

Shared Services

CHARACTERISTICS OF SHARED SERVICES

Shared Services is not a new concept, especially in the finance function. What is fairly recent however is the focus on Shared Services as a vehicle for fundamental large scale change, in many cases coupled with a move to a regional processing centre on a common systems platform.

Shared Services have been defined thus “Companies are increasingly bundling supporting processes into a separate organization, which in turn treats those processes and activities as the core of its own business. The idea behind shared services is that to get more bang for the buck you share some common elements of every business unit.”¹

As thinking about Shared Services has evolved over the last decade or so, we have observed the following characteristics :

- **There are many ways of approaching the design and rollout of Shared Services;**
- **The best fit approach for any organization will reflect its underlying culture as well as its business challenges;**
- **A Shared Services initiative usually implies the use of an Enterprise Resource Planning (“ERP”) system, and indeed Shared Services may evolve from an ERP initiative;**
- **As with ERP projects, adoption of a Shared Services approach implies a significant commitment of budget, resource and time.**

It is worth making two other comments. Firstly, that a move to Shared Services does not necessarily imply the move to a single geographical location, although this is not uncommon. Secondly, we can already observe many cases of well established Treasuries, which meet the definition of Shared Services, often operating from a single location on pan-regional or even global basis. What is still not common is to see financial Shared Service operations where Treasury operations have been designed as an integral part of the structure.

OPPORTUNITIES AND ISSUES AROUND SHARED SERVICES

The first point to note is that the adoption of the Shared Services concept shares many of the challenges associated with ERP projects, including

- **Expense and complexity and associated need to derive significant benefits;**

¹ “Shared Services – adding value to the business units” John Wiley 1999

- **Benefits can be demonstrated in similar areas (including risk management, liquidity and cash management, and bank relationship management) but need to be claimed, they do not evolve or arise naturally;**
- **Challenges around finding the skills and experience necessary to access all the expected or required benefits.**

However, there are often additional challenges associated with the move to Shared Services in its own right:

- **Fundamental organizational change is often a pre-requisite**
- **Processes are being re-engineered around value chains, not functions.**

Correspondingly, we can see that some significant opportunities arise:

- **To get back to basics and re-engineer treasury, cash and banking processes from the ground up, optimized for the new environment;**
- **To share resources involved in these activities rather than duplicating effort;**
- **To centralise risk management activities, particularly risk identification, based on the re-engineered information flow through the Shared Services organization;**
- **To centralise liquidity management activities, including funding and investment if required, and realise significant improvements in the use of funds;**
- **To rationalise and standardise the corporation's commercial cash management and banking relationships.**

CRITICAL SUCCESS FACTORS

Again, the Critical Success Factors around ERP projects will apply equally to Shared Services, repeated here for convenience:

- **Early engagement and co-ordinated design of processes**
- **Rationalization of in country bank structures**
- **Appropriate choice of regional banking partners**
- **Efficient design of bank structures**
- **Effective project and change management**

However, we suggest that a number of these factors become even more critical in a Shared Services environment, for instance:

- **Engagement with the main project must occur early enough to support:**
 - **recognition of the risk, liquidity and banking opportunities created by the move;**
 - **the business case for Shared Services with appropriate, accessible benefits;**
 - **the appropriateness of strategic design decisions (for instance, which elements are in or out of scope).**

- **Process design using a value chain model requires specific risk, liquidity and cash management skills to ensure that effective and integrated processes are agreed for order-to-cash and purchase-to-pay;**
- **Choice of bank structures and partners has a direct impact on efficiency and required headcount, via the quality of banks' customer service offering**

HOW ARC SOLUTIONS CAN HELP

In the environment outlined above, ARC Solutions supports its clients in a number of ways:

- **In identifying benefits to be realized in the areas of risk, liquidity and cash management, in order to support the business case;**
- **Organisational design of Treasury operations within the Shared Services organization;**
- **Supporting the design of fully integrated order-to-cash and purchase-to pay processes, based on good practice standards;**
- **Designing and supporting a bank selection process specifically tailored to the needs of the Shared Services group;**
- **Planning the tasks, timings and resources required to meet agreed due dates;**
- **Assisting your change management team with the experience we have gained in making change in finance and Treasury processes.**

If you would like to discuss further the opportunities to leverage Shared Services in your organisation please contact us at:

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