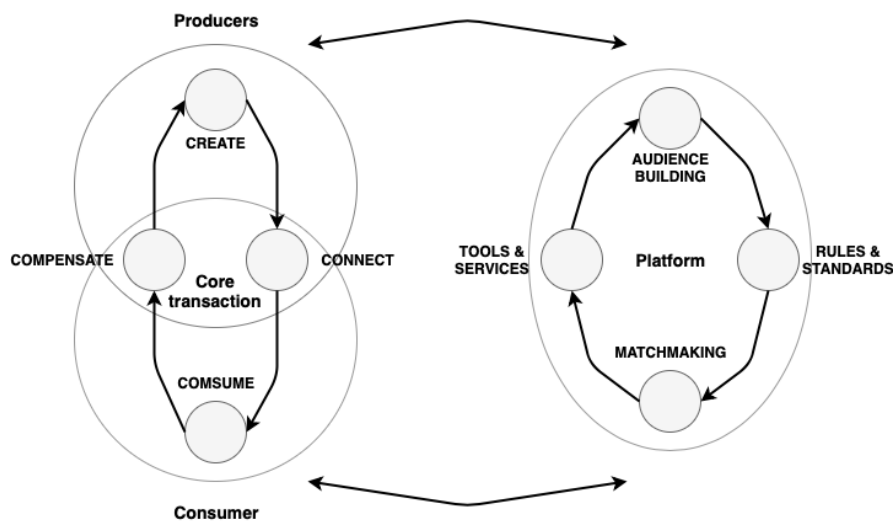


Figure 3.3: Platform value ecosystem(Moazed & Johnsson, 2016)(p. 191).

The primary activity in this ecosystem is the core transaction seen to the left in figure 3.3, which facilitates the value exchange among its users(Moazed & Johnsson, 2016). The core

transaction has four parts:

- **Create:** A producer creates value and make it accessible through the platform.
- **Connect:** In a transaction one user makes an action that connects them to the other party.
- **Consume:** Once the user has found the right match on the platform, i.e. a producer and consumer have found each other, the consumption of the value created by the producer can take place.
- **Compensate:** Consumer have to compensate the producer for the value they have consumed.

Supporting these four parts of the core transaction are four activities(Moazed & Johnsson, 2016):

- **Audience building:** Building a marketplace that can attract a critical mass of consumers and producers.
- **Matchmaking:** Facilitate connections and connect the right consumer with the right producer.
- **Providing core tools and services:** Build tools and services that can provide support to the core transaction by lowering transaction costs ans removing barriers to entry the platform.
- **Creating rules and standards:** Define what is allowed in your platform and encourage correct behaviour.

A successful platform is one that reduces friction and transactional costs. This is exactly what Uber has done. Instead of having to call to book a taxi, one can see if there is an Uber-car nearby and book a ride with a single tap on the phone. As a result of the platform having no ownership of vehicles, costs are reduced and the organization can operate at a substantially higher efficiency than traditional taxi businesses(Evans & Schamalense, 2016).

3.2.4 Supporting Technologies

The efficiency of workplaces can be affected by the way work is managed. More effective management of teams working in lean environments, eliminating wasteful activities and changing the way teams work and collaborate can improve the efficiency considerably (Börnfeldt, 2009). Here it can be investigated whether some processes could be removed altogether, what costs that follow and how much time that is being spent on activities no longer needed. Such a change could allow finance functions to put more effort and focus on business partnering and value adding activities. In order to enable finance functions to make such changes, investments in technologies such as ERP, RPA and AI as well as standardizing data definitions are often made (PWC, 2017). Finance functions supported by technology may then expect less effort on general accounting, financial reporting and traditional transactional processes. Properly applied, technology can free up more time for finance to deliver value. This can be done using standardized data definitions and effective governance. ERP platforms make it possible to streamline processes and serve as a single source of true data. Companies with a single, or very low number of enterprise wide ERP systems have dramatically lower general accounting costs (PWC, 2017). However, it is important to remember that even though one single source of data can be obtained through implementation of ERP, correction and validation of this data will still form one of the main reasons for time lost. RPA on the other hand may free up financial resources from basic transactional tasks. Leading RPA providers are introducing combinations of RPA and AI. For finance functions with ambitions to change the way they work, significant investments in ERP and RPA should be considered (Gex & Minor, 2019).

An alternative is to centralize activities. Despite the simple fact that centralization often seems like a good option when considering unbiased allocation of work, flexibility and specialization, there are problems that may follow. Examples can be talent gaps in shared service centers that anyways increase costs and destroys efficiency and trust of operating units. This may in turn lead to duplication work. Streamlining and standardizing processes is thus a must (PWC, 2017). Such big changes involves changing and aligning behaviours, per-

formance metrics, incentives, adopting technology across finance and the wider organization. GE Oil&Gas is mentioned as a good example of how change in culture comes naturally with change in organizational structure(PWC, 2017). The example is made in relation to refashioning the company from a heavy equipment manufacturer to a solutions provider that adds value to its products through data and analytics. The finance function is in regards to this working with how to monetize on commercial assets, which in turn means commercializing data assets.

3.2.5 Internal Structure and Processes

There is a vast number of organizational models already established for managers to implement into firms, in order to shape businesses to be more flexible and fast moving. This section will present a few of the most relevant models from the modern era.

3.2.5.1 Matrix Organization

Traditional organizations applying for example corporate governance as described earlier, can be said to be structured strictly vertically. This means that an employee would report to a director who in turn would report to a chief executive or general manager. The information and authority would therefore be structured vertically and functions as for example HR, IT, finance and sales would all then inherit such an integration (Gottlieb, 2008). Nowadays however, firms are are operating in ways that cut horizontally through these pipelines. Markets are more complex, comprehensive systems are being implemented and customer and service orientation is requiring flexibility and customization possibilities by the firms in business processes. The outcome of this is that there is a need for work to be done horizontally, where different functions cooperate and relate to one another through projects. A solution to this problem is the matrix organization(Benjamin S & John E, 2017).

Here the organization is structured based on functionality as well as project or service work group. This means that an employee involved in a project does not only report to a director, but a project leader as well. By this definition a matrix organization is an organization where

employees report to more than one manager (Benjamin S & John E, 2017). Managing the organization through matrices allows for greater flexibility while maintaining deep knowledge and possibilities in regards to innovation within particular functionalities. The specialization would come from the vertical integration while the need for flexibility and customization would be satisfied by greater collaboration horizontally(Gottlieb, 2008).

3.2.5.2 Agile Methodology and Scrum

Agile practices are frameworks for evolving requirements and solutions to tasks or problems through self-organizing and cross-functional teams. The practises and frameworks was invented for software development(Srivastava, Bhardwaj, & Saraswat, 2017). But has spread to other areas where continual improvement and rapid response to change is necessary. One framework for implementing an agile way of working in an organization is Scrum. Scrum is a framework for developing and maintaining complex products, where teams of three to nine people break down requirements to problems to tasks. These can be completed in specific predetermined time intervals, called sprints that are a few weeks long. There a three roles in a scrum team(Kniberg, 2015):

- **Product owner:** The person that represents the product's stakeholders and the customer. It is thus the product owner that prioritizes what tasks the development team shall work with, based on what the costumer requests.
- **Development team:** The team that carries out the tasks which have been broken down from the requirements in each sprint (time period). The team is self-organizing and does not have any contact outside the team. The external contact is carried out by the product owner.
- **Scrum master:** The scrum master facilitates the scrum process and acts as a buffer from anything that could distract the development team from their tasks. The scrum master also encourages the team to self-control and cross-functionality.

Figure 3.4 describes the whole process of scrum, where a product backlog is defined based on input from the products stakeholders, i.e. defining the characteristics of the product. The

product delivery is broken down to smaller tasks and the team prioritizes them into the sprint backlog. Each day a scrum meeting is held in the development team to follow up the work that is being done. This meeting is used to find obstacles and decide weather help is needed. Then, after a few sprint cycles the product is finished and can be delivered to costumer.

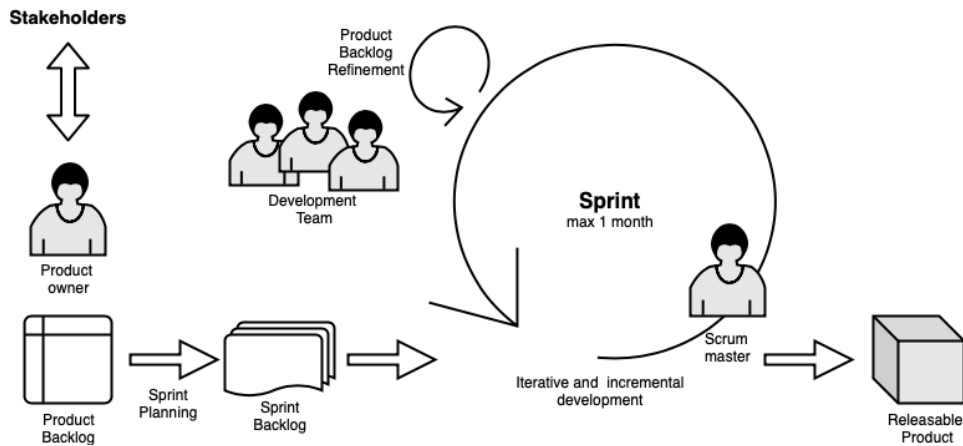


Figure 3.4: The Scrum framework for developing a releasable product from specifications from an external stakeholder with small product improvements in each time interval (sprint)(Srivastava et al., 2017).

3.3 Capabilities and Mindset in Modern Organizations

In this fast moving and dynamic marketplace the organizational assets are creating competitive advantages as tools to develop the human capital and having an inspiring leadership that can form peoples capabilities and mindset(Denning, 2019).

With a change in they way finance functions operate, structure themselves and drives corporate culture, there will be a transformation in the competences and capabilities required to operate the organization. Although the core competences remain based in the finance principles and techniques, they may be applied in new ways. Thus more focus will be put on value-creating tasks such as business partnering as well as analysis(PWC, 2017). With the wide range of emerging technologies acting as building blocks for new company structures there is a need for understanding and using the full competence of these. Professionals

will need a well established understanding for the techniques of predictive analysis, data science as well as data visualization. That being said, the very same group of people will have to develop skills and ways of working with embedded digital systems within their organizations. Technologies will not replace all work being done in finance functions, but in most cases, particularly during the transformation itself, act in a supporting way to the daily work(PWC, 2017). This means that employees in finance functions will require softer skills such as good abilities regarding communication, collaboration and sensitivity to interactions and relationships(Fenwick et al., 2019). Not only the change in company structure will change the competences needed in organizations, so will the market change itself. The continuous market changes will require flexibility, reliance and tolerance for ambiguity within firms(Schwarz Müller et al., 2018).

An example when considering transformation of organizational capabilities is once again the example of GE Oil&Gas. The employees of the firm within the financial function are gathering experience by rotation through different operations. In addition to this they are offered coaching and insight from senior executives whose performance has been measured. This is made in order to create a wider knowledge platform, resulting in "well-rounded" individuals who understand how the finance function can improve operating units(PWC, 2017). That being said, there are individuals within organizations who are deeply technical, something that will be needed more in the future due to the technical implementations that are being done. Though, if the mission is to develop leaders capable of managing the future and next generation of companies, deep specialization is not necessarily desirable. What is then needed are individuals capable of taking bigger roles, while understanding the situation of the organization from a holistic viewpoint(PWC, 2017). An option for finance functions with a exaggerated specialization may however be to require recruitment of leaders from outside the organization.

Transforming peoples' mindset is not an easy task, since it is an integrated part of identity. There are though, a number of things can be done in order to achieve such a transformation. Fostering conviction and understanding the change itself is important, since people are not willing to change if there is no understanding for why the change is necessary. However, it

is easy for management in organizations undergoing changes to fail to communicate this and assume that the underlying reasons for change is clear to the broader organization. Therefore it may be advantageous to develop a change story to communicate to the company (Rennie, Meaney, Judith, & Kumra, 2016). Another aspect that is important in a transformation is to reinforce behavior that is in line with the company's view through formal mechanisms. Such reinforcement systems can for example be in form of rewards. Here companies have to be creative in the way that these are constructed, since a young employee might not be motivated by the same reward as a more senior employee for example. To be able to transform, the employees need the skills and opportunities to change and behave in the new way while the company has to facilitate this (Rennie et al., 2016). People also tend to behave in new ways if they see their colleagues and leaders behaving differently, which means that role models are important in transforming employees mindset and capabilities.

3.4 Conclusions of Theory

The theories in this chapter together with the information collected from the case study presented in chapter 4 are to answer the research questions. The conclusions drawn from the literature, which will be used later in chapter 5, where an operating model is established and analyzed, will here be summarized.

In order to answer the main research question of what challenges finance functions are facing, the cause of the new challenges has to be defined, the market transformation. Today's market is driven by technological innovation and change as a result of the digitalization where the consumer demand is fast moving, which creates a pressure to innovate in shorter cycles. The consumers also tend to gravitate towards services rather than physical products. To further understand issues regarding organizational structure in relation to the market transformation, a traditional finance function was defined. The traditional finance function is being managed by a CFO, who oversees the operation and its processes. The controller function includes accounting and tax, while the treasury department handles capital budgeting, risk management and credit management. Managers of the controller and treasury functions

report to the CFO.

The corporate governance organization method has in many cases come to be considered outdated. It is vertical and strictly hierarchical. Authority, responsibility and control flows downwards from investors and accountability flows upwards in the organization. This way of structure within a company has sometimes shown to be a reason of over-bureaucratization, causing a lack of flexibility. However, the market change has affected the way companies organize themselves. Companies are structuring themselves as platforms that connect several businesses and consumers, operating without ownership in physical products. This way of organizing has come to be a decisive factor in the ever changing, digitalized market. Many corporations tackle the need of flexibility by organizing themselves as matrix organizations, where employees report to more than one manager. The organization can then be structured both functionality and in accordance to for example projects, something which allows for closer collaboration, greater understanding and flexibility. The need of flexibility and efficiency can further be faced by the implementation of agile frameworks. These are frameworks for evolving requirements and solutions to problems through self-organizing and cross-functional teams. Originally invented for software development, this way of organizing focuses on adaptability and continual improvements in complex situations.

The digitalization itself has given room for improvements of great importance in regards to technology. Here, ERP systems are being integrated, covering entire firms. This allows for one true source of information available for all employees within an organization. Further, simpler tasks are being automated by the use of integrated RPA systems. This gives room for employees to spend their time on analysis, understanding and other value adding activities rather than generating the numbers themselves. These are all technologies that are constantly being improved and that need continual support in order to remain relevant for organizations. That is, employees have to improve their technological capabilities in the transformed market. Changing mindsets and capabilities regarding technical solutions and structural reorganization are not easy but it can be done if the employees understand why the change is necessary and if they are properly rewarded when acting in a favorable way for the organization. Simultaneously, softer skills in regards to communication has to be

encouraged in order to successfully being able to work cross-functionally.

4

The Case of Volvo Cars' Finance Function

This chapter will present a case study, covering the challenges faced by a finance function of a car company undergoing a transformational change in regards to the new market in which it is operating. During the work for this thesis interviews were carried out with managers from Volvo Cars finance function. These interview answers can be found in Appendix B and are discussed and compiled in this chapter. Firstly an introduction of the corporation and its finance function will be given in regards to requirements and customers needs where after the interviews will be reviewed.

4.1 Volvo Cars' Current Finance Function

The finance function of Volvo cars has traditionally been functionality oriented, which in simple terms can be described as by Figure 3.1. Here different areas of the finance function work somewhat isolated with a main focus on the process itself. For example, projects within the tax department has not much to do with treasury making employees within both areas remote to one another. However, since the company itself, as well as the market, has changed substantially during the last years it has altered the need of working methods. No longer will the finance department of the firm be able to work as before. With ownership in new companies, as can be seen in Figure 4.1(VolvoCars, 2019), the organization faces new challenges and business opportunities. For example, Polestar uses the already established finance function at Volvo Cars. Another example is that of Mobility and Care By Volvo.

These are both companies that are meant to be customer focused providers of services. Care By Volvo in the sense that a customer can subscribe to services provided by the company, and Mobility by allowing car rental on demand for its customers. These companies are service minded in the construction itself and need support from the Volvo Cars finance function.



Figure 4.1: Volvo Cars Group that consists of Volvo Cars, Care by Volvo, Mobility, Polestar, Lynk&CO and Zenuity (VolvoCars, 2019).

This compels the finance function to more service minded business approaches. It will require different departments to work more closely within projects and in regards to offered services. Transforming the finance function to a service provider will require establishment of clear offered services and how these are to be handled within the firm. Providing a service differs from selling a product in the sense that it has to be continually maintained, evolved and worked upon. It is not established at one point in time and then sold. This results in that employees of different departments within the finance function will have to work more closely together, sometimes in the same project groups. Further, new products and services may require new constellations of employees making it even more necessary to collaborate between different departments. Currently, emerging business opportunities are handled within the already existing function. However, it has shown to be a source of unclear responsibilities resulting in ineffective work procedures. It is thus argued that with the new opportunities, the responsibilities and working procedures associated with them is not as clear as it should be. Furthermore, the direct customer orientation in the finance function is non-existent.

In order to better meet the new demands on the market, the finance function of Volvo Cars has gone through a number of changes in recent years. The defining transformation is what is called the "One Finance" program, where changes in regards to increasing the efficiency of working processes by centralizing parts of the finance function has been made. The operating model of the finance function is shown in figure 4.2(VolvoCars, 2019), where the financial operations can be divided based on responsibility and undertaking.

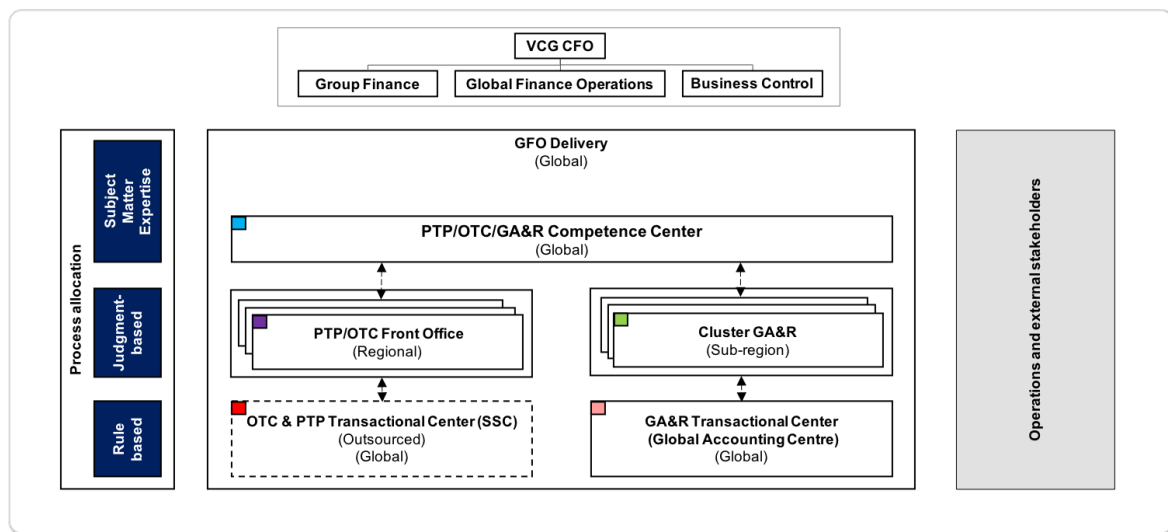


Figure 4.2: Volvo Cars finance function after the implementation of the One Finance program(VolvoCars, 2019).

Group Finance, under the Volvo Car Group CFO in Figure 4.2, contains the traditional finance function departments of tax, accounting, treasury and controlling. However, some of the deliveries of the finance function are allocated to the section called Global Finance Operations. It contains regional **Front Offices** that takes care of issues that might appear in regards to payments to suppliers as well as customers. This function also deals with cars invoicing and sundry invoices. The **Cluster** function, which is sub-regional, is responsible of payroll accounting, provision, statutory accounts, closing calendar and report closing. Reclassification posting, intercompany accounting, rule based inventory accounting and rule based fixed asset accounting is taken care of by **Global Accounting Centres**. Finally there are the functions that are often referred to as **Transaction Centres**. These are often outsourced functions, that work globally and are responsible of work in regards to invoices.

These functions are then working under the umbrella of the **Competence Centre**, which takes care of central, leading and overriding work.

4.2 Volvo Cars Business Transformation

The transformation that Volvo Cars is undergoing, as can be seen in Figure 4.3 (VolvoCars, 2019), creates demands from the organization that has not been dealt with before. When Volvo Cars transitions from being a manufacturing company to a service provider, the business model as well as the assets changes.











	Today		Tomorrow	
Business model		Wholesales of cars		Wholesales cars & Mobility services
Assets		Fixed assets		Fixed assets & Car portfolio
Operations		Industrial operations		Industrial operations & Financial services
Synergies		Platform sharing within Geely Group		Strategic affiliates, GVAT, engine technology sharing, Tech. dev. external parties (Uber, Google)
Funding		Equity, bank loans and bonds		Equity, bank loans, bonds, structured finance etc.

Figure 4.3: The organizational transformation of Volvo Cars from a traditional car manufacturer to a service provider and how different areas of the company are affected by the transformation (VolvoCars, 2019).

Today Volvo Cars sells vehicles to retailers and has fixed assets in factories and materials. The company has industrial operations that consists of developing and manufacturing cars. The funding is traditional with equity, bank loans and bonds. Furthermore, Volvo Cars has synergies within the Volvo Cars Group, that is with Polestar, Lynk&CO and Zenuity, especially in R&D. With the new services that Volvo Cars is launching in Care By Volvo and Mobility, vehicles will no longer only be owned by other entities on the market. This means that assets will consist of more than just material and factories. The company may then own

a fleet of cars to run subscriptions and car-on-demand services. Since there will be a need of ability to sell services to costumers directly, Volvo Cars' operations will have to extend from being only industrial oriented to being oriented towards financial services as well.

The transformation to a more dynamic market focused on providing services, rather than selling products, requires a new way of organizing Group Finance to be able to meet new demands. Group Finance has to organize in a way that allows it to sell financial services related to subscriptions of cars. Further, it has to sell services to its strategic affiliates and other external parties in a smarter and more intuitive way.

4.3 Interview Results

In order to further analyze the situation within the finance function and to acquire a deeper knowledge in how the work is being handled, interviews were carried out with managers from different departments within Group Finance; treasury, tax, accounting and internal control. Managers expressed their views regarding what challenges Volvo Cars finance function is facing, how work procedures are currently working and how they think processes has to change in order to meet future challenges. Likewise, capabilities and mindset needed to support the new work procedures were explored and discussed.

4.3.1 The Current State of the Corporation

During the interviews it became clear that the current market transformation towards more digitalized solutions has a great impact on the challenges facing the finance function, both in its internal way of working and the way the company collaborates with external parties. Externally, the digitalization has led to a pursuit of a new and different business model. The company is no longer standing alone, but is working in a group of firms, all collaborating in various aspects. This further affects the work carried out by the finance function that is no longer only to do work in regards to Volvo Cars, but which is to provide services for its affiliates as well. These affiliates have a different way of working compared to before. They

are providers of services for customers, allowing for car sharing pools and to sell cars not by retailers, but directly to costumers. All these transactions are to be handled by the finance function of Volvo Cars, but which is now to take care of much more. The concept is such that the finance function will handle these tasks by selling its services to affiliates, meaning it will need the ability to handle internal tasks as well as B2B situations and B2C tasks. The idea is thus that the future finance function will work as a service provider, and work with customer value in focus. As expressed by the interviewees this is easier said than done. With the new business model, the internal way of working changes dramatically as the organization now has to be able to for example directly address end customers. Currently there is no such infrastructure within the company, something which has been expressed as an issue by the employees. Further, the ability to cover different markets from this perspective is also a problem, as processes differ between different countries.

Simultaneously the digital transformation and change in market is not only changing the tasks being performed by the organization. It is also changing the way these tasks can be processed in order to work more effectively and allow employees to focus on value adding tasks. One problem expressed by a manager within accounting was that often too much time was spent on generating numbers, rather than understanding and analyzing them. Currently investigations were being made in order to establish what tasks were the most time consuming and then optimize those that could be changed. It was also mentioned that some processes already were automated, but that more could be done. As a manager working with treasury explained, "payments should just flow through the system".

4.3.2 Work Procedures

Work procedures differs between departments in the finance function as a result of the task being undertaken. In the treasury department a lot of work is done in a functionality based setup where people are grouped in areas of expertise. The treasury department is however beginning to break up this structure in favor of a process based structure where people with competences, that could contribute to specific internal processes, are grouped together.

In the internal control department the procedures are somewhat different due to the fact that it is a smaller organization that is required to have a global presence. The internal control department tries to mirror the organization as a whole in order to control its processes and manage risk effectively. The organization continuously uses teamwork and tries to benefit the whole organization. Naturally it is also the subject of constant interaction with the rest of the organization. This interaction with different departments of the company could however have some difficulties. These can be that the view of what is best for the organization differs between departments or that managers prioritize their own department over the organization as a whole.

The way the accounting and tax department work tend to be similar to the treasury department, where they are mostly functionally oriented. In accounting however, some of the simpler tasks are automated or outsourced, which is not the case for the treasury and tax department.

4.3.3 Understanding Capabilities and Mindset Within Volvo Cars

As expressed by the interviews, the organization will not be able to change its way of working unless employees change their mindset to suit the new ways of working. The interviews concluded that the employees of the Volvo Cars finance function has a mixed attitude regarding such changes. Some are willing to alter the work procedures while others are reluctant. This can depend on a multitude of factors such as age, how senior one is at the workplace and the personality of employees in general. Even though Volvo Cars in its current constellation is quite new, it has over a 100 year old heritage with employees that might be settled in old ways of working, something that further may affect the attitude towards change. However, employees generally seemed to be willing to change if the reason behind the change is clearly communicated and the leadership in that aspect is transparent.

As mentioned there was a clear expression among all interviewed managers, that there is a need to strengthen competences when it comes to digital solutions and tools in order to not become obsolete within a couple of years. That being said, department capabilities should be

continually worked upon. The way to solve this issue on the other hand, was not as shared. In some cases, such as accounting, there was a clear expression of willingness to automate processes and increase efficiency to the furthest extent possible. Further it was expressed that if automation was no option, recruitment of more staff was the way to go. This way there would always be someone who could work on value adding tasks such as understanding and analyzing numbers rather than generating them. In treasury on the other hand, the focus was on creating individuals with greater competence in general management, people who get things done and see problems from a larger perspective. Difference in requirements is to be expected between different departments within the organization. Simultaneously it is of importance to show the wide effect of the current transformation. As expressed by one of the interviewed, employees have to realize that some problems can only be solved with assistance from other functions within the organization, something which is enhanced when implementing new ways of working in accordance to the technical transformation. However, what can be said is that the idea of freeing up time from simpler tasks in order to allow for more value adding work is shared among all managers. For example one manager from the tax department expressed how more resources could free up time to put on lobbying, which potentially could simplify processes regarding the daily work.

5

Analysis

Changes in markets due to the digitalization has a great impact on the way companies organizes themselves, discussed in section 3.1. Organizations are constantly finding new, more flexible and faster moving business solutions, which allow them to outperform organizations structuring themselves in accordance to traditional principles that are shown to be outdated in current markets. As understood by this report, the change does not only affect the formal structure within corporations, but the informal structure, culture and mindset as well. The transformations are further altering the way employees are carrying out their daily work. Processes are being automated, systems integrated and a higher degree of competence in regards to emerging technologies is considered necessary.

The transformational change is further being pushed by new and innovative companies, carrying out their work with lower costs than ever before, along with customers craving for more service oriented solutions. This is something that significantly impacts already established companies, forcing them to adapt to altered markets. This chapter will discuss the challenges facing Volvo Cars Group Finance due to digitalization in section 5.1. Further, a way of adapting the already established finance function of Volvo Cars to changes in the market will be presented in section 5.2. This will be done in regards to organizational structure and the capabilities and mindset supporting the organization. The ability of the model to fulfill the needs and challenges of Volvo Cars Group Finance will then be discussed in section 5.3.

5.1 Group Finance's Main Challenges and Needs due to the Digitalization

The interviews with managers from Group Finance Volvo Cars expressed how the company is no longer standing alone but finds itself in a more complex business environment due to the digitalization, where the finance function has to provide financial services to its affiliates as well as Volvo Cars and end consumers. This means that Group Finance has to define what financial services can be provided to different customers or stakeholders and how to create the interface to them.

In Group Finance the organizational structure and work procedures is functionally based as in the traditional finance function, where different departments within the function handle specialized tasks in different areas. There is no clear connection between the product that is delivered and the tasks that is carried out within departments. The interviews with managers from the different departments within Group Finance showed a need of having a clear connection between the daily work and the finished product. Offering financial services rather than carrying out functional oriented work in regards to already established terms affects processes within the daily work procedures. For example, terms, agreements and relations between departments within Group Finance could be established in the creation of work processes themselves. During the interviews it was further explained that employees did work in teams, however mostly within the departments themselves, taking contact with colleagues from outside the department only when necessary. With the organizational focus being altered towards being service oriented, complex financial products will be offered, requiring the departments to cooperate more, which will create a need for change in organizational structure. Offering a service rather than a finished product gives rise to a need of cross-functionality, flexibility, continual improvements and a never ending disposal of the underlying internal work surrounding the service. This means that employees would not only occasionally have to contact personnel from other departments, but continually have a dialogue and work together in the amendments and improvements of the offered service.

Another expressed challenge at Group Finance is to automate tasks with different RPA-systems and implement ERP-systems that cover the entire organization. As mentioned in section 3.2.4 simpler tasks can be automated through RPA-systems and wasteful activities can be reduced when everyone have access to the same information with ERP systems. As expressed by during the interviews, there is also a need for higher cross-functionality between departments. Here, a need for a connection between the internal processes in the finance function and the financial service or product delivered to the end consumer has likewise been identified.

5.2 Organization Model for a Service-Based Finance Function

This section explains how Group Finance could structure their organization internally as well as externally in order to best face the challenges and needs expressed in the previous section. The model given is focused on creating a flexible, fast moving and service minded organization capable of handling both B2C and B2B solutions. The models and processes are based on the information presented in chapter 3 and the interviews from chapter 4.

5.2.1 The Finance Function and its Interface with the Market

In order to facilitate the exchange of services in all parts of the market, the finance function could be organized as a platform, as described in section 3.2.3. This would provide an interface between businesses and end consumers, as shown in Figure 5.1. Here the costumers of services provided by the finance function could be both the end consumers, the temporary business collaborators to the main corporation, the affiliates or the main corporation itself, Volvo Cars. The producers are however only the corporations connected to the finance function platform, not the end consumers. In order for the finance function to be organized in this way it has to define the services that could be provided to stakeholders connected to the network. These services could range from reporting to analytics. The finance function

would have an independent organizational structure, with defined capabilities formed to suit an interface between the main corporation itself and the market. Since the finance function would act as an interface between the main corporation and the market it could be advantageous to separate it and organize it as a self sufficient business.

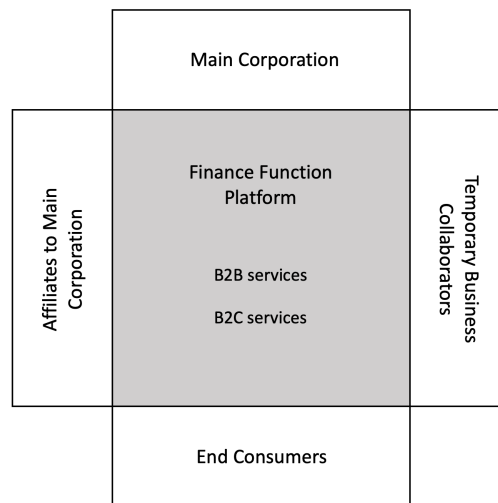


Figure 5.1: Suggested solution for organizing the finance function in a service-driven economy.

5.2.2 Internal Organization Structure

The reorganized finance function must be service based, as opposed to the traditional functionally based organization presented in section 3.2.1. This has to be mirrored in the internal structure of the organization. A matrix organization, as in Figure 5.2, is one way of implementing this. Here the organization has to define products or groups of products that can be provided to consumers. These can be cross-functional i.e. one product can both provide services in for example controlling and tax or reporting and accounting.

Cross-functionality, flexibility and efficiency was described as some of the most important factors to focus on, according to the interviews with managers from Group Finance Volvo Cars. The same needs were found to be central by the extended literature search in 3. To deliver products that could be cross-functional and complex, the different products could have

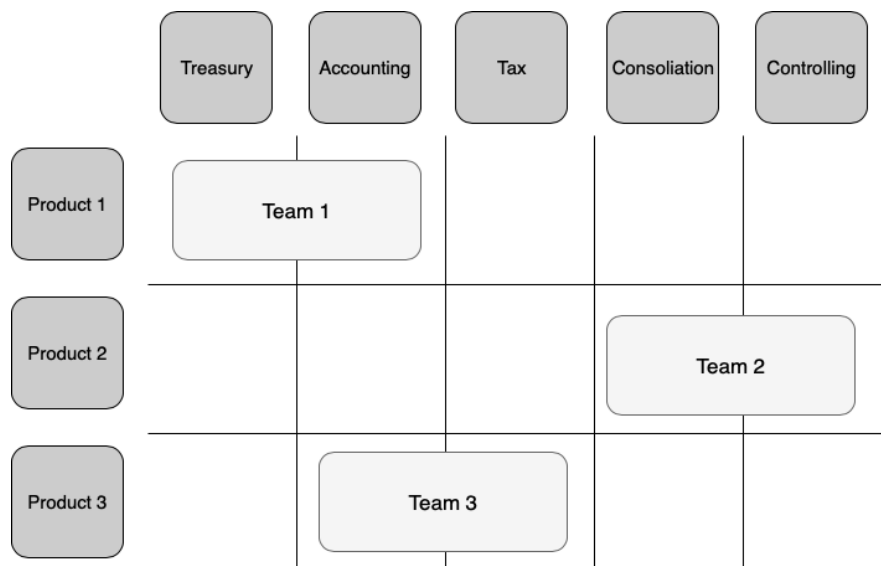


Figure 5.2: Suggested way of organizing a service-oriented finance function as a matrix organization.

one person responsible for the deliverance and the contact with the involved stakeholders, somewhat similar to the product owner in the Scrum framework explained in section 3.2.5.2. The team that would deliver the product, seen in Figure 5.2, could consist of smaller groups of three to nine people with the competences required for the given product. The team would be responsible for working with well defined smaller tasks that together delivers the complete product. When working in accordance to this, it is of interest to have a person that is responsible for the tasks and the progress the team is making, as shown preferable by the Scrum framework. All work carried out should optimally be connected to one single ERP-system that makes the information available for everyone within the finance function. Each team could then be connected to the ERP-system where their progress is tracked, visualizing to what extent customers' demands are fulfilled. In this way the finance function can be cross-functional, agile, flexible and constantly consider the demands of consumers, while simultaneously increasing the efficiency in working procedures.

This will however not necessarily be enough to remain profitable and efficient in the near future. As competition grows, transactions will have to be handled faster. It may then be profitable for finance functions to implement and continually update RPA-systems to the

largest extent possible. A positive outcome of such an investment is that employees' time could instead be spent on value-adding activities such as analysis, customer relations and business partnering. The areas in which there is a possibility for high level of automation is accounting and controlling. To implement and maintain RPA-systems the finance function could have a group responsible for maintenance and education in regards to these systems. This would allow employees within the organization to continually acquire knowledge in the usage and functionality of the system.

5.2.3 Supporting Capabilities and Mindset

There is a set of capabilities that is needed in order to be able to implement this organizational structure. One of them is the ability to work in teams and work with people from other departments in the finance function, something was several times brought up during interviews. This was in line with what was explained in section 3.3, where it is discussed how employees will be faced with novel tasks when working processes become service based, which will require them to continually learn and acquire new knowledge. Curiosity and a desire for personal development is therefore personal traits and mindsets that are eligible in an organization as the one proposed.

Another key capability is knowledge in RPA-systems and general competence in technological systems, described in section 3.2.4. This since these systems require continuous improvements and the employees that are using them need to stay up to date with that same development. As stated, there should optimally be a group specifically responsible for systems. The group should not only maintain the system itself but the competences and capabilities of the employees within the area. This might lower the threshold for implementing such systems as well as affecting the mindset towards using automated tools.

5.3 Evaluation of the Model

Working as a matrix organization as in Figure 5.2 is an already established and tested way of structuring a company when conducting tasks with the aim of flexibility. It has a clear structure with well defined accountability, while allowing for a dynamic workplace. Working agile with a scrum process within this matrix organization is something that would further make the organization more adaptable, fast moving and responsive to change in its environment.

Agile processes may not fit all projects within the finance function. For example some areas of tax and accounting might not be suited to work in agile teams. This since some of the tasks performed demands narrow and deep knowledge in specific subjects and are not part of project processes. However, tasks directly involved in delivering and maintaining a service could easily be integrated in agile processes.

Changing the mindset about how employees should conduct their work is not trivial and to what extent people are willing to do so is individual. This is shown by the interviews as well as the extended literature search. If the employees involved do not understand why the change of organizational structure is necessary, the process of implementation with satisfactory results becomes harder.

Since the finance function consists of different departments with different ways of working the mindset and the capabilities needed for the transformation will differ between departments. This means that management meaning to implement the proposed model has to analyze what parts of the organization that has the correct mindset before action is taken.

Considering the capabilities needed within a transforming finance function, the literature study correlated with the information gathered from interviews. Both parts specifically pointed out that a more specialized working force will be needed in order to enable implementation of technology regarding automation and correlated systems within firms. A thought that was shared, and that came naturally to the managers being interviewed, was that until the time has come where simple tasks and processes are automated, the easy way to go is to bring in recourses from outside the company in order to either free up time, or

to come up with the ideas which could bring greater value to the company. However, with tight budgets it was also explained how tasks in the daily work sometimes still came to be done with no time to spare. This meant that employees spent their time on mundane tasks like obtaining numbers rather than spending their time understanding them.

Further, there was a correlation in the expressed need of generalists and project leaders. Considering the case study, management from the accounting department expressed how there was a lack of analysis within the department. Regarding treasury the need of creating project leaders, and people who see problems from a holistic view was expressed, while in tax more time regarding lobbying with authorities could simplify the the daily work substantially. Even in this regard, the case study of Volvo Cars correlated with what was found in the literature study. The interview of a manager from GE Oil&Gas, carried out by the consultancy firm PWC, showed similar results. It was expressed how a deeper understanding for the business in its entity is needed by future managers in order to successfully steer the transformation in the right direction, and that the company actively worked with the purpose of creating such leaders within the firm.

That being said, just that is one more difficulty in regards to transformation of finance functions to be up to date with the digitalization. It quickly becomes a question of recourses as well as learning by doing. In order to free up time for value adding activities where employees can grow in regards to the organizational transformation, firms will have to integrate that same technology and ways of working. Simplified, that would free up time for employees to learn, understand and work with value adding activities while growing as leaders. Since the knowledge will be taken in by those same employees, they will be the ones who will have to act as the future workforce that steers the company in its transformational processes. This is something which is easier said than done, especially when considering the large upfront investments in such conversions.

6

Conclusions and Recommendations for Further Work

One of the big challenges facing Volvo Cars' finance function is to define its interface with the market, affiliates and end costumers. The situation becomes even further complicated by the fact that the interface has to be altered depending on the provided service as well as on costumers and partners. Further, it must allow for flexibility, especially when considering business partnership and amendments of offered services. Here, Group Finance will have to define what financial services that can be offered and how these can be provided. When working with partners and affiliates the need of establishing clear ownership of services becomes decisive. Some services may be owned by a single company while in other cases, it may be more suited to split the ownership of services between companies. In a car pooling service, cars may be owned by an affiliate while the actual financial service is owned by the finance function.

Another big challenge is the implementation of emerging technologies within the financial organization. Not only is it a tough processes to implement it, with it comes a need for continual updates, renewals and revises. Considering ERP systems in particular, the challenge for the finance function will be to make it cover as much as possible of the business. If not, the problem will lie in correlating different systems to successfully work together. The need of fast moving work procedures is constantly making it harder to remain competitive without automating processes. Looking at RPA systems, big challenges then lie in identifying suitable areas where such systems could be implemented. Following the implementation of new technologies comes the need of knowledge in regards to them. Understanding of the system

itself is needed, as well as knowledge of how it can be used in regards to data visualization, standardization and increased efficiency. The finance function will then have to act as a learning organization solving the issue of continual education for employees. Implementation of emerging technologies is becoming important in order to stay competitive. However, such implementations can be vastly expensive, meaning that Group Finance will have to find ways to gradually integrate while successfully capitalizing on investments.

The organizational structure presented in chapter 5.2, which introduces a platform as a interface with the market, a matrix organization and an internal Scrum framework, works well in regards to flexibility, delivering dynamic and complex financial products and processes that are continually improved upon, both to end consumers and other businesses. It can be problematic however to implement such a model if the mindset within the organization is negative towards teamwork, remaining in old ways of working. Another issue that surfaced from the interviews is that employees tend to defend the current power structure within the company, which further obstructs the possible implementation of the model.

In order for the implementation to be successful, the company has to have an inclusive and open environment where traits as curiosity and a desire for personal development and continuous learning are encouraged. Another trait and competence that is to be encouraged is technological knowledge. To ensure that the company has the technological expertise needed they can hire a group of technological experts within the finance function to implement and educate in technological systems.

Implementation and validation of the suggested model can be done in specific or smaller projects within the company before it is implemented in full scale. Before that can be done, managers will have to examine how their employees welcome teamwork, if they are willing to work agile and educate them in the new methods. If the results are satisfactory the concept can be expanded to bigger or new areas, if not, the situation and outcome can be examined and new knowledge has been created. There will then be a deeper understanding for the current situation in the company, allowing for adjustment of the concept in order to meet requirements.

The interviews in the case study were carried out with five managers within the finance

function. This in order to get an overview of the situation within the company, with deep understanding of operating models, organizational structure and current transformational changes within the company in regards to market change. As mentioned in section 2.2.2 a different view of how employees welcome and adapt to organizational changes could be taken into account by carrying out interviews with the employees within the different departments of the finance function as well. This could contribute with a different perspective as opposed to the holistic perspective that the managers have. However, the interviews would then have to be altered in order to suit the purpose.

In the case study, it could be beneficial to study the finance functions of other car manufacturing companies undergoing transformational changes as well. This in order to broaden the conception of the challenges that are being faced by finance functions of car companies in general, giving a relative source of information which would allow for direct comparison of difficulties between these finance functions. By doing so, the challenges of Group finance could be put in perspective and the conception of difficulties gathered from interviews could be validated.

The model established in section 5.2 is a suggested model for organizing the finance function in order to work more process based and less functionally based. It is however not certain that the same model would be the result of the thesis if it had been done at another point in time with other information available for the extended literature search. The model is thus to be viewed as a suggestion of an operating model that could be used in all or some parts of the finance function to deliver flexible solutions and processes. The work done for this thesis has not investigated if the model is viable in all parts of a finance function. Rather, it is a general way forward that allows for flexible working procedures in regards to projects or financial service catalogues. It might not be applicable to all departments and further work in how agile frameworks can be applied to different parts of finance functions has to be done in order to achieve successful implementations.

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Appendix

Appendix A, Interview structure

Purpose with interviews

The results obtained from these interviews will be used in order to give information in regards to the current status of the organization as well as highlight problems within it. By doing such interviews it further becomes clear weather the situation of the company is interpreted equally among employees. The purpose of the interview is thus to gather information in regards to the structure, capabilities and mindset of different functions within the organization. Doing so, it becomes clear what problems are arising and how these challenges are being handled.

Interview questions

1. Tell us about your role and the department you work within. How is your department structured, what pro's and con's do you see with this way of organizing?
2. What challenges do you believe are the biggest during the coming 5-10 years, how should your organization work to handle them?

Describe Problem Discussion

Businesses today has come to operate in highly competitive markets driven by technological innovation, change and transformation. Further, the market of today is driven

by its consumers, rather than providers. Technological growth has created a fast-moving consumer demand, which in turn creates a constant pressure not only to deliver, but to innovate in shorter cycles. Considering the new marketplace and environment it does not come as a surprise that firms are undergoing a change, where they tend to move towards a service minded structure, culture and organization, capable of operating in this dynamic ever changing environment. Looking at Volvo in particular, the firm also aims to achieve better customer orientation, flexibility and service mindset.

3. In what way does your department within the organization work in order to meet new requirements arising as result of the new marketplace?
4. What does the current way of working lack, what could be done better or in a different way?
5. What competences and capabilities could be evolved within your department in the company? Are there competences or capabilities missing in the current way of working?
6. How does the department adapt to more complex problems that might occur in the everyday working procedures?
7. How is change in regards to working procedures being encountered by employees?
8. In what way does the department and its employees work in order to evolve the competences and capabilities within the organization? In what extension is it welcomed and implemented in the organization?
9. What attitude is there in regards to working in groups or teams? In what extent does employees defend their positions, seeing it from a hierarchical or gate-keeper perspective?

Appendix B, Interview Answers

Person 1 - Treasury

1. Working in Group Treasury in Volvo Cars, which is like an internal bank for Volvo. Group Treasury tries to serve other companies in the company sphere which could be the affiliates to Volvo Cars or other external companies. The Group Treasury function is currently on a journey where we try to work as a group of companies in Volvo Car Group instead of only working Volvo Cars specific. Right now the Group Treasury function is functionally oriented where there are people working with funding, lending, treasury, risk management , cash management , trade finance and working capital.
2. We need to realize that Volvo Cars need to change because of the new situation that Volvo Cars are in where it is a part of a group of companies instead of a single company. We have had a way of working as a pipeline to dealer that sells the car to end customer but now that changes with new ways of buying, owning and manufacturing cars and also new business partners and new ways of working with RD. The world around us is changing and we need to change with it.

In summation is the biggest challenge in two parts the digitalization and specifically how the Treasury function shall contribute in becoming a strategic internal bank helping Volvo and its affiliates selling cars in more profitable ways.

3. What is currently being done is breaking up the functionally based setup. We are located in a number of places in the world , Sweden, China and USA, and everyone are mostly working in their silo and especially in Sweden has the way of working been functionally oriented. This way of working has not always been the best way since collaboration between groups are difficult. What we need to do is break down the functions and become “operationally oriented” i.e. how we maintain our services and here is digitalization a large part. You can make your business more like a platform with teams who have a mix of competences that does this. This is however not trivial to implement and will take some time.

4. *See question 3*
5. We definitely need to strengthen our competences when it comes to digital solutions and tools so that we don't become obsolete one day., and also continually working with treasury-specific competences. And we need another mindset when working, a better attitude towards working cross-functional and in teams, one need to realize that a problem might not be solved by only this function but that you might need assistance from other functions within the finance area to solve the problem in hand in the best way.
6. *Wasn't answered*
7. It is very mixed, but I believe that most of us realize that it is necessary to change in order to stay relevant and to deliver a better service and support for the rest of the Group. It is however a challenge for many to begin working in new ways. We are quite a new company in the current constellation but Volvo Cars as a company have a 100 year old heritage and many are working as they always have done, in old patterns. People are defending their positions and the power structure. It's important to begin building relations outside of your closest group within Treasury, and that is a big challenge for many in an individual level.
8. There is no established competence development at Volvo, it's up to the individual to acquire the needed competences for each position.
9. It is a bit messy, it is very new for many to work in teams, but in many parts of the organization teamwork has been an established way of working a long time. The organization has gone through a lot of bigger transformations as well, the finance function are in some aspects not the same today as they were three months ago for example. The hierarchy on the higher levels are also a bit unclear as it is today. How should we relate to Polestar and the other affiliates. We need to define the interface between the companies and on the individual level.

Person 2 - Treasury

1. Responsible for Cash Management. Earlier work has included working as Controller for IT, project management and bank projects. currently there are five employees working with cash management.
2. The biggest challenges lies within adapting to changes occurring outside the organization. Now they are facing a large technical transformation where processes are being automated. The goal is for payments to flow through the system. Likewise the new business models within the company has resulted in a need to adapt and change. Before they only had to address re sellers. With the new models they will for example have to directly address both the final customers and banks in new and different ways. This means having an infrastructure that allows for this, as well as for international aspects and different regulations. They have started to carry out a pre-study in order to find out how ecosystems and structures can be handled in such situations. Kina is for example often very specific. The ability to cover different markets. New business models have resulted in a need to change as people/employees as well as created a need to think in new ways. The ability to coordinate is one of the most important aspects when operating in a big company.
- 3.
- 4.
5. Have not before been a part of projects like the one the organization is currently facing. This is something which affects how things are being handled. For example consumer payments is an area of competence which is missing when adapting to the new business models. Looking 10 years back in time it worked perfectly fine to work in a pipeline/silo manner. Now however, more contact with banks, payment functions in cars, close collaborations with other companies makes it more important to work cross functional and to coordinate. The need of considering different stakeholders is also enhanced in the current market in relation to before. It has to be clear who has the ownership. Otherwise people are discussing things without actually holding real facts

or information. It is thus important to have a clear governance structure, something which is even more important when the need of coordination is big.

6. There is no structured way of becoming a learning organization. This is on an individual basis.
7. Depends on the individual, some people are welcoming change with open arms, while others heavily questions it.
8. Project and program management courses are being held. The ability of handling several projects simultaneous is of great importance.
9. It depends on what competences are needed in the future. There is a need of more generalists, people able to work as project managers and who are able to take on new projects and challenges. It is closely related to strategy, everyone cannot be specialists when moving forward. The organization has been working with product owners, the scrum method and has had several sprints. These sprints has worked very well with full focus during a short period of time. When doing so, the yellow post-its are always there representing what has been done and what should be done. Working in that way is effective but might cause problems when being involved in several projects simultaneously.

A need of working more with the service model. How to move from being corporate treasury to becoming a group treasury. For example polestar in which there is no full ownership. Treasury is the department which best handles corporate capital, especially with its close relation to banks and use of fin-tech within some cases. Fin-tech, payment platforms, AP Is, third-party solutions as well as contact with banks often consume a large portion of the time spent on projects and tasks. One has to question what suits the new type of company that is emerging from the finance function, other than just the traditional, which might not be enough.

Person 3 - Internal Control

1. Working with internal control at Volvo Cars. It's a global team with people in Sweden, Spain and Belgium. It's hard to have the global perspective when most people work in Sweden and they are 15 people in total. They work with assuring that the controls in the organization work as they should. Internal control is a process organization that works with internal processes like Order-to-cash for example. There are people that have the global lead over these processes and all of them are located in Sweden. The advantages of working in this way is that the internal control organization is a mirror organization of the rest of the organization and they have people located in different parts of the organization that the control takes place, and have a continuous dialogue within the organization.
2. A big challenge is that Volvo Cars will sell services to end consumer and the finance function will become a service provider to end consumer and to its affiliates. Competences in relation to end consumer does not exist at Volvo Cars today. The services that should be provided to end consumer and the affiliates has to be defined in the near future. This applies to internal control as well.
3. We mirror the organization. When it comes to for example the new brand Care By Volvo have the internal control function a team there to be able to understand the involved risks.
4. *See previous questions*
5. When dealing with sales to end consumer for example a whole set of risks arise that haven't been present before. The mix of assets for Volvo will then change as they will own a fleet of cars. Competences for handling these kinds of risks with residual values of these cars for example is what's needed right now.
6. By using different kinds of teamwork, and communication between functions in the organization.
7. If the purpose with the change is clear and transparent to everyone then the employees

are mostly positive to change. But it's important to communicate this purpose in order to change ways of working.

8. There is no established way to improve ones competences in the company. If there is a lack of competences, new competences are acquired by hire new personnel or educating the employees.
9. The attitude in the internal control is positive towards working in teams. But interfacing with other functions can be difficult sometimes when they have another mindset and might not be thinking on the company as a whole but on the own function.

Person 4 - Tax

1. Head of transfer pricing, responsible of all internal transactions within volvo as well as in regards to related parties. Relatively new on this position.
2. Internally a big challenge is that many different things with different initiatives are happening simultaneously within the group. This can sometimes result in difficulties in regards to catching up with all that is ongoing. Employees know who to talk to when initiating new projects, something that is good. However, the further away from the own group one comes, it becomes more and more difficult. Another big challenge is that employees are not used to working with related parties in which the company sometimes has partly ownership. This many times causes difficulties in regards to regulations. For example Geely has not had an organization on site able to handle international matters in regards to tax.

Considering external difficulties, when complexity is added internally, the international market also becomes more complex. More transparency, customs and new ways of impose taxes. These are all factors an outdated tax laws cannot handle. Everyone is currently talking about having data, keeping customer contacts, analysing customer patterns etc. There are likewise challenges in working Business 2 Customer. Looking 10 years ahead the company is facing big challenges in regards to increased internal complexity as well as a much tougher marketplace.

3. Looking at the matter from a historical perspective, many problems have been solved by new employments internally as well as with an increased budget for bringing in knowledge from outside, to “staff up”, deal with transparency and increased obligations in regards to reporting, buying in tools from third parties for compilation of data etc.

In order to face these needs work will have to be done in regards to change the profile of the groups from being operational and detailed to working more forward facing and strategically. As now, there has not been time to do this, rather it has sometimes shown to be a hectic work of putting out fires. There could be dialogue with authorities so that a pricing clearance for x years could be obtained. The organization has to work with creating space for lobbying, something which is not prioritized at the moment. This lobbying should not only be carried out in regards to Swedish authority, but internationally as well. The organization is currently doing it, but not in the extent in which it could.

Person 5 - Accounting

1. Former accountant. Mostly working with project from a group perspective. Managing those who work with accounting for the concern in its entity. The current way of working works fine.
2. Automation of accounting systems is a big challenge. The focus should optimally be on analysis and understanding rather than to get the numbers themselves into the system. Currently work is undertaken in regards to analyzing time consuming moments within the organization in order to improve.
3. Customers have new demands today. Even though the work done by this department is all accounting, the work is being affected resulting in that the accounting department also has to adapt.
4. Most probably there is a need of more employees in order to handle the new situation. This unless automation can be implemented in the extent needed. The technical competence within systems and digital tools has to be improved in order to become more

effective.

5. There are people available with the competences needed, would be good though if more employees would know these systems better or if more could be educated in the area needed.
6. The view on this is mixed among employees and often depends on personal background, age and sometimes what the person at hand has been working with before. Roughly it could be said that 30 percent are negative, while the rest is either positive or does not mind when changing ways of working.
7. *Wasn't answered*
8. There is a general good attitude to work in groups, employees consider it as positive.
9. *Wasn't answered*