

# Strategic IT management - 37E00200

## Case Kluuvin Apteekki

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## Assignment

- Case Kluuvin Apteekki will not be done in case groups. Instead, you need to write a reflection paper. The purpose of the reflection paper is to reflect your learnings concerning the case. You should read the case before Friday 3<sup>rd</sup> November and think how you would solve the problems outlined in the case. Then, we will discuss your approaches on Friday at class. Based on that class discussion you need to write a reflection paper where you discuss how your thinking progressed. The reflection paper is maximum one page.

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Kluuvin Apteekki, what is it?  
 What are the typical traits of  
 pharmacy business in Finland?

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## Kluuvin Apteekki

- Characteristics of pharmacy business
  - Highly regulated
  - Highly competitive
  - Two distinct product categories
  - Burglarly
  - Lucrative
  - Risky in terms of data privacy
  - Somewhat non-cyclical business
- Pia Moksi
  - Risk averse
    - Scared, sceptic, wondering whether she can trust accountants
    - However, wanting to grow business
  - Likes her business
  - Does not mind putting in long hours to bookkeeping
  - Deep expertise in accounting AND pharmacy business
  - Talked to many people about the decisions
    - Details orientation
  - "I know what I am doing, leave me alone"

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Why outsource?  
Why not?  
What to outsource? How (full outsourcing vs. selective outsourcing)?

Sales, Purchases, Payments, Reporting, Payroll

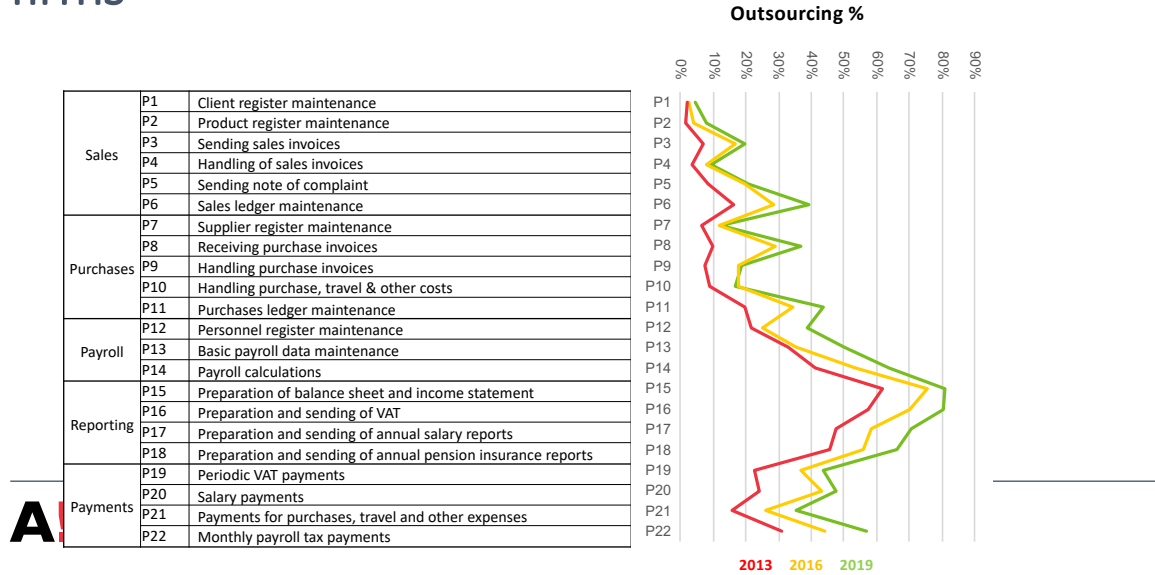
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## Outsourcing accounting (Pia)

- Advantages
  - Process enhancements through digitalization
  - Save time and money?
    - Focus on core business
  - Easier to scale up business if accounting outsourced
  - Data security?
  - Up to date knowledge of accounting regulation changes in accounting firms
- Disadvantages
  - Loss of control over accounting
  - Very hard to outsource if old system in place
  - Expensive?
  - Lock in effect?
  - Knowledge transfer issues?
  - Data security?

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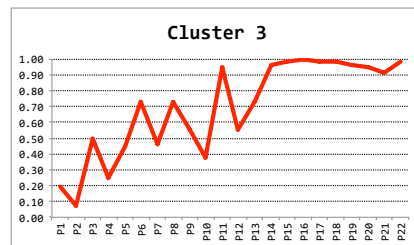
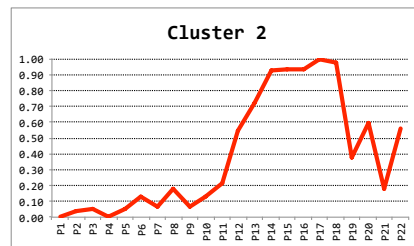
# Outsourcing of accounting tasks to accounting firms



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## Selective outsourcing

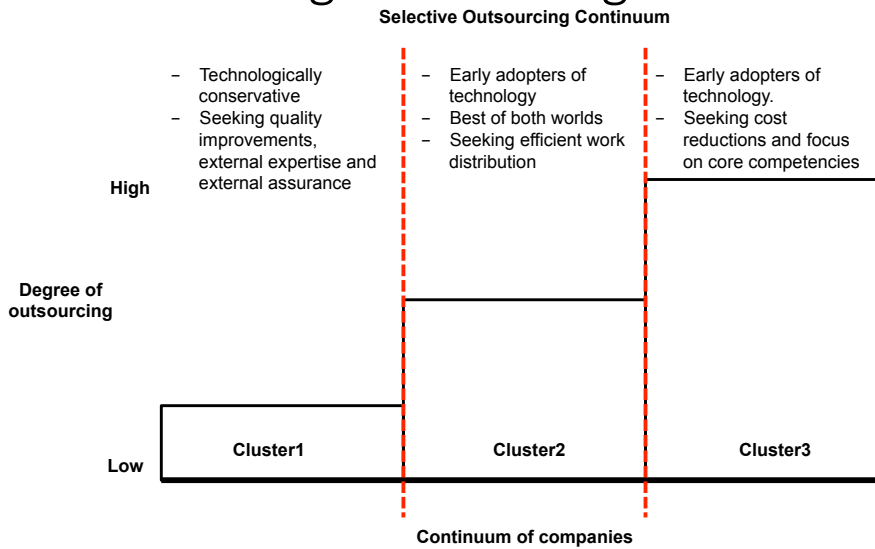
- A flexible arrangement allowing a client organization to adjust outsourcing to their needs.
- Selective outsourcing is not a single option.
- Selective outsourcing is a continuum.



Asatiani et al. "Impact of accounting process characteristics on accounting outsourcing-Comparison of users and non-users of cloud-based accounting information systems." *International Journal of Accounting Information Systems* 34 (2019): 100419.

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## Example: Selective outsourcing continuum of SME accounting outsourcing



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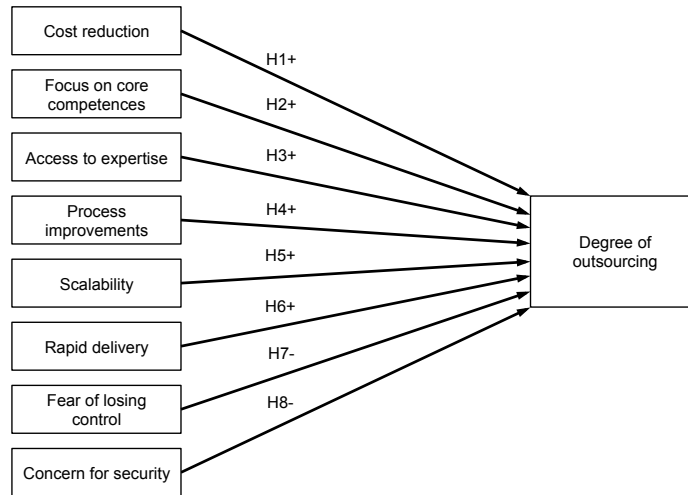
## Study

- RQ: What is the relationship between motivations to outsource and the degree of outsourcing?

Asatiani, Penttinen, and Kumar. "Uncovering the nature of the relationship between outsourcing motivations and the degree of outsourcing: An empirical study on Finnish small and medium-sized enterprises." *Journal of Information Technology* 34.1 (2019): 39-58.

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## Motivations of accounting outsourcing



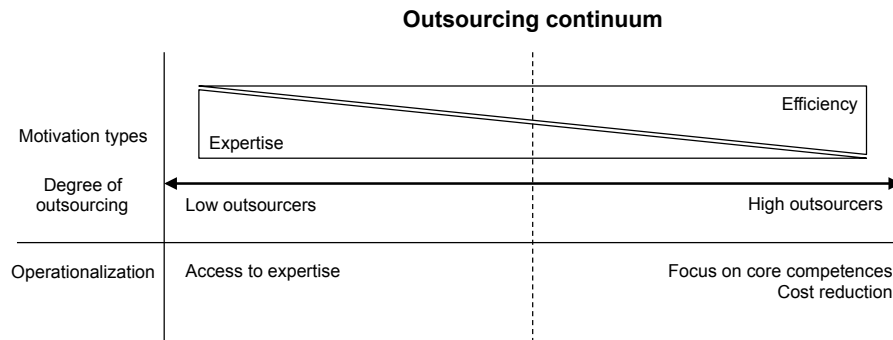
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## Results

	Estimate	Std. Error
(Intercept)	1,2258***	0,3193
<b>Motivation variables</b>		
Access to expertise	-0,1563***	0,0321
Scalability	0,0361	0,0223
Rapid delivery	0,0222	0,0256
Cost reduction	0,0421**	0,0200
Business/Process improvements	0,0715**	0,0291
Focus on core competences	0,1203***	0,0273
Concerns for security	-0,0317	0,0231
Fear of losing control	-0,0356*	0,0205
<b>Control variables</b>		
Use of cloud based IS	0,3036***	0,0577
Number of employees	-0,0055***	0,0021
Age of the company	-0,1695**	0,0659
Multinational operations	-0,0003	0,0004
Turnover	0,0002	0,0006
Secondary sector (services)	0,5588**	0,2577
Tertiary sector (Manufacturing)	0,5937**	0,2558

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## Main findings



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Cloud or no cloud?  
If yes, what system?  
If no, why not?

System 1 (Xero), System 2 (Procountor), System 3 (Administer)

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## Go for cloud?

- Cloud
  - Mitigating risks related to accounting outsourcing
  - Automation and digitalization
    - Third party connections
    - Auditors
    - Regulation such as XBRL
  - Real-time access to business data
  - New business opportunities?
    - Ordering online
    - New digital options
    - Enhance sales processes
  - Feedback on processes
    - Efficiency gains
  - Scalability benefits
    - Pay per use
  - Less maintenance as maintenance is provided by the cloud provider
  - Repay some accumulated technical debt
    - Especially infrastructure debt
  - Exit opportunities
- Legacy
  - Positive inertia
    - Why fix something that's not broken?
  - Sensitive data on premise
  - Control
  - Legacy system discontinuance
    - Data transfer to cloud? How does that happen?
  - No change management required
  - No cost