



DELIVERING STRATEGIC SOLUTIONS ACCA'S 2000 ANNUAL MEETING

Shared Services Centers



The Corporate European Challenge

Strömsnes & Gill-Eldh

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List of Abbreviations

BSC	Balanced Scorecard
BU	Business Units
CEO	Chief Executive Officer
CFO	Chief Finance Officer
EFTA	European Free Trade Area
EIU	Economist Intelligence Unit
EMEA	Europe, Middle East and Asia
EMU	European Monetary Union
EU	European Union
G.A.A.P	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
HR	Human Resources
IASC	International Accounting Standards Committee
IDA	Industrial Development Agency of Ireland
IOSCO	International Organization of Securities Commission
IS	Information Services
IT	Information Technology
KPI	Key Performance Indicators
LAN	Local Area Network
MCC	Mobil Coordination Center
R&D	Research and Development
ROI	Return on Investment
SBU	Strategic Business Units
SLA	Service Level Agreement
SSC	Shared Services Center
WAN	Wide Area Network
VAT	Value Added Tax

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Summary

Part One - Role of finance

Chapter 2: Role of finance today and the drive for change

The role of the finance function is changing dramatically. One should no longer consider the finance function as a place where simple routine transaction-based work is carried out. Today, a trend towards a decrease in transaction processing and an increase in decision supporting activities can be seen within the finance function. The cost of the finance function over revenues should equally be reduced in order for a company to stay competitive into the millennium shift.

Chapter 3: Vision of the finance function of a 21st Century company

As companies seek new ways to increase efficiency, traditional financial tasks become obsolete. Organizations must free up time and resources for the finance staff in order for the finance function to get more involved with the core activities and become a business partner with the other functions of the organization. By business partnering with other functions of the company, the finance function adds value to the entire organization. The CFO will also play a more important role in a 21st Century Company by acting as an enabler of the creation of the new finance function.

Part Two - Optimization of a finance function

Chapter 4: The Shared Services Center?

Today, companies search to optimize the finance function by implementing Shared Services Centers. A Shared Services Center frees up the business units from repetitive work and enables them to concentrate on their core activities. Technological development has been the most important enabler for the migration to Shared Services Centers. For Europe, the evolution of the European Union and the EMU project are also important factors for a pan-European business approach, such as a Shared Services Center.

There are great many financial and non-financial benefits from implementing a Shared Services Center. However, there are also pitfalls and risks. Shared Services do not have to be strictly financial. Many functions of a company can benefit from migrating activities to Shared Services Centers. In the near future, even front office activities will be candidates for migration.

Chapter 5: Is outsourcing an option?

Is outsourcing activities to a third party for an agreed price really a good solution for the finance function? Even though outsourcing and Shared Services Centers are quite similar concepts, there are evidence that talks in favor of Shared Services Centers for a number reasons. There are inherent dangers in outsourcing activities. Therefore, many companies choose to combine outsourcing and Shared Services Centers in order to find the most intelligent solution.

Part Three - Implementing a Shared Services Center

Chapter 6: The Standardization phase

Standardizing processes is crucial for a Shared Services Center implementation. Companies most often use standardized software for the standardization phase. Using standardized software across the organization will increase transparency and efficiency in external and internal reporting. Implementing standardized software entails many benefits such as reduced costs of procurement and maintenance and upgrading advantages.

Moreover, SAP and Oracle are the most popular software applications used in Shared Services Centers in Europe according to the executives that responded to the Shared Services survey presented in chapter 13.

Chapter 7: The reengineering phase

Many companies start their migration to a Shared Services Center by reengineering the processes. Teams are often formed that are designing the processes. When reengineering the business processes, the functionality of the standardized software must be considered.

Chapter 8: The Consolidation phase

Consolidation is often the phase, which entails the greatest synergy effects. The process to select a site for Shared Services Center implementation is very important for a company. Three major aspects are considered: the location itself, factors regarding the legislation of the location and the workforce of the location.

According to the executives that responded to the Shared Services survey, a clear trend towards implementing a Shared Services Center in the U.K. and in Ireland could be seen. This seems to be a reasonable scenario, since most of the companies surveyed are of U.S. origin.

Part Four - Considerations for Implementation

Chapter 9: Legal and tax arrangements

Organizations that are migrating to a Shared Services Center have several options. Different legal structures can generate tax benefits for a company. The commissionaire arrangement is such a structure where the Shared Services Center is the principal and the business units operate as the agents. This arrangement is becoming increasingly popular among companies that have located their Shared Services Center in low tax countries.

Chapter 10: Service Level Agreements

The service level agreement is a very important factor to consider in the migration process to a Shared Services Center. Which services are the SSCs providing and what are the relationship between the center and its customers? Several executives meant that this factor should be properly addressed from the very beginning.

There is a growing trend for the adoption of a balanced scorecard as the performance measurement of a SLA. The balanced scorecard has many advantages. It makes the staff better understand their role in the organization and encourage them to focus on their work. A BSC contains more than financial metrics. Factors such as the human capital of the organization, customer satisfaction and product innovation are also measured.

Chapter 11: Company-wide systems

More and more companies are using the Internet for distributing information across the business units and the Shared Services Center. Internet computing entails many advantages such as cheaper and speedier flow of information. Thus, company-wide systems enhance organizations' productivity and efficiency and thereby their competitive position.

Chapter 12: International convergence of accounting principles

Globalization of businesses is making companies aware of obstacles that are hindering uniformity of accounting principles. The IASC and the IOSCO are working to attain such uniformity of accounting principles across the international markets. However, there still is a long way to go.

Part Five - The Shared Services survey

Chapter 13: The Shared Services survey

The rate of response to the Shared Services Survey was a success. Close to 80% of the companies, that have a SSC in operation or are implementing one, responded to the survey. Most of the executives that responded to the Shared Services Survey had implemented the SSC after 1996 and the majority covered a large number of countries. Size of the company has no bearing to a Shared Services Center decision. The multinationals that migrated were of all different sizes. It is often smaller companies that are operating the most sophisticated centers.

The implementation time varies a great deal from organization to organization. Half of the executives reported less than twelve months for the implementation of the SSC. A clear majority of the executives was satisfied with the implementation of a Shared Services Center and over sixty per cent have achieved over twenty per cent in cost savings. The cost of the finance function has also improved for most of the companies surveyed. No company reported a change for the worse.

Part Six - Interviews

Chapter 14: Interviews with Shared Services Center executives

We take a look at the Shared Services Centers of Oracle Corporation, Amdahl Corporation, The Lego Group, Black & Decker Corporation, ABB Support, SKF AB, Royal Philips Electronics, P&O Nedlloyd, Electrolux AB and Celero Support Corporation. Aspects such as the background of their Shared Services Center project, the implementation phase, activities centralized, constraints, Service Level Agreements, results and the future are addressed.

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