



The Development of F&A Shared Services

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Market Assessment
October 2010

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Abstract

The purpose of this report is to identify attitudes towards the use of internal finance & accounting shared services.

The objectives of the report are to identify:

- ❑ Key F&A shared services issues and initiatives, including issues in supporting the parent organization and fellow subsidiaries, and the level of cost savings sought
- ❑ Satisfaction with F&A shared service centers, including satisfaction by service type, and areas for improvement
- ❑ Planned extension to use of F&A shared service centers
- ❑ Contractual mechanisms used, including identification of plans to commercialize internal shared service operations
- ❑ Planned outsourcing or divestment of F&A shared services operations.

This report is designed for:

- ❑ Operations and sourcing managers investigating developments in use of shared service centers
- ❑ Marketing, sales, and business managers developing strategies to target F&A service or center acquisition opportunities
- ❑ Financial analysts specializing in the support services sector

The term business process outsourcing (BPO) is defined as the outsourcing of business functions or processes. In order to qualify under this definition BPO contracts must involve the vendor taking responsibility for operational management of the business activity.

Potential BPO activities include:

- ❑ Front-office services, including customer management services & billing services, and document management services
- ❑ Middle-office administration services
 - ❑ Industry-specific processing services e.g. mortgage processing services and card processing services
- ❑ Back-office support services
 - ❑ Finance and accounting services
 - ❑ HR Services including payroll services, HR administration services, managed recruitment services and training provision and administration
 - ❑ Services for procurement of indirect goods and services

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Chapter

1

Introduction

A

Objectives and Scope

The purpose of this report is to identify attitudes towards the use of internal finance & accounting shared services.

The objectives of the report are to identify:

- Key F&A shared services issues and initiatives, including issues in supporting the parent organization and fellow subsidiaries, and the level of cost savings sought
- Satisfaction with F&A shared service centers, including satisfaction by service type, and areas for improvement
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This report is designed for:

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- Financial analysts specializing in the support services sector

The term shared F&A service center (SSC) is defined as the provision of an F&A service by a specially established service unit within an enterprise to multiple divisions, subsidiaries, or countries across the enterprise. This contrasts with the services being provisioned by individual business units for their own consumption. For the purpose of this definition business processes, services, and IT services are included in the definition.

Potential F&A shared services include:

- ❑ Purchase-to-pay
- ❑ Order-to-cash
- ❑ Record-to-report
- ❑ Management accounting
- ❑ Financial planning and analysis.

B

Methodology

The approach taken to analyze the current and future role of F&A SSCs was to interview F&A shared services centers executives to identify organizations' SSC operational intentions. The survey is based on interviews with executives within 40 F&A SSCs. The survey attempted to identify the respondent's attitudes towards:

- ❑ Key F&A shared service center issues and initiatives
- ❑ Satisfaction with F&A shared service centers and areas for improvement
- ❑ Delivery location suitability & intentions
- ❑ Future changes in management and structure of shared service centers
- ❑ Future introduction of shared and third party services
- ❑ Attitudes towards commercialization of F&A SSCs and contractual mechanisms

The breakdown of number of senior executives interviewed by geography was:

- ❑ Europe 23
- ❑ U.S.: 14
- ❑ Asia: 3

C

Structure of the Report

The report is structured into the following chapters:

Chapter I: Introduction

Chapter II: Executive Summary

Chapter III: Satisfaction with Overall Finance & Accounting Function

- Principal issues faced by F&A functions
- Satisfaction with overall F&A function by attribute

Chapter IV: Satisfaction with F&A Shared Service Centers

- Satisfaction with F&A shared service centers by process and attribute
- Current location suitability
- F&A shared service center initiatives planned

Chapter V: Future Introduction of Shared and Third-Party Services

- Criteria used to switch activities between F&A SSCs and third-parties
- Additional services planned within F&A SSCs
- F&A processes that are candidates for outsourcing

Chapter VI: Use of Third-Party Services and Contractual Mechanisms

- Attitudes to commercialization of internal shared service center
- Attitudes towards outsourcing & divestment of F&A SSCs
- Conditions required for F&A SSC divestment.