

BECOMING A KEY PLAYER IN SHARED SERVICES

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Management accountants can be crucial participants in shared service centres - if they can adopt an outward facing role at the nexus of information flows. This discussion between a group FD and a management accountant shows how it can happen.

Much has been written about the power of financial shared service centres (FSSC) – lower costs, clearer focus, better IT, new location, new people, scalability, standardisation, and so on.

Our aim in this article is to discuss a common frustration from shared services managers that, when things go right, shared services are invisible, but otherwise, they are simply a cost to the business.

Management accountants can be key players in FSSCs, either as managers of the financial shared services or as in-house customers of the FSSC.

How can they adopt an outward, front office, role, at the nexus of organisational information flows and supply chain relationship with divisions, rather than the inward looking, back office, role that accountants might have been traditionally used to?

Niggling directors

The scene is set in the office of a hypothetical group finance director. He is in discussion with financial shared services centre manager Josie Lockhart - a management accountant who has been with the group for 12 years. She worked in the corporate head office until the FSSC was set up three years ago.

GFD: I keep getting niggled about shared services from the divisional directors. They are not saying the service is bad, but that they don't like paying for it. When I press them, they say that they aren't sure if they're getting value for money. **JL:** Our problem is that, while everybody accepts the rationale for shared services, I seem to be engaged in a constant PR campaign. I should be spending more time improving the service, but instead I feel more like a sales rep.

GFD: OK - let's stand back for a moment. What do you think the purpose of the FSSC is? I buy the arguments that it's saving money, it makes commercial sense, and everyone is doing it, so it can't be that bad! But, tell me why we should do it? Why don't we just contract the whole thing out - now, of course, that we understand it?

JL: The FSSC was originally conceived to reduce headcount and increase efficiency through using better IT, business process re-engineering and cutting out duplication between divisions.

The initial revolutionary change developed into a culture of continuous improvement within the FSSC and, as the FSSC became established, the confidence of the business unit management has largely been won.

More recently, we have started to reflect on what else shared services represent. In one sense it has become the glue that binds the company together. If you think for

a moment what is difficult about this business it comes down to pleasing customers, and keeping the support of our stakeholders.

Now to put that into perspective, we live in a globalised world and many companies can do what we do technically. But they can't do it on the scale that we do and in the way that we do it. To put the question the other way around "Why don't our technical staff set up in competition?" The answer is that they would be denied the oxygen of the support services that they presently rely on (and take for granted)!

GFD: And the bottom line is?

JL: That shared services make a commercial logic beyond the individual tasks that we do. No doubt a third party outsourcing specialist could also do those tasks, but taken together, shared services define and preserve what we do. Moreover, to stakeholders, shared services define how we do it.

Let me explain.

Stakeholders want to be assured that we look after their interests. This means making decisions in their best interests and protecting the value of the company. In essence, this is corporate governance. In other words, accountability, visibility and transparency - all the things that a shared service centre enhances.

By placing the common support services outside of the strategic business units, we are creating visibility of those processes, while the business units focus on their core competencies. We know what's going on without interfering. Control is improved.

Best of both worlds

GFD: But 20 years ago we had most of the support functions in head office and everybody said "That's bad - it's all too remote, ivory tower thinking." Now the gurus exhort us to think local, get close to the customer, to choose solutions that are "best of breed" not simply some homogenous global standard. Are you telling me that we've moved backwards?

JL: In the past 20 years there has been a trend in both the public and private sectors towards outsourcing and marketisation such that market forces then determine the best price. Running a business becomes a case of satisfying customer needs by packaging a bundle of bought in services around a core expertise. The outsourcing model assumes that the market can't be wrong, or at least, it's difficult to criticise the notion of market forces as a control mechanism. The alternative model is not to trust anyone and to do everything in house - that is, within the hierarchy of the firm.