ACCOUNTANTS FOR BUSINESS

Finance transformation: expert insights on shared services and outsourcing

Acknowledgements

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Anoop leads Accenture's global BPO sales across operating groups. Previously, he led the firm's global finance and accounting BPO business. Anoop joined Accenture in 1994 and has spent most of his career working in the BPO and shared service market across industry sectors, on a global basis. Between 2007 and September 2009, Anoop was responsible for the outsourcing business at Microsoft – one of Accenture's most complex outsourcing relationships.

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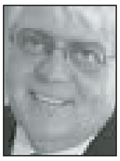
Over half of David's 23-year career has been in the pharmaceuticals industry, while his early years were spent in the oil and chemical industries. In his current role, he is leading the optimisation of AstraZeneca's financial transaction processes across the globe. Previously, David held senior leadership positions in financial reporting and internal audit with AstraZeneca, bringing in-depth business partnering experience spanning the value chain.

EXL



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Terry has over 30 years' experience developing and leading all aspects of finance and accounting operations. As vice-president for the EXL Centre of Excellence for Finance and Accounting in Europe, his role encompassed all aspects of business development, consultancy and managing the Eastern European production centres in Bulgaria. Before joining EXL, Terry was European director of finance for Belkin Components Ltd for 13 years.

Capgemini

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Chris joined Capgemini in 2005 as head of global solutions. He was the solution architect and subsequently account executive for Capgemini's largest financial services contract. He is now global head of finance and accounting business process outsourcing. He is responsible for service delivery to the client and for product development.

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Pascal joined Genpact in 2009 as COO Europe, with responsibility for leading its Romania, Hungary, Poland and Morocco centres. He spent the previous 14 years with General Electric in various executive functions across different industries and geographies, such as European COO in corporate financial services, GM for GE's shared services in EMEA, with 600 employees across 45 countries, and CFO of various business units in GE Plastics.

Coca-Cola

PATRICK VAN HOEGAERDEN, FINANCE TRANSFORMATION DIRECTOR, EUROPE, THE COCA-COLA COMPANY

Patrick has been in finance leadership roles in The Coca-Cola Company for 13 years, initially as the CFO of the bottling company in Egypt and then as finance director in three business units located in the Middle East, Great Britain and Germany. Three years ago he was appointed to lead the finance transformation programme for the company in Europe. Before joining Coca-Cola, Patri ck spent 14 years in Unilever, in various finance and supply chain positions.

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Austen leads finance and administration services for IBM within Europe. He has been with IBM for 16 years, performing various sales roles across the UK. He has worked extensively with the insurance industry, been IBM UK's sports solutions manager and led a team dedicated to driving sales with IBM business partners. Before joining IBM, Austen was a manager in corporate finance for PKF and then a government agency specialising in raising finance for inward investment in Scotland.

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Peter Moller leads Deloitte's Shared Services and BPO Advisory Team in Europe. Since 1990, he has worked in finance transformation, shared services and outsourcing/offshoring advisory roles, advising both private and public sector clients. He has organised and spoken at a number of conferences on these topics and has been quoted in management journals and the national press.

Infosys®

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Gautam joined Infosys Limited in the business consulting services practice in 2000, and was subsequently one of the founding employees of the company's BPO business. He currently has profit and loss responsibility for all BPO enterprise services businesses, which include finance and accounting, sales and fulfilment, sourcing and procurement and human resource outsourcing, and serves as a member of the BPO executive council.

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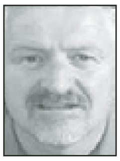
Since 2006 Simon has been responsible for Kimberly-Clark's shared service development, including harmonisation across regions and executive coordination of global outsourcing functions. Previously he has been vice-president of finance for Europe, the Middle-East and Africa, and a director of business analysis supporting various Kimberly-Clark businesses. Simon has a wealth of experience in M&A and has also worked at ICI and Rowntree Mackintosh.



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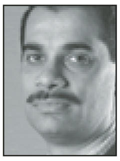
George is both Shell's head of strategy – finance operations and its centre finance lead, Glasgow. Before joining Shell in 1998, he held various finance roles in organisations that included Grand Metropolitan, Avon Cosmetics, Britoil and Whitman Corporation.

CLAUDIO ALTINI, DIRECTOR, SOURCING ADVISORY, KPMG IN THE UK

Claudio is an acknowledged expert in finance and HR functional transformation, with broad experience in support function reorganisation and re-engineering assignments, in both pan-European shared service centre projects and business process outsourcing projects. Claudio advises diverse industries including media, telecoms, automotive, IT, manufacturing, chemical distribution, pharmaceuticals, FMCG, leisure and central government.



VIJAY DAMLE, VICE PRESIDENT, OPERATIONS, TATA CONSULTANCY SERVICES (TCS) BPO

Vijay manages service delivery for F&A, procurement, SCM and HRO processes. He is responsible for delivering the certainty experience to customers globally. Vijay has held diverse roles over his career – starting as a finance analyst, and over time has managed finance, production planning, transitions and sales/relationship management.

JOANNA REYNOLDS, GLOBAL SHARED SERVICE LEAD, MARSH & MCLENNAN

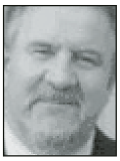
Joanna joined Marsh & McLennan companies in 1985 and has worked in most of the different areas of finance. In 1999 she created a green fields shared service centre with 80 colleagues in Denver. In 2005 she led the project for outsourcing finance. In 2010 she took on the role of organisation design for finance transformation.

CHRISTIAN KAUFMANN, VICE PRESIDENT, FINANCE SERVICES, UNILEVER

Christian Kaufmann joined Unilever's finance function in 1993 and has subsequently assumed various leadership roles for finance in supply chain management, internal audit, operating company and corporate finance. He was appointed vice-president for finance services with a global remit in January 2010. He is responsible for the management of traditional transactional finance services and for outsourcing agreements with Unilever's business process outsourcer partners.

JOHN ASHWORTH, GLOBAL HEAD OF BUSINESS PROCESS OUTSOURCING, PEARSON

John joined Pearson plc as part of the internal audit team from Coopers & Lybrand before working in a variety of roles in Penguin Books, a division of Pearson, including those of international finance director, supply chain business manager and UK controller. He was CFO, then CFO and IT director, before becoming MD of Pearson's UK shared services team. He now runs Pearson's global BPO deal with IBM as well as its F1 finance transformation programme.



GRAHAM RUSSELL, DIRECTOR OF BUSINESS PROCESS OUTSOURCING, WPP GROUP

Graham joined WPP Group, the media communication services group, in June 2011 as BPO director, to assist in the evaluation and implementation of BPO across the Group. He has previous experience in the pharmaceutical, telecommunications and high-tech industries. Graham was formerly the global head of shared services at AstraZeneca, where he led the migration to and management of a regionally based, shared services and outsourcing environment.

NICK ATKIN, PARTNER, PRICEWATERHOUSECOOPERS CONSULTING

A consultant since 1995, Nick advises clients, across industries, on the transformation of their global finance organisations, developing a vision and strategy for finance, target operating model design, performance-management solutions, and process and systems design and implementation. He also assists his clients in setting up shared service organisations and in the selection of BPO providers.

CAROLINE CURTIS, SENIOR DIRECTOR, CONTROLLERSHIP ACCOUNTING AND REPORTING, EUROPE MIDDLE EAST AND AFRICA, YAHOO.

Caroline joined Yahoo in 2006 and was promoted to senior director, controllership accounting and reporting for Europe, the Middle East and Africa in May 2010. She is currently a director of nine Yahoo group companies in Ireland, the UK and the Netherlands. Caroline has a wealth of finance expertise and knowledge developed throughout her career, having previously held senior finance positions at Cap Gemini prior to Yahoo. She has particular expertise in finance delivery through shared services.

ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies at all stages of their development. We seek to develop capacity in the profession and encourage the adoption of global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We seek to open up the profession to people of all backgrounds and remove artificial barriers, innovating our qualifications and their delivery to meet the diverse needs of trainee professionals and their employers.

We support our 140,000 members and 404,000 students in 170 countries, helping them to develop successful careers in accounting and business, based on the skills required by employers. We work through a network of 83 offices and centres and more than 8,000 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

ABOUT ACCOUNTANTS FOR BUSINESS

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

www.accaglobal.com/accountants_business

This report presents insights from global experts of companies at the forefront of finance transformation activity.

It explores the issues, challenges and opportunities facing businesses transitioning to new finance models to improve business performance.

This is the first in a series of reports exploring aspects of finance transformation, and presenting unique perspectives on how successful programmes can be delivered.

For more information visit
www.accaglobal.com/transformation

Foreword

The true prize of successful finance transformation is to unlock value, improve shareholders' return and create competitive advantage. The continuous use of shared services and outsourcing as a tool is testimony to the fact that CFO's are prioritising the re-engineering and transformation of finance activities.

This has significant implications for the profession and ACCA. As finance models evolve, so too will the career opportunities for ACCA students and members. Across the end to end finance model, new finance roles will evolve, new career paths will emerge and new skills and capabilities will be required. These developments represent a superb opportunity for finance professionals to drive future organisational success. As the global body for professional accountants, ACCA will be at the forefront of supporting organisations in their initiatives as our qualification is uniquely positioned to deliver the new finance and business capabilities required.

This report draws insights from finance leaders and provider organisations representing global businesses. It is essential reading for those seeking an understanding of successful finance transformation and sets out a new platform for debate across the profession.

Helen Brand
Chief executive, ACCA

Executive summary

This paper considers the challenges, issues and opportunities in finance transformation through shared services and outsourcing. A preoccupation for CFOs in today's global economy is how they can shape and evolve the optimal finance model to drive business performance. Increasingly, finance and accounting delivery through shared services and outsourcing is playing an important part in optimizing the structure of the finance function.

The paper shares opinion from global experts in the finance transformation, shared services and outsourcing space. It draws insights from finance leaders responsible for reshaping the finance function, as well as exploring the issues with the providers of finance and accounting services to these clients. It also draws expert comment from leading advisory organisations.

The findings from this report suggest that significant benefits from shared services and outsourcing for the finance function have been realised, yet there are greater opportunities to drive business performance in the future. Our experts see a number of specific challenges to current transformation approaches. At the heart of all these challenges is the question of the capability and the aspiration of businesses, finance leaders and provider organisations to work together in an aligned partnership to drive the level of transformation change required. The goal should be transformation that ensures businesses adopt optimal finance models through shared services and outsourcing that drive sustainable improved business performance. This report suggests that there is much more that can be done.

1. NO TURNING BACK FROM SHARED SERVICES AND OUTSOURCING

This paper concludes that, if the expert respondents are representative, there is no turning back from the adoption of shared services and outsourcing as a meaningful finance transformation tool. The benefits – transparency, lower cost, greater efficiency, standardization and improved governance, and more – are now taken for granted by the industry.

2. DIFFERENT APPROACHES TO FINANCE TRANSFORMATION ARE EVIDENT

The application of these delivery models is, however, still a work in progress, and different approaches to finance transformation are evident. Some leaders use shared services and outsourcing as a 'functional fix', improving finance operations and processes, while others see finance transformation as a means to transform the business, rather than stop at a better finance function. Regardless of the endpoint, finance leaders stand firm in their belief that transformation is a journey, not only in terms of value creation but also in the evolution of the finance model.

3. CORRELATIONS BETWEEN TRANSFORMATION AMBITION AND SOURCING STRATEGY ARE EVIDENT

There is a strong relationship between the finance model and the business transformation ambition. Where a 'functional fix' is sought, the sourcing model of choice is outsourcing. Conversely, those finance leaders seeking to drive business performance grapple with a much greater degree of model complexity. They see beyond the finance function, focusing on the 'connectedness' of the finance function to the rest of the business, transforming and aligning end-to-end processes, regardless of where they are housed – the business, the retained finance function, within a shared services or outsourced environment. This requires significant influencing capability, internally and externally. They understand that they must focus on the business need, evaluating the best means to integrate finance into the business in order to be effective. The solutions are not cut-and-dried.

4. COST REMAINS THE STARTING POINT

Although they acknowledge that their first objective is always finance function cost and efficiency, some finance leaders recognise that their peers within the business to whom they are providing a finance service ('the business') are not concerned about a better finance function per se, but rather the 'more' – how do I get more cash, more information, more service, more business intelligence to drive business performance? To finance leaders, delivering 'more' does not end with the outsourced or shared services delivery of finance processes.

5. FINANCE LEADERS DIFFERENTIATE BETWEEN PROVIDER CAPABILITY

As a result, today's finance leaders are now becoming more attuned to provider skills, placing greater demands to improve their capability. They are consciously mapping solutions and considering the providers ability to create value, flexibility, and their service approach against their transformation requirements, as opposed to simply adopting a classic, straightforward buyer-provider relationship for finance and accounting services. Some providers are more adept at working with complexity, implementing business – not just finance – solutions and moving along a transformation path that drives business results. As a result, certain businesses are now more targeted to finance and accounting outsourcing providers with particular capabilities.

6. FINANCE TRANSFORMATION SUCCESS RESTS ON CHANGE MANAGEMENT

Notably, the so called 'softer stuff' continues to be the number one impediment to achieving transformation success. Finance leaders and outsource providers alike name change management as the biggest barrier, and in particular cite the organisation's inability to assimilate new ways of working as a key challenge. For their part, providers remain confused as to why clients still do not deliver change management effectively.

7. RETAINED FUNCTION CAPABILITY IS THE PRIME DRIVER OF VALUE, YET IT IS STILL A MISSED OPPORTUNITY

Concerns about the capability of the retained team are equally evident. From the client side the challenge for finance leaders is no longer 'am I doing the right thing by adopting a remote model?' It is now a question of 'how does the retained team add value and how can we implement a complete end to end vision for finance that best supports the business?' Our experts see ongoing concerns about the ability of the retained finance team to work within a different finance function model, both from the standpoint of engagement and capability. In particular, the roles and skills of the retained finance team have typically not been well articulated, impacting on the ability of the finance function to support the business most effectively.

8. CLIENT–PROVIDER RELATIONSHIP CONTINUES TO BE MISALIGNED

Finance leaders are vocal about the natural misalignment between themselves and the provider, believing that service delivery is often suboptimal; different incentivisation approaches, varying transformation expectations and goals, and different economic interest in transition speed. Finance leaders express concern that some providers promote a 'one size fits all' approach to the finance model, whereas providers question the ambition of finance leaders to drive the level of change required. Both parties agree that there is also a question of getting the right balance in the relationship – providers still need to be able to tell the client things they may not want to hear; 'tough love' is cited as a key buying value in provider selection.

9. SERVICE AND SERVICE DELIVERY

There is a growing realisation from finance leaders of clients that effective sourcing is synonymous with service, and that while cost benefits are achievable, service benefits are rather more elusive. Increasingly, finance leaders differentiate between the quality of service delivery they receive (i.e. the actual experience of service delivery) and the achievement of service level agreements. Providers often recognise that green indicators on service level agreements do not necessarily mean the client is happy.

1. No turning back from shared services and outsourcing

'Transformation' continues to be an imprecise term for many in finance leadership. In the words of Infosys' Gautam Thakkar, 'everyone wants transformation but no one knows how to define it'. Yet no matter what the precise definition, the finance industry agrees that transformation is about cost, efficiency and effectiveness, providing agility for growth, speeding up new market entry, integrating acquisitions more easily, creating greater cost transparency, and providing business insights.

Some finance leaders implement an internal transformation through some combination of single-platform enterprise resource planning (ERP) implementation, business process re-engineering and continuous improvement, or by introducing methodologies such as Lean or Six Sigma, with associated organisational redesign and re-skilling. Others take a more radical approach such as changing the business model by consolidating and standardising business process delivery into one or more captive shared services centres, or by moving processes to a third-party outsourcing provider specialising in finance and accounting delivery.

Over the last 10 years, finance leaders have increasingly turned to shared services and outsourcing as a primary strategy for change. They have been examining the delivery models (the model), asking how transforming operations in this way can release more cash, develop better insights to support decision making, and provide better service to the business.

The use of shared services and outsourcing to achieve these aspirations continues to grow. In the US, more than 70% of Fortune 500 companies now use shared services or outsourcing models for their finance and accounting operations (Everest Group research 2011).

EXPERT VIEW

From Peter Moller, partner, Deloitte Consulting

Shared services started in the 1980s in the US and the early 1990s in Europe. Despite a few stories of certain activities being pulled back from centres (often voice-related activities being pulled back from offshore BPO centres owing to accent neutralisation issues) shared services have been an overwhelming success and are now recognised as a key component of a best-practice finance function. It is 'an idea whose time has come' and any organisation with multiple back office finance functions is likely to benefit from a shared services structure – whether it be run as a captive or outsourced to a third party. The labour arbitrage that has driven a lot of the near-shoring and off-shoring of the last ten years (eg to eastern Europe and India) will, over the next 10–15 years, decrease to the extent that these locations may lose a good deal of their current attractiveness. But even if there is little cost arbitrage to be gained from a low-cost location there are many other benefits, such as the adoption of a single best-practice and more productive process, better spans of control, and standardised and enhanced data and reporting, that will ensure that consolidating transaction processing and even higher-value activities will continue to make good business sense – there will be no turning back.

Deloitte.

2. Different approaches to finance transformation are evident

The scope for transformation varies according to the business priority. There is not a one-size-fits-all approach to use of the model. For some organisations, transformation is simply focused on improving finance function processes. For others, it is a business solution that unlocks greater value across the enterprise and represents a fundamental shift in the vision and core purpose of finance change. Accenture's Anoop Sagoo describes the second group succinctly: 'the CFOs that I work with see finance transformation as a vehicle and tool to drive change. What they are most interested in now is performance.'

Business-led transformation recognises the importance and broad reach of finance across organisations and seeks to deliver valuable business outcomes. It requires a strategic approach across end-to-end processes that bridge business functions and integrate the 'front-end' of the business with the 'back-end'. Simon Newton of Kimberly-Clark asserts that 'we are not taking a functional approach but a process-led approach because greater benefit to the business can be generated more quickly by taking a cross-functional process approach'. George Connell of Shell concurs, saying 'strategically we refocused shared service centre performance from attaining service level agreements to being a true business partner. Now we have 'connected finance' across the organisation.'

> The starting point for our finance transformation journey was the recognition that the finance function had to support our global business as it evolved. Our first goal was superior service delivery to the business. We then evolved our finance model to ensure we had the right balance of local support with deep expertise to support local business decision making, complemented by regionally based operations that drove finance processing excellence and scalability, but that were still highly 'embedded' to serve the needs of the business.
>
> PATRICK VAN HOEGAERDEN, FINANCE TRANSFORMATION DIRECTOR – EUROPE, THE COCA-COLA COMPANY

EXPERT VIEW

From Claudio Altini, director, sourcing advisory, KPMG in the UK

Finance leaders are increasingly confident in their understanding of the capabilities of shared services and outsourcing. As a consequence, the business goals that they are using these tools to deliver are, paradoxically, becoming both bolder and more constrained. Some organisations are choosing to deploy shared services and outsourcing tactically, to fix or improve the finance function. At the other end of the spectrum, organisations are comfortable driving broader change in this way, unlocking greater value for the whole organisation.

Tactical activity might be focused on outsourcing a single transactional process. Alternatively, a project could be more transformational, such as establishing a full-scope shared service operation to help deliver business-wide ambitions. However the finance transformation journey begins, it's clear that shared services and outsourcing are supporting a range of objectives for organisations: from the 'quick wins' to the 'game changers', where the benefits are felt far beyond the finance function.

KPMG

3. Correlations between transformation ambition and sourcing strategy are evident

There is a strong relationship between the model and the finance leader's transformation ambition. When an organisation sees finance function efficiency as the main goal, the sourcing model of choice is outsourcing, with a particular focus on tapping into a provider's transaction factory. Outsourcing's process efficiency, flexibility, scalability and contractually mandated continuous improvement are considered the better option for speed and investment. An alternative sourcing model, particularly in very complex organisations is the centralised shared services model. Coca-Cola's Patrick van Hoegaerden says 'the driver behind shared services was that the company was so fragmented that we could not drive skills, depth and expertise without centralisation in a shared services model'. Those moving toward a shared services model claim that they are able to engineer greater proximity to the core business and establish sound relationships grounded in the same organisational culture. Leaders suggest that they have more control over talent, turnover, skills development, and engagement. As Caroline Curtis from Yahoo says, 'Our shared service centres bring many benefits: speed of execution, a reduction in operational risk, specialised capability when it may be needed with, for example, regulatory issues, operational flexibility and ability to control talent development effectively'.

When the aspiration is for broader business transformation, the model can quickly become more complex, with a high degree of interconnectivity with the business. This leads to hybrid models being used, which combine in-house service provision, shared services and outsourcing. The decision to implement a hybrid finance delivery model is driven by a business construct – how much integration must finance have with the business in order to be effective? As Austen McDonach of IBM confirms, 'We see an entirely new hybrid organisation emerging with innovation and end-to-end integration, bringing a truly global perspective'.

At Marsh & McLennan, we have established different models for different operating companies – the driver is always 'what are the business needs at a given point in time, and what is the most appropriate model to support those needs?'. Our decision to implement outsourcing was driven by our need to draw a clear line between transactional processing and maintaining control in the business. To compare, our use of shared services was driven by the fact that we are in the business of selling finance and accounting service delivery ourselves, so we wanted to make a point to our clients that if we used it, we had complete faith in the model. We will continue to evolve our model to ensure it is fit for purpose for the future.

JOANNA REYNOLDS, GLOBAL SHARED SERVICE LEAD, MARSH & MCLENNAN

4. Cost remains the starting point

Finance leaders and several of their service providers agree on the same transformation starting point: efficiency is always the ticket to entry. Delivering more for less is the first goal; less cost and less complexity through standardisation eventually results in greater transparency, greater coordination and increased leverage – in short, greater effectiveness. With the 'process standardisation' box ticked across geographies, leaders are able to move up the finance value curve more rapidly. As Coca-Cola's Patrick van Hoegaerden says, 'our starting point was simplifying processes.'

At the same time, finance leaders are acutely aware of the fact that the business is less concerned about processes than about the outcomes of good processes – more cash, more information and more service. Kimberly-Clark's Simon Newton asks 'do shared services and outsourcing get you better? Will better talent and service create more value?'

While finance leaders and their service providers accept that transformation is a journey, there is not unilateral agreement about where to start. Both Genpact's Pascal Henssen and Capgemini's Chris Stancombe question leaders' predilection for starting down the transformation path with pure transactional activity. Both agree that while these processes deliver cost savings through scale, finance leaders should perhaps think more strategically at the outset, and recognise the greater benefits the journey can deliver.

> Going in, clients think they are saving cost but losing control. They get the cost advantage, but then start to realise that quality is rising because we are applying benchmarks to their performance. Then they recognise that their control is improving too. This then results in trust and subsequently value. That's the typical journey.
>
> CHRIS STANCOMBE, GLOBAL HEAD OF FINANCE AND ACCOUNTING OUTSOURCING, CAPGEMINI

5. Finance leaders differentiate between provider capability

Finance leaders suggest that not all finance and outsourcing providers are created equal with some providers being very good operators, and others being more strategic in approach. As such, a provider may be well positioned to transform the finance function but may not always be the right one for a full transformation journey. Joanna Reynolds of Marsh & McLennan confirms, 'the main reason we selected our provider was the flexibility and ability to create business solutions to suit our organisation'.

Increasingly, providers are pushing to differentiate their capability by aligning their market approaches with industry sector, on the premise that sector knowledge is a key buying criterion for leaders. Providers such as Genpact believe that in-depth sector or domain knowledge helps them understand the process business context. IBM's Austen McDonach suggests that the complexities of a particular industry may influence the extent to which the client wants to retain parts of the process. Capgemini's Chris Stancombe agrees that industry experience is a plus, saying 'there is no doubt that if you have got work in a sector, if you understand the industry and have other clients in that industry and if you want to benchmark, then there is an advantage'. For some clients, such as Astra Zeneca's David E. Powell, this knowledge and understanding is critical. But for others, skills in finance and accounting delivery are more important.

There is also a separation in the relationship between buyer and client. According to Accenture's Anoop Sagoo, 'some clients just want to put the provider in the box; they are more comfortable with this type of relationship' while Capgemini's Chris Stancombe acknowledges that the client's viewpoint can limit the providers' scope. Anoop further suggests that the overall nature of the relationship may be driven by the client's ambition and how he perceives the provider's capability, also saying that it's about a provider's ability to change with the client, 'a good business provider understands what the business imperatives are, and recognises they will change over time'.

Finance leaders not only differentiate between provider capabilities, but also worry about loss of their own capabilities through outsourcing. Unilever's Christian Kaufmann worries about the danger of outsourcing in relation to maintaining tacit finance knowledge in house. He concludes, 'a number of companies have outsourced their entire knowledge of process and they don't have a grip on it any more. We say you can't outsource ownership of process.' Graham Russell of WPP concurs, saying 'we tend to keep in-house the highly skilled roles, the ones you can't afford to get wrong'.

6. Finance transformation success rests on change management

Change management is viewed as the single largest barrier to success. While most finance leaders stressed the need for good communication, several focused on the essence of change – the organisation's ability to assimilate new ways of working.

Finance is challenged by the fact that the business does not deeply care about process, just results. So when the finance process changes, the business often thinks that the change is a waste of time and energy. Limited leadership buy-in outside the finance function and reluctance to adopt new rules means that is the status quo often remains. This is also why finance leaders recognise the importance of senior buy-in. As Shell's George Connell says 'Having a strategic mandate supported from the top was critical to the change journey'.

People are key to achieving finance transformation through shared services and outsourcing. As John Ashworth of Pearson says, 'our internal challenges were around change management and change readiness...change was undercooked'.

Change management is often made more complicated by geography and culture. Many finance transformation initiatives cross geographic borders and as such, sensitivity to cultural differences is exceptionally important. Understanding differences among organisations and individuals and their different responses to change is critical. As Coca-Cola's Patrick van Hoegaerden points out, 'developing a communication and change approach that recognises everybody is quite different and at different stages of acceptance is critical. Patience is important, and timing your move.'

Providers agree that change management is a big issue. But they are also perplexed, asking why buyers have not yet learned to manage change. Providers have experienced common issues including: ineffective communication plans, a lack of programme management skills, and insufficient client resources to help with migration. Terry Balzanella of EXL says, 'more often than not, we find clients ill-prepared for change management'. Vijay Damle of TCS agrees, clarifying, 'especially if the change is fast-paced and particularly if they (clients) have minimal prior experience of outsourcing'. But some respondents believe outsourcing change is more difficult than shared services change. As Kimberly-Clark's Simon Newton says, 'Providers don't always understand the additional change management issues of an outsourcing programme over captive shared services. Cultural, geographic and behavioural barriers between organisations are not simple. An arms-length agreement with contractual protection is not a good solution for bad business-user experience during change.'

> In all these finance transformation journeys, the hardest part is always change management. People don't know what they don't know. And it's never easy to take people on this journey when they don't know where they are going, they are not quite convinced because the function works today and has worked for a long time. There's a natural pushback to change.
>
> GRAHAM RUSSELL, DIRECTOR OF BUSINESS PROCESS OUTSOURCING (BPO), WPP GROUP

7. Retained function capability is the prime driver of value, yet is still a missed opportunity

Finance leaders' challenge is no longer 'am I doing the right thing by adopting a remote model'; it is now a question of 'how does the retained team add value?' Both leaders and providers say that the lack of focus on the retained team is a major obstacle to transformation success. As Accenture's Anoop Sagoo says, 'It's difficult to conceive when you're designing a shared service model that you can get a finance and accounting operation to the right level of efficiency and effectiveness without considering the retained function'.

The haste to implement often means the retained team's roles and responsibilities are not well articulated and this can result in overstaffing, duplication of effort and a lack of focus. As Marsh & McLennan's Joanna Reynolds points out, 'when we first implemented transformation we had a shadow finance organisation which wasn't particularly efficient...now we are clear about how the retained team's roles are changing, the skills and capabilities required, and how we communicate the change process to them'. Engagement and motivation of the retained team are also critically important, but often overlooked, as Pearson's John Ashworth confirms, 'we looked after the people that were leaving pretty well and didn't look at all well after the people left behind'.

Skills and capabilities are a key challenge; finance leaders recognise the evolution in skills that must take place. Implementing shared services and outsourcing often shifts responsibility of the retained finance team away from delivering finance processes to managing and governing finance processes and managing service delivery relationships. This means that new skills are needed including skills for managing change, problem solving skills and communication skills. Influencing skills are also important in helping to ensure buy-in from key stakeholders in the business by demonstrating value is being added. It also requires a new mind set and different way of working. As Pearson's John Ashworth says, 'it requires a certain sort of behaviour, which is to embrace the change and look for opportunities to push deeper and create purpose for the retained function'. Kimberly-Clark's Simon Newton adds, 'in any new sourcing model, it's important to move from functional arrogance to a service mentality.'

EXPERT VIEW

From James Meader, partner, Ernst & Young

Both leaders and providers cite the lack of focus on the retained team as a major obstacle to transformation success when adopting shared services and outsourcing models. Often, the retained team's roles and responsibilities are not well articulated in the haste to implement, resulting in overstaffing and formation of a shadow organisation. Respondents complain that the retained team does not have the right skills to operate in a remote model, especially business partnering, governance, supplier management and the core analytical skills that ultimately move the dial for the enterprise. Leaders and providers recognise that new models require business capabilities, not finance capabilities.

A key impetus for shared service and outsourcing implementations is that the transaction processing activities are removed from the business, leaving the high value, commercial business partnering activities at its heart. However simple it may seem, many businesses never achieve this objective. They struggle to define business partnering roles clearly and communicate the transition, resulting in accountability confusion, skills gaps in the retained team, loss of trust by the business and unclear career paths. To address these challenges businesses need to define clearly what is expected of the retained organisation, conduct a skills assessment and train the team, as well as ensuring that career paths are developed and transparent.

Respondents are split as to whether deep finance skills are still required. Some believe a completely different shift that is required; Accenture's Anoop Sagoo describes it as a shift from operations to governance, saying 'there's a material difference', while Marsh & McLennan's Joanna Reynolds comments 'before, the person needed to be a good accountant. Now the person needs to be a stellar communicator and a problem solver.' Even so, Astra Zeneca's David Powell suggests that the retained team must still understand transactional processes while acquiring finance skill sets that go considerably beyond the control function. Coca-Cola's Patrick van Hoegaerden sums it up by saying, 'they need to become management accountants in the true sense of the word'.

Capabilities vary depending on which end of the spectrum of approaches the finance leader is taking. If the goal is business transformation then finely honed business skills in the retained function are necessary. As Shell's Connell says, 'these guys have to be well connected with their local businesses'. Marsh & McLennan's Joanna Reynolds confirms, 'we don't want good controllers in the retained function; we want people who understand the business'.

8. Client–provider relationship continues to be misaligned

Finance leaders are almost unanimous in saying that there is natural misalignment in the client–provider relationship when they outsource; solving it is of paramount importance in meeting their expectations. Alignment can 'make or break' the outsourcing model success and a lack of alignment between the parties' rewards and incentives can affect end-to-end finance service delivery negatively; here the trick is to get the balance right. Buyers still want providers to be able to tell them things they may not always want to hear.

Misalignment is manifested in several ways. Buyers and providers differ as to what is core to the finance function, versus non-core. Leaders are adamant that what is operationally non-core (eg standard in the industry) may be core from the standpoint of business impact within their organisations. Leaders also state that cultural values, targets and incentive packages are at variance with those of their providers. As Unilever's Christian Kaufmann says: 'From a provider perspective, their main goal in life is to make sure you can't switch'.

For Pearson, 'cultural fit' and 'tough love' were buying values in our partner selection. It is clearly a partnership, and yes, they are an extension of the team that we have to recognise but they will never be fully part of the team. The provider's team is not going to behave like our people all the time but we need their different perspective to challenge us and drive change.

JOHN ASHWORTH, HEAD OF FINANCE TRANSFORMATION, PEARSON

Misalignment is most obvious at the outset of a client–provider relationship. Respondents say that a major clash often occurs at the beginning of the relationship when the two parties disagree as to what value can be delivered quickly. Over time, an adjustment process takes place, compounding the change issues, not only between client and provider, but also between the finance function and the rest of the business it is trying to serve. Leaders are also concerned that providers' solutions are not necessarily what they really need, saying some providers promote a 'one size fits all' approach, expressing the view that 'if the function can be documented and centralised, it can be outsourced.'

Lack of alignment is also evident in the approach to deployment. Clients and providers alike agree that they view transformation speed differently, with providers pushing clients to adopt a 'big bang' approach. At the same time, providers such as EXL's Terry Balzanella agree that outsourcing, like any other transformation initiative, is a process that is built on trust gained incrementally over time, saying 'it's about building confidence and credibility within the organisation, opening their eyes and showing them what is possible'. IBM's Austen McDonach agrees 'When I look at the clients who have been with us longest, there's absolutely no doubt it's a step change. The trust will build, the expertise will build, and the risk is reduced.'

Often trust is affected by a client's unrealistic expectations; clients and providers alike admit that often clients start out by believing that outsourcing will instantaneously transform finance with limited effort on the client's part. Providers are critical of finance leaders, saying that clients want effectiveness but do not have the ambition to reach out for it and do not quite know how to get it. In the words of Infosys' Gautam Thakkar 'everyone wants to get to Hackett best-in-class, but nobody wants to take the effort to make it happen'. In reply, finance leaders assert that providers must learn to mirror clients' risk appetite and show a better understanding of the business issues that most concern clients.

9. Service and service delivery

There is a sense among leader respondents that while cost benefits are achievable, service benefits are rather more elusive. Finance leaders are committed to improving service delivery capabilities, regardless of the model they implement. They expect service deliverers, in the words of Kimberly-Clark's Simon Newton, to 'demonstrate a willingness to get involved in our business'. Leaders see remote delivery first and foremost as a customer service, with the attendant capabilities of relationship management and risk management.

Great service goes beyond simply meeting service level agreements. Genpact's Pascal Henssen concurs, saying that 'green SLAs across the board do not mean you are a happy customer'. Vijay Damle from TCS confirms 'when work is outsourced, there is a tendency at times for the service provider to ignore everything outside of the specific work instructions'. He goes on to suggest the client has an important role to play too. 'When the client starts focusing on business metrics and less on SLAs, they start focusing on how we can make things better rather than trying to get the contract right.'

A critical success factor in driving business solutions, cited by both finance leaders and providers, is ownership of end-to-end processes that cross functional boundaries. Timing is an issue too. SLA's typically report after the event but what a client wants to capture is the 'here and now' and the quality of the service delivery they are experiencing. Some providers recognise the changing expectations of clients, but are frustrated that they do not have client authority to drive process improvements across these processes. As Infosys' Gautam Thakkar says 'For any provider to have impact on the process, the process must be owned end-to-end'. This challenge is also recognised by finance leaders who struggle to hold the necessary cross-functional authority. As Unilever's Christian Kaufmann says, 'nobody has fully embraced end-to-end because what it basically means is that different functions must talk to each other; normally big corporations do struggle with that. It's a challenge'.

We differentiate between the quality of service delivery and the quality of the client experience. For Kimberly-Clark the quality of SLAs may be consistently green, but the quality of experience targets, which reflect the key business metrics, were often red. Now we place much more reliance on quality of experience than quality of service.'

SIMON NEWTON, VICE PRESIDENT – SHARED SERVICES, KIMBERLY-CLARK

10. Conclusions

The global experts who contributed to this report agree that there is simply no turning back from shared services and outsourcing as a finance transformation tool. Though labour cost savings may decline over time, it is the other benefits of finance 'remote delivery' that will continue to prevail; continuous improvement of finance processes, better governance over finance operations, more efficiency.

In practice there is a spectrum of approaches to finance transformation adopted. At one end some businesses focus primarily on fixing finance processes and reducing cost; others see finance transformation as an opportunity to transform the business and drive solutions which go beyond the confines of the finance function to deliver improved business performance. Here, attention is refocused on reshaping the finance construct to better support the business, so the question now becomes one of alignment – how do you deliver a finance shared services and outsourcing model that supports the optimal finance model for the business and drives business, not just finance, performance.

To this end significant challenges still prevail. Our experts acknowledge particular problems with articulation of the role of the retained team, the development of appropriate skills and capabilities and the interplay of the retained finance team with the shared service or outsourced delivery team. This is symptomatic of a shortfall in broader change management capabilities, cited by our experts as the key barrier to transformation success. There are issues too in the alignment of client – provider relationships and a question from finance leaders as to the capabilities of providers to provide a quality of service experience which goes far beyond the attainment of service level agreements to truly meet business needs.

What does this report signify for tomorrow's finance function? If finance leaders seek transformation that drives improved business performance rather than simply the achievement of finance goals, a more complex service delivery model is likely to be needed. Mastering the ability to effectively make the change to this new model is critical. Are finance leaders ambitious enough and capable of developing and sustaining the right model that connects the business to significantly drive higher levels of business performance? Do finance teams have the capability to reengineer the way the business works, getting them to adopt a new finance model? Can the retained finance team adapt, attaining new capabilities such as deep insight, governance, management and service in order to make shared services and outsourcing work as part of the new finance model for the business. And are providers capable of developing the solutions and delivery approaches required by finance leaders? ACCA's ongoing programme on finance transformation will seek to address some of these questions.

EXPERT VIEW

From Nick Atkin, partner, PricewaterhouseCoopers Consulting

Creating shared services and/or outsourcing elements of the finance function is clearly a key enabler for improving effectiveness and efficiency. Through our broad experience implementing these solutions, we know that it's critical to ensure that this forms part of an overarching vision and strategy for finance and that the new operating model created is fully aligned and operates effectively for the business as a whole.

Finance leaders need to create the right balance between efficiency – deploying initiatives to improve the efficiency and effectiveness; control and compliance – making sure there is the appropriate balance of robust controls without constraining the business, and insight – aligning with the business to provide an effective performance management framework and communicating with impact. The shared services element must align and support these objectives, after all Finance leaders will be measured on the quality of the overall service that finance provides not only that of the shared services or outsourced organisation.

Whether a captive shared services centre or an outsourcing strategy is adopted finance leaders must create and communicate a compelling case for change. This must engage and energise the organisation at the economic, rationale and the emotional level. The transition needs to balance risk, quality and cost as well as provide clarity about the journey that they are embarking upon.

Inevitably these initiatives result in changes to skills and people. New skills such as service management and governance will be increasingly important. It will also free up time for finance professionals to become true partners to the business providing insight to drive strategy and better decision making.

Finance is at the forefront of the shared services and outsourcing revolution. Many organisations that started with the transactional elements of finance are now looking to increase the scope to include more high value finance activities such as reporting and analytics. Also many are looking to create global business services organisations by adopting the shared services and outsourcing techniques that have often been developed first in the finance function into other areas such as HR, procurement, IT and facilities management.

Clearly there is no turning back for shared services and outsourcing. Finance has led this charge and gained many important lessons however there is still a lot to do if finance is to fully exploit the opportunity. The same is now true for the business as a whole. Can finance lead the way to global business services?

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About the authors

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Jamie Lyon leads ACCA's global research and insights programme on finance transformation with a particular focus and interest on the evolving role of the finance function, the emerging role of the CFO and finance leaders, and related human capital issues across finance such as talent development. He qualified as an accountant in 1999. Prior to ACCA he spent many years in industry as a finance professional working in the UK and overseas.

DEBORAH KOPS

Deborah Kops is the founder and managing principal of Sourcing Change. Formerly a founding partner of one of the first global business processing outsourcing (BPO) units , the CMO of a leading offshore BPO, managing director of FleetBoston's (now Bank of America) Services Group, managing director of Global Sourcing Transformation for Deutsche Bank and consulting partner at PricewaterhouseCoopers and Arthur Andersen. Deborah now works with leading companies to manage globalization challenges. She is also a research fellow of award-winning analyst firm HFS Research, and a member of the editorial board of the industry-leading publication Outsource Magazine.

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