

# HIVING IT OFF

Offshore, onshore, not sure? Finance functions are changing radically, with operations being outsourced or consolidated in shared service centres. We explore the key issues

**T**he past decade has witnessed an explosion in the number and scale of finance functions that have been outsourced or consolidated into shared service centres (SSCs). At the same time, these newly transformed finance functions have started delivering different kinds of services, with many moving up the value chain to encompass strategic and analytical roles as well as more traditional transaction processes.

But for every organisation that has decided to follow this route, there will be different reasons driving not only the initial decision, but also the subsequent developments.

Shared services and outsourcing are global phenomena that have shaken up businesses in all sectors, regions and sizes. Their impact has not only been felt at the corporate level but also at the individual level.

considering how it affects their careers.

Speaking at a recent webinar (see box opposite) on the topic, Tony Osude, ACCA's head of global relationships and services, said: 'Finance professionals are becoming

**'FINANCE PROFESSIONALS WILL HAVE TO HAVE A SERVICE MENTALITY, WHETHER THEY ARE OUTSOURCED OR NOT... UNCERTAINTY IS A GIVEN'**

An outsourced finance function or SSC creates opportunities and challenges for individuals as well as organisations. While a business may be asking about the benefits it can reap from transforming its finance function, finance professionals will also be

increasingly involved with shared services and outsourcing, whether through managing the outsourced functions, working within them or setting them up in the first place.'

Outsourcing, in all its various guises, offers significant career opportunities. Osude said finance professionals had to ensure that they were sufficiently involved to maximise the benefits from these opportunities.

Deborah Kops, managing principal of consultancy Sourcing Change, said: 'Finance professionals will have to have a service mentality, whether they are outsourced or not. They need to understand the interface between themselves and their clients, be finely tuned to risk and cost and the implications for their own careers.'

But underneath it all must lie the desire to give the organisation the right service at the right price. 'It is a balancing act where uncertainty is a given,' says Kops. 'The finance professional wants to keep the organisation out of the headlines while driving the business and being at the table when every decision is taken.'

For Kops, the real issue is whether an organisation can afford not to

## \*OUTSOURCED WORLD

### Offshore and nearshore finance and accounting outsource delivery locations

#### THE AMERICAS

Belo Horizonte  
Buenos Aires  
Costa Rica  
Curitiba  
Gaspar  
Guadalajara  
Guatemala  
Hortolandia  
Juarez  
Montego Bay  
Monterrey  
Montevideo  
Quito  
San Jose  
Santiago  
Sao Paulo  
Tulsa

#### EMEA

Abu Dhabi  
Bratislava  
Brno  
Bucharest  
Budapest  
Cairo  
Casablanca  
Cluj  
Dabrowa  
Dubai  
Johannesburg  
Katowice  
Krakow  
Lodz  
Lublin  
Prague  
Rabat

Sofia

Timisoara

Varna

Warsaw

Wroclaw

#### INDIA

Bangalore  
Chandigarh  
Chennai  
Delhi NCR  
Hyderabad  
Jaipur  
Kochi  
Mumbai  
Nasik  
Pune

#### CHINA AND SOUTH-EAST ASIA

Bangkok  
Cebu  
Chengdu  
Colombo  
Cyberjaya  
Dalian  
Guangzhou  
Hangzhou  
Kolkata  
Kuala Lumpur  
Manila  
Okinawa  
Shanghai  
Singapore  
Tianjin

Source: Everest Research, based on information from over 20 service providers

transform finance. 'Developing a finance function with the right skills, in the right place at the right time is absolutely key, as is selecting the right organisational option.'

Some organisations have set up captive SSCs – outsourced functions they own and operate themselves with their own staff. Others have contracted with a third-party provider to deliver finance operations. A growing number are employing both methods to deliver a full range of processes.

Whatever the form, it is clear that shared services and outsourcing have become the transformation tool of choice, according to Kops. 'It looks very different from just a few years ago, when it was delivered in-house and down the hall.'

Indeed, it might not be in the same country or even the same continent. Location decisions include onshore, nearshore or offshore. In one or more places? And how much or how little to retain in-house?

And location is just one aspect of outsourcing. What about controlling risk? How do you deal with regulatory and tax issues? Where do you draw the line for scope? How fast or slow? How do you reskill or upskill your staff? How do you measure success? How do you ensure all parts of the organisation follow the same path? What are the data and information risks? How do you prevent an outsourced function from becoming out of sight and out of mind? In short, how do you know you've got it right?

For Kops, a transformation is successful if the centre 'scales', compliance is high, and 'noise' is low within the organisation. Success can also be judged against service level agreements and key performance indicators. But there is no nirvana. 'It is continuous evolution,' Kops said. 'Stop, and you have underestimated the opportunity and power [of shared services and outsourcing].'

The webinar audience raised a number of issues. Some asked how the next generation of finance

professionals would be trained if positions were moved offshore. Osude said he thought there would be significant changes in training and that this should be seen within the context of the CFO's increasingly strategic role. Professionals would be exposed to a far broader range of activities.

Others asked whether outsourcing would increase exposure to risk. Kops said there would always be risk, but much depended on how you viewed it. Continuous change meant risk, but professionals must learn how to manage change and, therefore, risk.

One participant asked whether there was a scale below which outsourcing would not be appropriate. Kops replied that scale wasn't the driver; rather the complexity of the function would dictate the appropriate form.

A final question addressed the risk of outsourcing to a particular location given the unpredictability of the global economy. Kops said some organisations are now looking at networks of SSCs and outsourcing in regions around the world. 'The leader [of the outsourced function] needs to understand the differences and manage them as a portfolio,' she said.

Questions will continue to be asked about the most appropriate form of outsourcing, and the answers will be different for different organisations. But ultimately the goals are the same: cost reductions, harmonisation and standardisation across the organisation, efficiencies and synergies through scale, and better access to finance and accounting talent – all in the pursuit of competitive advantage.

**Philip Smith, journalist**

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## \*WEBINAR

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