MOVING TO SHARED SERVICES

Enabling Finance & Accounting to become more efficient

How has your organization grown over the years? Has your finance function evolved to support that growth? Is it positioned to enable the company's strategic goals?

Overall objectives will vary by company, but building a scalable, streamlined, business-focused finance function is commonly found at the top of the C-suite's wish list.

In some cases, organizations have committed to an SG&A reduction to equity analysts on Wall Street. In other instances, they are focused on becoming a true business partner to help drive commercial growth.

Finance will always be responsible for paying vendors, billing customers, and closing the books on a monthly basis. Finance will have to generate reporting for internal and external customers at one point or another. And finance will continue to be asked to add more value to commercial operations.

Finding the right balance between transaction processing, reporting, and business partnering is essential to becoming an effective and efficient finance function. A key to unlocking that balance is investing in shared services.

The Evolution of the Shared Services Model

The concept of shared services has been around for more than 25 years, and it's evolved significantly since its inception. It's a safe bet to say that more than 75% of the Fortune 500 has implemented shared services in some form or fashion.

Organizations initially leveraged shared services for transactional, checklist based finance activities in order to support a single country or business unit. As they began to see success with centralizing transaction processing, the more progressive organizations continued to push the envelope by expanding to regional operating centers and eventually into global business services models.

However, the evolution has not been limited to a geographic footprint. Organizations have and will continue to migrate additional functions and processes into the shared services environment in order to maximize the associated benefits.

Higher value, judgment based finance activities have become commonplace in SSCs. Other back-office functions including human resources, information technology, and procurement have become more common as organizations gain confidence in their existing SSC models.

The Case for Migrating Back-Office Functions to an SSC

Why are so many organizations moving to shared services or expanding their current scope of shared services? What are the benefits?

The cost and process efficiencies achieved through SSCs are well known. According to a study performed by APQC, on average, SSCs deliver general accounting processes at a lower cost than both headquarters and business unit locations.[1]

But what drives these efficiencies? Here are some of the other benefits of SSCs:

- Reduce cost of service delivery
- Create a solid foundation for growth, including the ability to integrate acquisitions
- Enable the development of simplified/standard processes
- Improve data accuracy and transparency
- Improve performance tracking/monitoring
- Enable retained functions to focus on value-added, business partnership type activities
- Increase control effectiveness

[1] Shared Services Centers Do It Better: Processing General Accounting and Reporting

Making the Move Toward Shared Services

Your organization decides to consider a move toward shared services. What should you be thinking about? What do you need to know? How should you get started?

It's only natural to begin thinking about the challenges the initiative and project team will encounter along the way, which is often overwhelming.

Leaders should be asking themselves if they have the right in-house expertise to help execute the SSC initiative. If the answer to that question is no, and it frequently is, then selecting a trusted partner that has been in the SSC "trenches" is critically important. You must have someone you can rely on with problem solving experience in the SSC environment.

Here are some of the common challenges we've seen.

CHALLENGE	Organizations think that when the work is delivered from a shared service center, the quality of work will be negatively impacted.	Organizations want resources physically sitting in the business unit and corporate headquarters to maintain connectivity.	Organizations are concerned about the high turnover rates in the SSC market.
CLEARSULTING RESOLUTION	We tell our clients to run the SSC like a business. Meaning SSC leadership should have a relentless focus on monitoring service quality and using two-way activity based SLAs with system driven KPIs. That being said, measuring success shouldn't be focused exclusively on operational measures. We suggest using a balanced approach, measuring both customer and employee satisfaction.	We see all too often that clients don't optimize their processes and enable technologies after the work has migrated into the SSC. Designing streamlined policies and processes with clearly defined handoffs, enabled with robust workflow tools, allows customers and providers to work together seamlessly.	Place a genuine emphasis on talent, and not just on attracting talent but retaining talent. It's important to invest in the local SSC market to develop and promote the company's brand recognition and culture. SSC resources want to feel like they are a part of the team, and organizations that invest in developing a robust governance model will recognize the benefits of an engaged SSC organization. Enhancing and re-thinking the traditional training methods, evaluating benefits packages, and clearly defining career paths for lateral and upward mobility should all be considered.

Business Process Considerations

When defining SSC strategy with leadership, there are two questions that are often asked:

1 What activities should be delivered from an SSC?

Defining the SSC scope of services should be a collaborative exercise. We suggest using a workshop approach to determine scope, enabling key stakeholders to have a seat at the table and make sure their voice is heard. The most impactful workshops not only include SSC leadership, but functional and regional representation as well.

Having the right people in the workshop is a good start. But equally, if not more importantly, what factors should be considered when deciding if an activity should be delivered from the SSC or not?

We've facilitated these workshops a few different ways. Whether you elect to evaluate each activity using an analytical excel-based model or choose to have an open dialogue about the pros and cons of centralizing certain activities, the overall goal is to solicit feedback in a systematic fashion to make sure the group is considering the right factors.

Customer risk, regulatory constraints, process complexity, IT complexity, and people skill requirements are some of the factors that should be considered when evaluating if certain activities make good SSC candidates.

Business Process Considerations

2 What migration methodology should be used to transition the work from the sending location to the receiving location?

When we are working with our clients, we highlight two main migration methodologies that should be considered “lift and shift” and “standardize and drop.”

Lift and shift is essentially taking the as-is process and modifying it to allow the process to be executed from the SSC. For example, when an accountant and business unit controller are sitting down the hall from one another, it’s easy for the accountant to walk down the hall and obtain an approval. When the accountant is no longer able to get an approval in-person because the controller is 1000+ miles away, a process gap must be accounted for.

For this example, implementing or enabling the process with a workflow tool to manage approvals would be a logical solution to bridge this process gap. If you are looking to move work within a tight time frame, lift and shift is probably your best option.

Standardize and drop is the other migration methodology that is employed by organizations looking to transition work to SSCs. Based on our experience, this approach is far less common than the lift and shift approach.

As the name suggests, this approach essentially consists of standardizing each of the processes across sending locations and dropping them into the SSC once they’ve been standardized.

The downside is that it takes a long time to standardize processes across multiple business units, and process variance is bound to creep up as well.

BlackLine–The World's Most Trusted Platform for Finance in an SSC

No matter what the biggest priority driving your organization toward shared services, any implementation approach will only be as successful as the system landscape developed to help support and execute the strategy.

The right technology enablers facilitate a smooth transition across process and people, while serving as a tool for continuous improvement and further automation in the SSC of the future.

BlackLine is an example of a solution that is proven to play a significant role in the standardization, scalability, and continuous improvement of Financial Shared Services organizations.

Used by over 1,800 finance and accounting organizations globally, BlackLine enables automation across various end-to-end processes, from closing your books to enhancing visibility and partnership across various functional teams both within the SSC and across the business.

When the right process and policy components are included in the implementation, BlackLine can improve controls, reduce risk, and automate key processes across the entire organization.

BlackLine can help SSCs in four key ways.

Close Process Management

BlackLine's Close Process Management is specifically designed to orchestrate and accelerate the financial close. This solution provides tools that work in unison to manage and execute the "last mile of finance" by embedding controls and process standardization in reconciliation and month-end close processes.

BlackLine becomes the web-based command center for SSCs to manage accounting and finance tasks, while providing the visibility needed to track and manage the financial close process. It also equips SSCs to:

- Automate the tracking and reporting of accounting tasks required to be completed on a periodic basis (monthly, quarterly, annually)
- Enforce multiple levels of review to enable validation of completed tasks
- Track and monitor key controls, including automated workflow and electronic sign-off functionality
- Reduce the number of redundant tasks by streamlining the individual month-end close checklists
- View real-time snapshots and a dashboard of completion status as the period progresses, across the business
- Consolidate the view of individual workloads and the status of the close

Accounting and Transactional Reconciliation

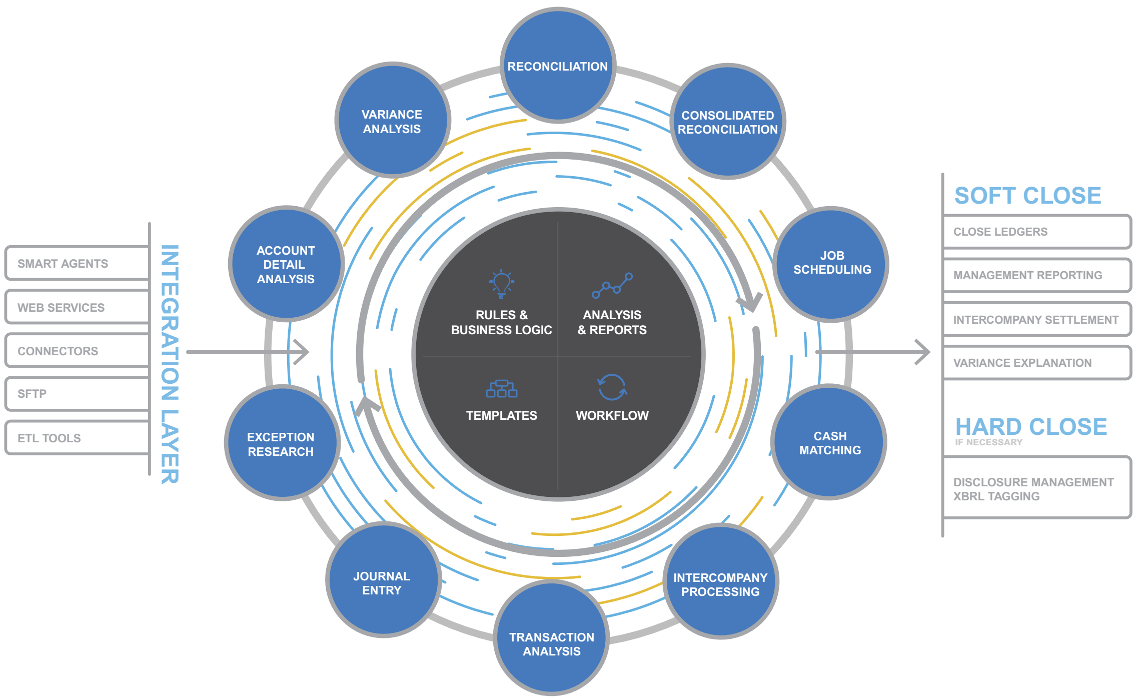
BlackLine's Accounting Process Automation can help SSCs automate resource-heavy parts of their record-to-report process, such as the full reconciliation to adjustment process, allowing for transactional process automation through configurable matching rules with automated clearing of items.

Transaction Matching automates detail-heavy reconciliations, such as bank reconciliations, credit card matching, intercompany reconciliations, and invoice-to-PO matching.

Balance Sheet and Consolidation Integrity

Built to underpin the balance sheet with automation and auditability, BlackLine continually checks and ensures accuracy through the validity of bank, credit card, lockbox, and other key account balances.

With consolidation integrity, SSCs using BlackLine can automate the tedious system-to-system reconciliation process, and bring data from across ERP systems into a centralized location. It provides a workflow to investigate discrepancies, and eliminates the need to manually compare multiple ledgers to a consolidation system.



Continuous Improvement

Statistics and comparative benchmarking around accounting process performance provide the foundation for continuous improvement initiatives. Metrics such as on-time completion percent, auto-reconciliation rate, and many more help pinpoint opportunities to optimize, while reporting enables SSCs to create role-specific reports for Preparers, Auditors, CFOs, etc.

Overall, a strategic design and implementation of a tool like BlackLine will set up the overall accounting organization for further standardization efforts in the future, enabling the expansion of the shared services footprint.

Partnering with Clearsulting

One thing can be said for sure: building a scalable, streamlined, business focused finance function has never been more important in our ever-changing global economy. Setting up or even optimizing SSCs is crucial to most organizations' long term financial health. But it can be a daunting, confusing, and challenging endeavor.

Our proven, client trusted SSC delivery approach addresses our client's most pressing concerns regarding shared services. We bring years of deep, global experience at every phase of the SSC journey along with customizable methodologies, tools, and enablers to help drive project execution from the earliest planning activities.

This ranges from building a business case to obtaining a green light on the investment, facilitating the location and activity analysis to determine which activities should be delivered under the SSCs roof, and migrating and optimizing existing SSC operations.

Additionally, we have years of experience in the end-to-end implementation of BlackLine products, including redesigning the process, workflow, and controls to support the products.

Our shared services expertise is supplemented by our extensive project management, change management, and finance and accounting experience across multiple industries and geographies.

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