

## Finance shared services and outsourcing

*Magical, mythical or mundane?*



*An IBM Institute for Business Value executive brief*

## **IBM Institute for Business Value**

IBM Business Consulting Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This executive brief is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Business Consulting Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to [iibv@us.ibm.com](mailto:iibv@us.ibm.com) for more information.



# Finance shared services and outsourcing

## *Magical, mythical or mundane?*

### Executive summary

Within finance organizations, cost reduction has been a constant focus – inherent in the very nature of the function. But many companies are recasting the role of Finance. They are attempting to transform Finance from a backward-looking, number-crunching organization to one that is future-oriented and focused on providing value through deeper analysis and insight.

To get a glimpse of how that journey is unfolding, the IBM Institute for Business Value, in cooperation with the Economist Intelligence Unit, conducted a survey of 210 senior finance professionals from 45 countries. From our analysis of the results, three prevailing themes emerged:

- *Striking a balance* – CFOs face constant trade-offs as they attempt to maintain efficiency, effectiveness and control while managing complexity and risk in pursuit of profitable growth. Sound corporate governance, enhanced control environments and effective risk management are all critical. But Finance also has to offer high-caliber insights that help create competitive advantage and drive growth. And all of these objectives must be achieved without sacrificing the past decade's hard-won efficiency gains.
- *Facing structural complexity* – A trail of inadequately integrated acquisitions, rapid expansion into new markets, and decentralized business models have left Finance with inherent structural complexity. In addition to the associated inefficiencies, this fragmentation is making it difficult for companies to achieve their global aspirations.
- *Moving beyond a shared services bias* – The potential magic of shared services to reduce cost and improve performance trumped Finance's initial fears and, today, the use of shared services is widely accepted. While

the initial myths that surrounded shared services have been dispelled, actual results have been more mundane than magical. And yet, as Finance grew more comfortable with shared services, it developed a natural bias toward them, while transferring a similar shroud of fear to outsourcing.

To help Finance overcome these obstacles and make headway on the transformation journey, we recommend three strategies:

- *Build in balance* – Implement a three-tiered organizational model for Finance that is specifically designed to provide both stability and flexibility. Working in concert with the business, the top tier, Business Unit Finance, focuses on driving profitable growth. Central Finance, the middle tier, balances risk and performance. A combination of shared services and outsourced activities form the bottom tier, which helps manage complexity through automated reporting and efficient transaction processing.
- *Think globally, but execute globally and locally* – Factor in the corporate strategy and operating model when designing Finance's operating model. However, commonality should be the pervasive goal. Leading companies set standards globally, and then work closely with local leaders to address valid deviations.
- *Blend approaches for faster results* – Accelerate the transformation through a combination of outsourcing and shared services. Consider opportunities to bypass the natural evolution from decentralized activity to shared services to outsourcing; though it may require overcoming some initial apprehension, a direct path to outsourcing can often provide a faster, less expensive route to desired results.

## Introduction

For more than a decade, finance organizations have been pursuing a cost reduction agenda. Simultaneously, Finance has been attempting to transform itself from a backward-looking, number-crunching organization to a function that is future-oriented, with a focus on analysis and problem solving. While many can lay claim to achieving their cost and efficiency objectives, far fewer have created an effective organization that provides insight to the business that drives bottom-line impact. Shared services have been used as a key enabler of change, but with mixed results. What is the next step? How does the CFO continue to balance the interconnected dimensions of effectiveness, control and efficiency while managing complexity, supporting profitable growth and balancing risk?

In recent years, a number of studies have focused on the cost savings provided by labor arbitrage through outsourcing. Few have specifically addressed finance functions. And very few, if any, examine outsourcing's strategic and transformative benefits beyond the primary pursuit of cost savings.

Our discussions with clients led us to approach this topic from another perspective: analyzing the strategic benefits and the effectiveness of shared services and outsourcing in Finance. Our study highlights a number of important challenges associated with the finance organization's transformational aspirations. Further, the study results provide guidance for finance executives on how they can re-imagine the shape and purpose of their organizations, as well as how they can better execute a combination of shared services and outsourcing to improve Finance's organizational efficiency, effectiveness and control.

*It used to be about standardization; it's now about managing complexity. It used to be about controlling cost; it's now about profitable growth. It used to be about performance; it's now about balancing risk and performance.*

### About the study

To better understand how enterprises are reshaping their finance organizations to address key challenges, meet end-state objectives and improve enterprise value, the IBM Institute for Business Value, in cooperation with the Economist Intelligence Unit, surveyed 210 senior finance professionals from 45 countries. The participants, who represent organizations from a wide range of industries and company sizes, were predominately (82 percent) senior finance professionals with titles of Chief Financial Officer (CFO), Deputy CFO, Senior VP of Finance, Finance Director or Controller. The balance represented senior management, business unit leaders or country directors (see the Appendix for study demographics). In addition to the survey, the research team conducted several interviews with representatives of leading companies across the globe to obtain additional perspectives.

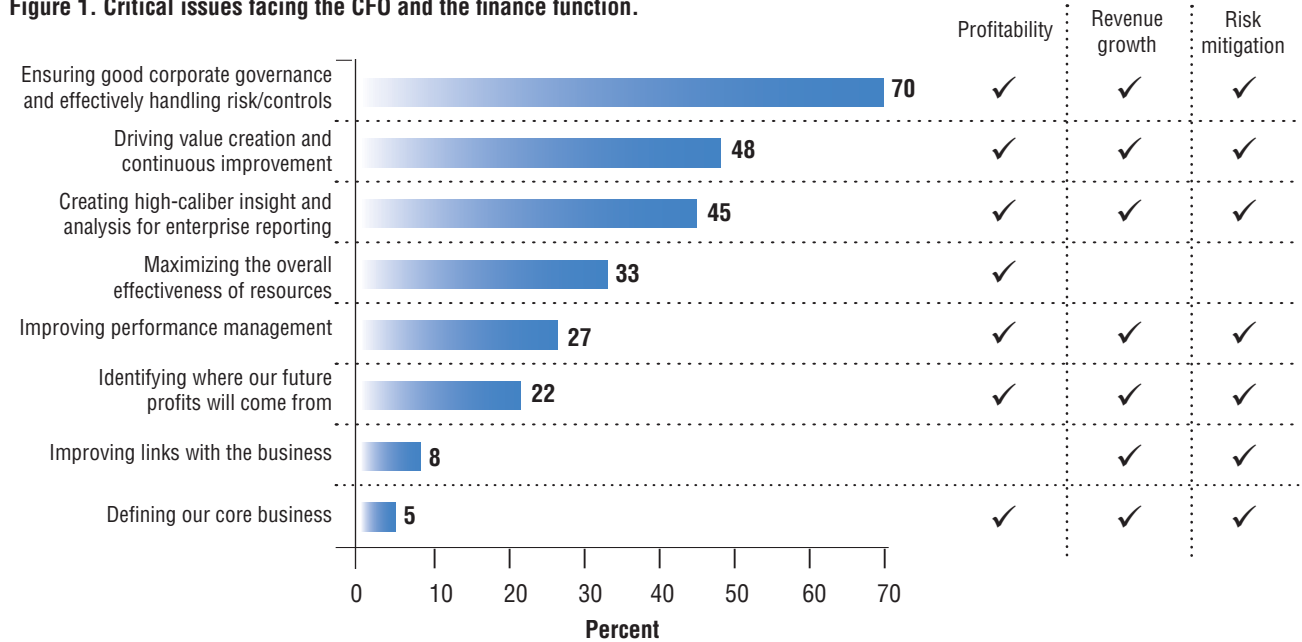
## Striking a balance

The objectives for Finance have changed. It used to be about standardization; it's now about *managing complexity*. It used to be about controlling cost; it's now about *profitable growth*. It used to be about performance; it's now about *balancing risk and performance*.

We believe the CFO of today is focused on striking and maintaining balance... increasing the top line and improving the bottom line, while mitigating the risk within the appropriate levels of control. The challenge for Finance is to maintain balance across these dimensions without unduly favoring any of them. We found that the top concerns of the CFO and the finance function were related to all three objectives (see Figure 1).

Good governance is an excellent example of the required balancing act. Not surprisingly, we found senior finance professionals are concerned with enhancing control environments and increasing effectiveness without surrendering their hard-won efficiency gains. Executives today have less leeway when making trade-offs between the desired level of control and its associated cost. Sarbanes-Oxley, in the United States, and similar legislation worldwide have renewed the emphasis on visibility, control and process documentation. Organizations that cannot

**Figure 1. Critical issues facing the CFO and the finance function.**



Source: IBM/Economist Intelligence Unit survey; IBM Institute for Business Value analysis.

respond effectively and fully to compliance requirements will spend the majority of their time responding to government inquiries and demands – not running their business and certainly not building competitive advantage, driving value creation and creating high-caliber insight.

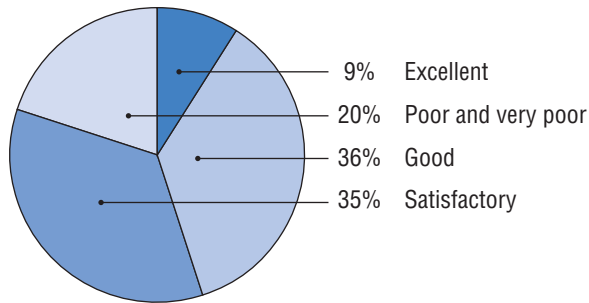
Given the current environment, 70 percent of finance professionals believe corporate governance and effective handling of risk/controls are critical. Further, seventy percent or more report that transparency, continuous monitoring, proven controls, timely periodic reporting as well as evidence of robust data quality and measurement systems are important in reassuring stakeholders of sound organizational governance. Clearly, effective handling of risk/control contributes to business success.

**Off balance**

Creating high-caliber insights, driving value creation and optimizing resources also help maintain balance by increasing the effectiveness of the business units and Finance. Nearly half of the survey respondents view value creation and high-caliber insights as critical. However, with more than half their time devoted to transaction processing,<sup>1</sup> many finance professionals face challenges in simply meeting compliance deadlines, with even less time left for providing high-caliber insights. Regulatory compliance, transaction processing and the sheer pace of change have finance organizations off balance.

Although Finance seems to be drowning in data, insight gleaned from that data remains elusive. Only 9 percent of survey respondents rated themselves “excellent” at gathering, interpreting and conveying information in a way that drives profits (see Figure 2). Contributing further to this problem, 50 percent indicate that, while information is plentiful, it is not focused, not relevant and not suitable for taking action.

**Figure 2. Respondents' ranking of ability to gather, interpret and convey information to senior management in a way that helps drive profits.**



Source: IBM/Economist Intelligence Unit survey; IBM Institute for Business Value analysis.

One-fifth of the survey participants say that performance of their finance organization is poor or very poor – and more than one-third of those who rank their organizations in that category are associated with companies with more than US\$10 billion in annual revenues.

Our findings suggest that Finance often lacks the time, skills and tools to focus on insight development. In particular, systems have not kept pace with the growth of larger organizations. Finance needs new tools – as well as the time and expertise to use them – to realize its aspirations of creating high-caliber insights.

According to the IBM 2004 Global CEO study, four out of five CEOs believe that revenue growth is a major priority for the next three years.<sup>2</sup> Yet, many organizations struggle with planning for profitable growth. Over 40 percent of the finance professionals surveyed felt their organizations lacked integrated planning across strategic, management and operational units. Additionally, over forty percent reported inadequate forecasting abilities and nearly forty percent believed budgeting processes were overly complex. Considering the finance transformation efforts implemented over the past ten years, one can readily see that progress in this area has been hard-fought. With these continued challenges, it will be hard to identify and deliver profitable growth and predictable financial results.

Without renewed focus on operational excellence, balance will be difficult to find.

**Consider the following questions:**

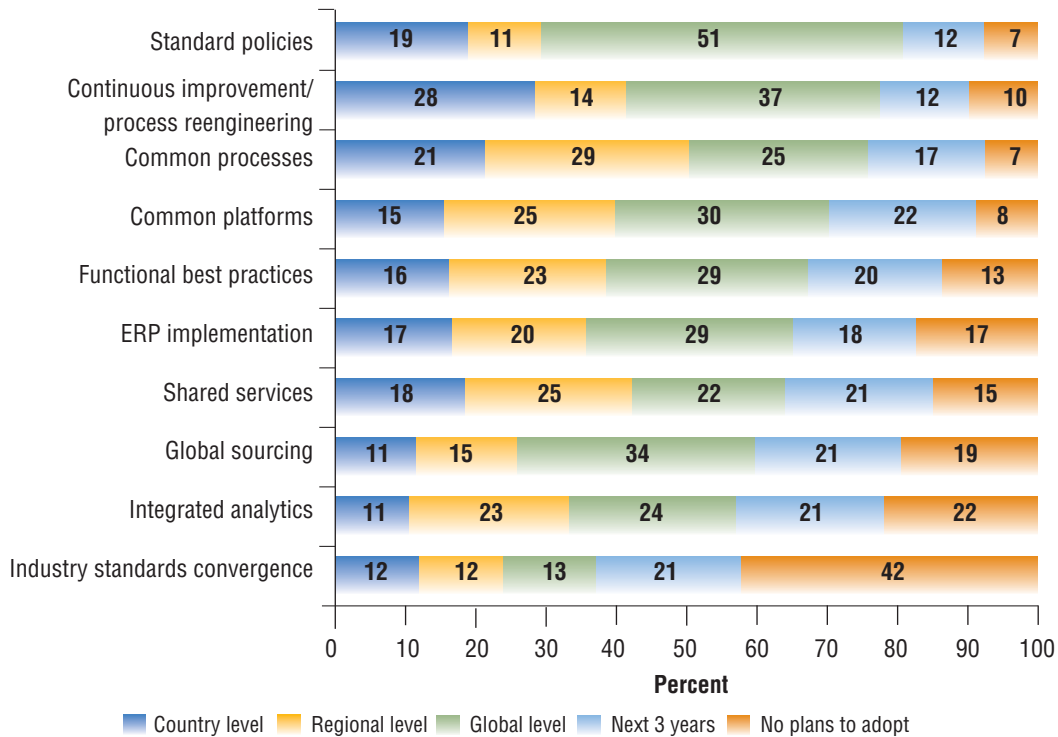
- To what extent do you believe Finance is providing the appropriate risk mitigation strategy?
- How effective is your finance organization at turning data into information that aids senior management in better decision making that results in revenue growth and greater profitability?
- How well equipped is your finance organization to evaluate the risk/reward of revenue growth opportunities?
- Have you identified integration points between risk and performance management initiatives to get the most out of your compliance efforts?
- What barriers prevent you from obtaining a view of enterprise value and its creation?

**Facing structural complexity**

On any given day, it seems that at least one business journal discusses a company that is “going global.” But what does this mean and how does it impact Finance? Although more and more companies are adopting a global perspective, a dearth of common global finance processes drives complexity into key accounting process and technology improvements (see Figure 3). While “global” is not possible for every business, most organizations experience tension between global aspirations and local or regional level execution, which leads to inherent structural complexity. The reasons are understandable: partially integrated acquisitions, decentralized business models, or rapid geographic, market or product expansions. However, the impact can ripple throughout the organization. Today, it’s not enough to think globally; Finance must execute globally to keep up with the trends of the best performers.

*Organizations with global common processes were twice as likely as organizations with local common processes to have employed global process and technology improvements.*

**Figure 3. Which of the following process and technology improvements has your company's finance function already undertaken?**



Source: IBM/Economist Intelligence Unit survey; IBM Institute for Business Value analysis.

While just over half of the surveyed organizations set global policies, the design of processes to carry them out remains fairly localized. In analyzing the survey results, we found that organizations with global common processes were twice as likely as organizations with local common processes to have employed global process and technology improvements. But on the whole, technology, best practices and platforms remain country and regionally focused, much like the finance processes they try to transform. With this fragmentation, companies have difficulty achieving their global agendas of leverage, reach and value enhancement, and instead are settling for cost savings at the country or regional level. Without continuous focus on reducing structural complexity, the tools aimed at improving efficiency will remain less effectual. Though they are fairly recent developments, the decrease in communication costs, the increase in

computing power and the promise of middleware capable of linking disparate systems puts globalization within closer reach.

In an attempt to reduce complexity, Finance has used shared services as a mechanism for achieving both efficiency and effectiveness. Eighty percent of the survey respondents currently use, or plan to use, some kind of shared services for one or more finance processes at a local or broader level. Given this prevalence, shared services, which provided a strategic advantage in the past, have now become a tactical necessity. This high percentage may be somewhat deceptive. When implementing shared services, organizations predominately do so at a country or region level. With only 22 percent adopting global models, the ability to achieve global finance objectives remains very limited. As with other improvements, the shared services story mirrors the common process story.

**Given the exogenous drivers, complexity within Finance will never completely go away. Consider your finance organization and ask yourself:**

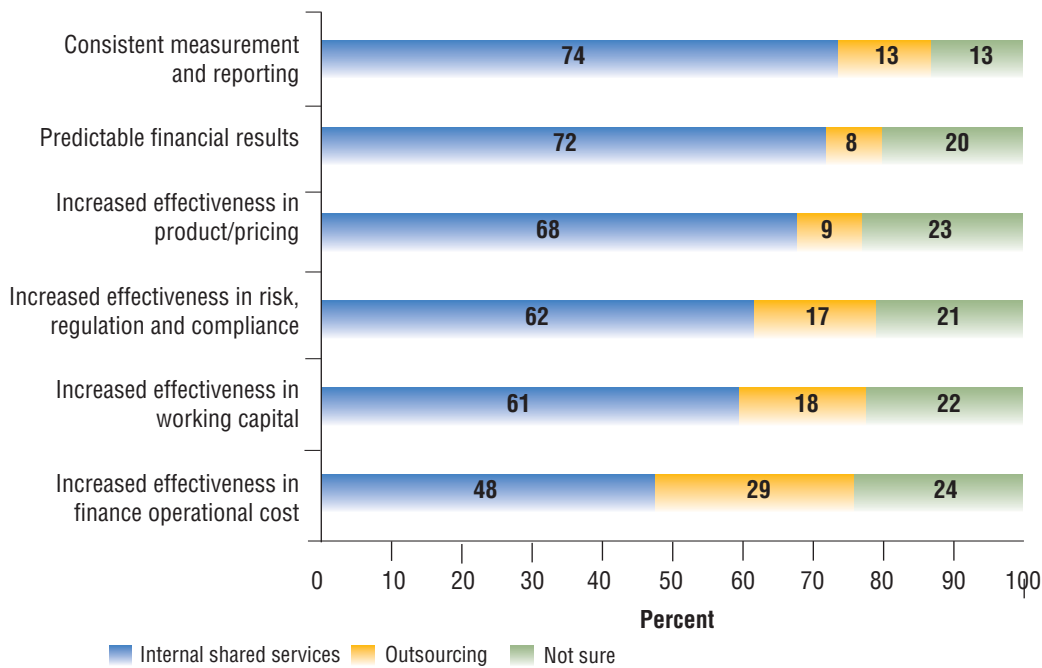
- What are the drivers of structural complexity in your business (e.g., mergers and acquisitions, globalization, etc.) and how have they changed over the past ten years?
- How has the structural complexity of Finance changed?
- Are your common processes more local or global? What steps are you taking to make them more global?
- Is your finance organization sufficiently flexible to address increasing business complexity and an accelerating pace of change?
- Have your underlying tools and systems kept up with the pace of change?
- To what extent are you relying on external parties to help manage your growing structural complexity?

**Moving beyond the bias**

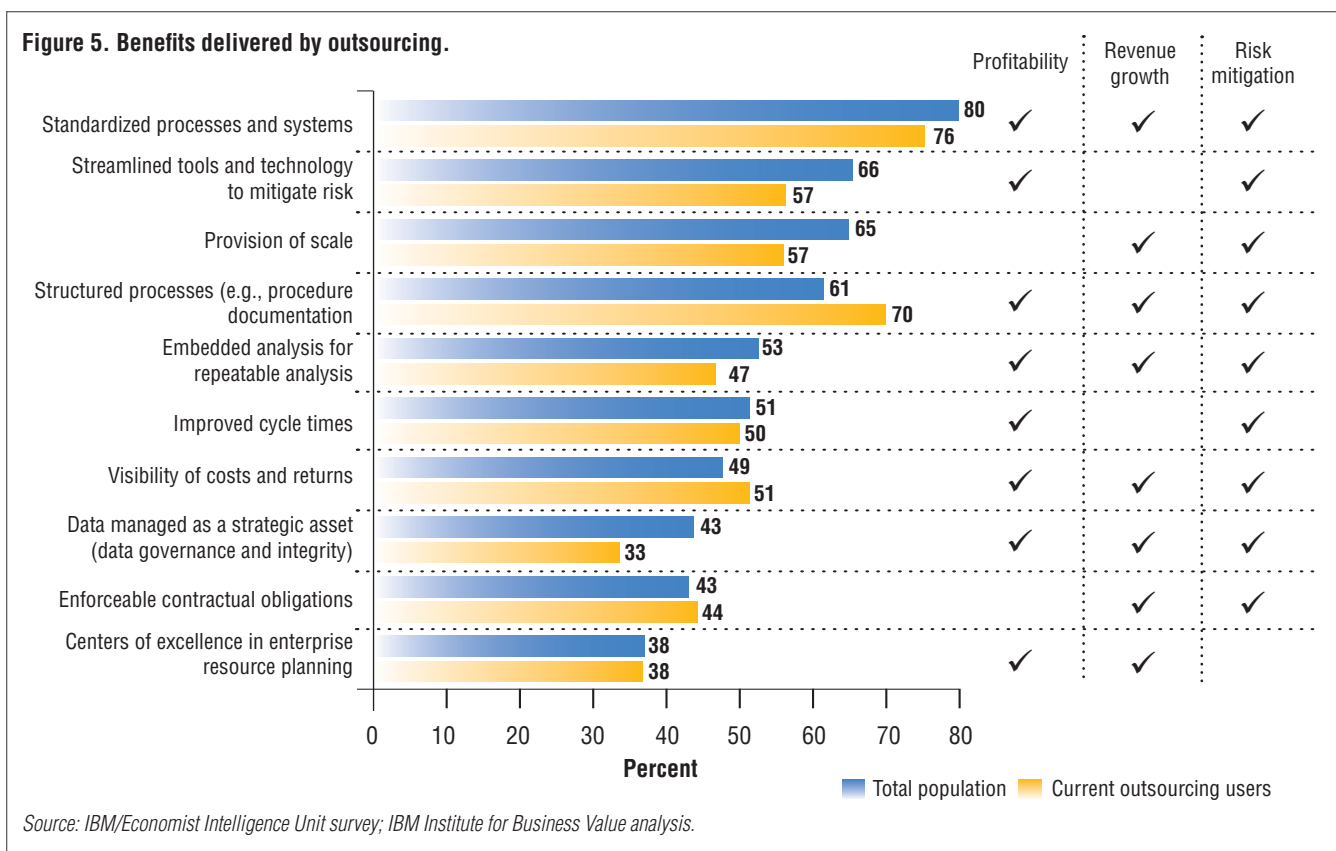
Over the last decade, shared services have become almost institutionalized and are now seen as an effective delivery model for achieving end-state objectives (see Figure 4). However, with such a consensus on shared services, can they truly be a “game changer”?

These results reflect the maturity of shared services. Once perceived as risky, they are now readily embraced by finance organizations. While many companies have trusted shared services to drive down the cost of Finance, have organizations truly excelled at the end-state objectives listed in Figure 4? Have shared services helped organizations with the struggle to strike a balance? Looking beyond what has been accomplished through shared services, nearly one-third of the survey respondents recognize the next step-change in operational cost savings will come from outsourcing. These results imply that while shared services have

**Figure 4. Which delivery vehicle would be most effective in providing end-state objectives?**



Source: IBM/Economist Intelligence Unit survey; IBM Institute for Business Value analysis.



gained acceptance among finance organizations, they have not become an overwhelming magic potion for cost reduction and performance improvement. Often, shared services initiatives lack the mandate from senior management to drive migration and compliance. Thus, the time to benefits is delayed, the return on investment lowered and the risk increased.

Meanwhile, many respondents acknowledge benefits from outsourcing, such as accelerated or improved process/system standardization, risk mitigation, scale and structured process documentation (see Figure 5). These benefits may go a long way in helping finance organizations strike the elusive balance they seek. Approximately half the organizations surveyed have experienced or anticipate additional benefits like visibility of costs and returns and improved cycle times to support performance management and control activities. In short, these respondents believe outsourcing can not only clarify how

costs are incurred, where revenues are earned and help speed up revenue-earning activities, but also make their companies stronger and more competitive over the long term. Based on our discussions with clients, early adopters seem to concur, adding that outsourcing providers ultimately offer continuous improvement, enduring savings and centers of excellence – benefits that are rarely foreseen at the outset of improvement efforts.

**Facing fear**

Given the perceived benefits of outsourcing, why does a bias toward shared services remain? In a word: fear. Once perceived as a risky option, the long-held myths about shared services have been debunked. Those myths, however, have been transferred to the concept of outsourcing. This is not atypical for an early adoption phase.

*“[In our case,] the service providers are running our processes. We are still very much involved in a lot of the day-to-day stuff that goes on. Whether we should be or not is a debate for another day. But [fear of losing control] has not been a problem for us.”*

— Regional Controller, Global Integrated Oil Company

For example, over 60 percent of those surveyed indicate concern over losing control of planning and controlling; 40 percent fear a loss of control over sensitive data or potential leakage of that data; and a third perceive a loss of control over the processes and function. Almost a quarter believe that their corporate culture could not handle that kind of disaggregation, outsourcing would be too expensive, or they do not know a qualified provider. A fifth consider their finance functions too unique to be outsourced despite more than sixty percent in Figure 5 perceiving benefits from standardized and structured processes. The finance organization’s time and experience with shared services has led to a recognition that shared services myths were just that, myths. It will most likely be the same with outsourcing.

*We “nominated global process owners (e.g., for accounts payable) – [and considered it] one of the first and most important steps we took. The process owner can override constraints, obstacles and worries that they see as unfounded, including misplaced fears about loss of control.”*

— Global Accounts Payable and Asset Accounting Executive, Global Technology and Services Firm

Yet, our interviews suggest that as leading companies outsourced processes, they learned their fears over “loss of control” were unfounded. These companies proactively managed the relationship with their providers to understand day-to-day obstacles and work through them. This relationship management, in some cases through a global process owner, has proven to be a critical success factor in overcoming these fears.

To a great extent, many finance organizations have found that shared services have not delivered on their initial promises. The reasons are numerous and complex (e.g., political, cultural, economic, etc.) but usually center on the organization having a conceptual commitment without a true transformation of processes or people allocation. This may be, in part, why outsourcing is viewed skeptically.

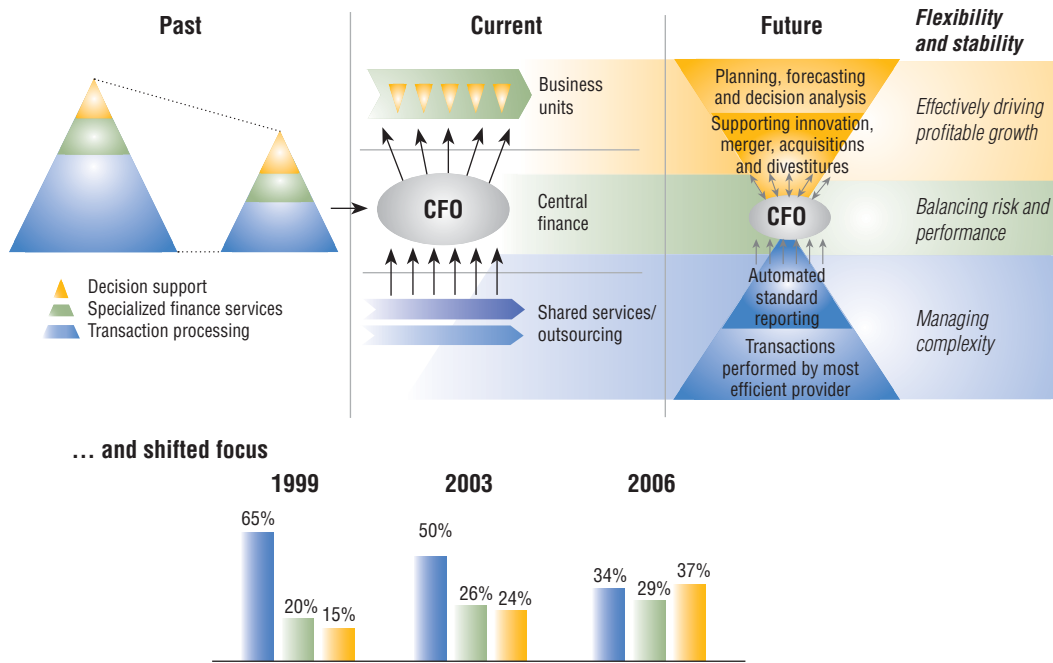
**We pose some thoughts to consider about your own finance organization:**

- Did your transition to shared services provide the anticipated benefits?
- Do your shared services centers continue to provide strategic advantage?
- What would it take to move your shared service centers to best-in-class processes and systems? Is your organization willing to do it?
- How can you combine your current shared service centers with finance and accounting outsourcing to enhance risk and performance management?
- What are your organization’s key challenges in adopting outsourcing?

**Recommendations for action**

Based on the results of this study, the IBM Institute for Business Value has identified a number of areas where organizations can improve balance and accelerate the transformative benefits through a better blend of shared services and outsourcing:

Figure 6. Finance has changed in both size and shape over the past few years...



Source: Bramante, Jim, Gregor Pillen and Doug Simpson. "CFO Survey: Current state and future direction." IBM Business Consulting Services. 2003; Read, Cedric, Jacky Ross, John R. Dunleavy, Donniel S. Schulman, James Bramante. "eCFO: Sustaining Value in The New Corporation." John Wiley & Sons, 2001; IBM Institute for Business Value analysis.

**Build in balance**

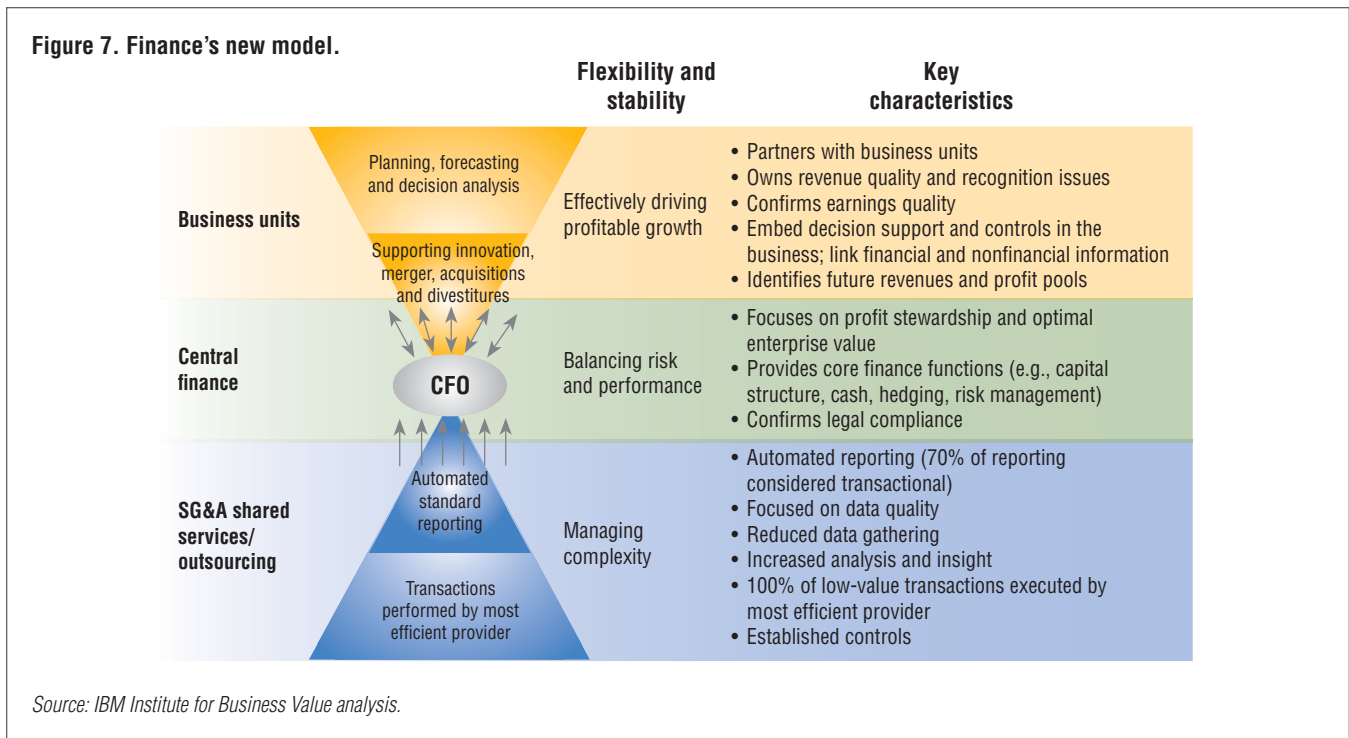
Develop a three-tiered finance organizational model that provides both the stability and flexibility to support profitable growth, balance risk and manage inherent complexity.

For a very long time, Finance focused on providing transaction processing services. Pay the bills. Invoice the customer. Apply the payment. Record the journal entries. Close the books. Specialized services were limited and decision support was provided on a narrow basis (see Figure 6). But enterprise systems and automation in conjunction with shared services presented Finance with the opportunity and the means to provide higher-value services to the business.

Struggling to support profitable growth, balance risk and manage inherent complexity, Finance will be challenged to provide both stability and flexibility. However, a new model for Finance is emerging (see Figure 7).

Performing this balancing act is never easy, but with a transformation agenda in place, it becomes more achievable. The transformation agenda should be specific and unique for each finance organization. However, in order to position Finance for its new role, the agenda will need to include:

- Decision support and controls fully embedded in the business, enabling better decisions at the operating level, but supported by Finance through a combination of internal and external providers



- Core finance activities, such as capital structure management, consolidated into a small, focused centralized finance team
- Transaction processing and specialty services (e.g., tax and internal audit) handled using the most efficient and effective provider, enabling a substantially lower and more variable cost structure.

Business unit finance activities will focus on effectively *driving profitable growth*. Working in partnership with the business, these executives will provide the flexibility to address new business issues. Decision support will be embedded in the business. Reporting and decision support activities, long considered the ultimate, but elusive, goal of finance organizations, will be transformed. Standard reporting will be automated, allowing finance professionals to focus on driving insight and value related to nonstandard issues.

Central Finance has the responsibility of *balancing risk and performance*. They provide the effective handling of risk and controls. It is also their responsibility to provide transparency, continuous monitoring, timely periodic reporting, and robust data quality and measurement systems to reassure stakeholders of sound organizational governance. To do so, control points must be embedded in each process; those points must be understood; and auditors must be able to confirm process output.

To manage complexity, Finance can use a combination of shared services and outsourcing to drive common processes and systems and make it easier to absorb back-office functions from acquisitions and geographic, market or product expansions. A structured merger and acquisition strategy can actually reduce complexity over time. Whenever possible, finance organizations should structure these common processes and systems globally to enable greater benefits and to address structural complexity.

**Think globally, but execute globally and locally**

*Pursue finance transformation within the context of your overall corporate strategy and operating model.*

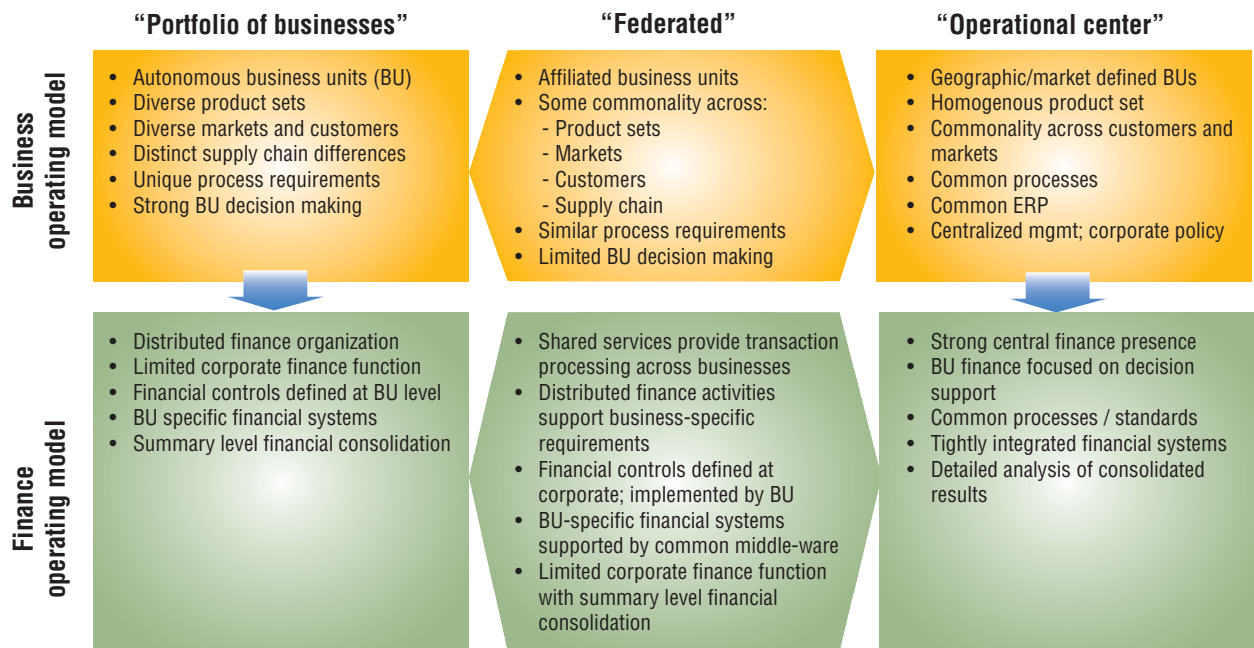
To address inherent complexities, it's not enough to think globally. Organizations have to *execute* globally and locally. They must consider the realities of their corporate strategy and operating model but drive as much commonality in processes, systems and best practices as possible (see Figure 8).

Leading companies are using a global approach for standard setting to optimize costs and benefits from transformation initiatives. Process owners recognize the real differences between countries but are also able to articulate clearly the benefits of common practices and to work closely with the appropriate country leaders to mitigate unfounded concerns and to address those that are valid.

*“We’ve seen that a global approach to internal standard-setting is the best way to optimize the cost/benefit point of a given sub-process activity... Clearly there are real differences between countries, but prior to standardization, the global process owner engages with the local finance management team and explains the benefits of coming onto the common practice... The process owner decides which concerns are unfounded and which are valid.”*

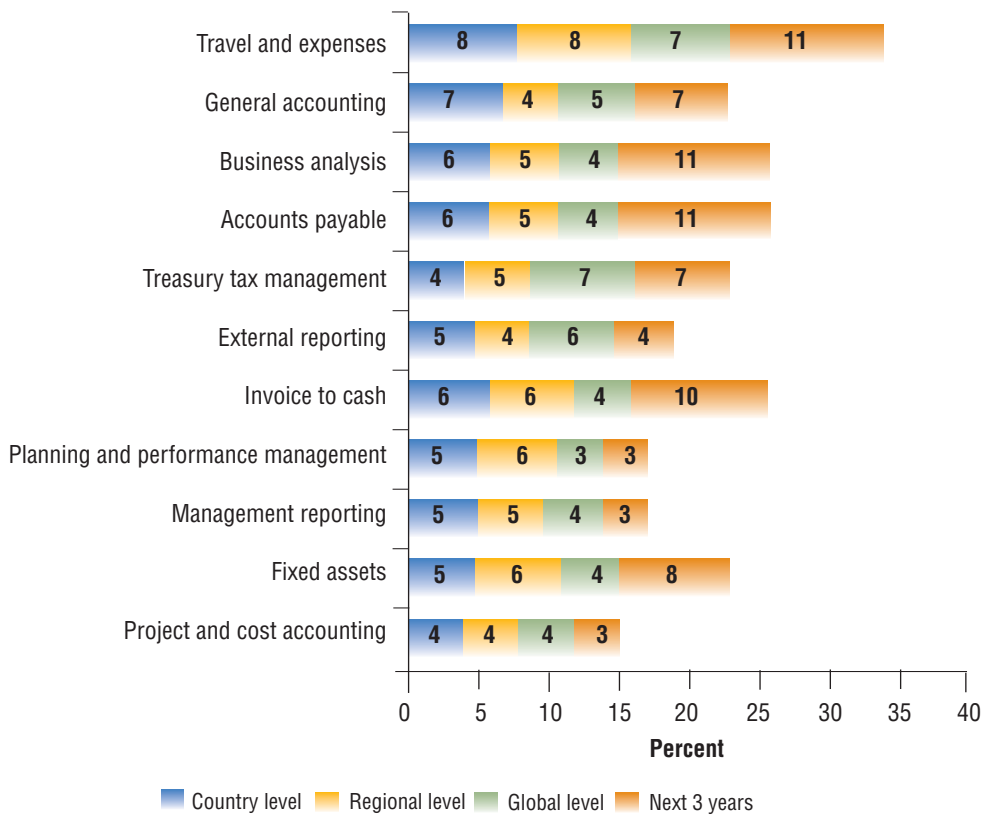
– Global Accounts Payable and Asset Accounting Executive, Global Technology and Service Firm

**Figure 8. The Finance operating model will vary based on the business operating model.**



Source: IBM Institute for Business Value analysis.

**Figure 9. Currently outsource or plan to outsource to an external provider.**



Source: IBM/Economist Intelligence Unit survey; IBM Institute for Business Value analysis.

Additionally, there is not one right answer. Transformation must take place within context to be truly successful. Therefore, the finance organization must recognize and identify how the company’s unique business operating model creates challenges and obstacles from a political, cultural and funding standpoint. These challenges and obstacles must be mitigated, but the chief mitigation factor is often a senior executive mandate for change.

*Over one-third of the organizations surveyed have turned to outsourcing one or more of their finance processes to meet new expectations and challenges.*

**Blend approaches for faster results**

*Accelerate transformation and responsiveness through a combination of outsourcing and shared services that mitigates the myths and fears about perceived loss of control.*

Growth and change are inherent in today’s business environment and the speed of change continues to accelerate. In order to maintain pace with the business, Finance must be able to balance speed with stability, and control with risk.

We found that over one-third of the organizations surveyed have turned to outsourcing one or more of their finance processes to meet new expectations and challenges. However, as in shared services, local/regional arrangements for outsourcing are more common than global ones (see Figure 9).

This pattern is not surprising. Many organizations have taken a look at their shared services centers and asked themselves if they really needed to own them. Therefore, the processes moved to external providers reflect the geographic footprint of those shared service centers. Individual and standardized processes like travel and expense, general accounting and accounts payable, are most likely to be initial candidates for outsourcing to an external provider. Though nascent, some finance organizations are already outsourcing higher-order responsibilities like planning and performance management. But, for most, the decision of which processes to outsource and which to maintain internally will be subject to overcoming the fear of loss of control and determining core versus non-core processes. Since fears, in many cases, are the result of misinformed or uninformed finance leaders, education and understanding the realities of outsourcing are paramount.

Until fears are fully mitigated and competitive pressures dictate, the widespread adoption of outsourcing of higher-value processes will be slow. As more success stories are shared, fears will abate and finance professionals will better understand how to address the concerns. Meanwhile, agile, forward-thinking finance professionals are expanding their outsourcing efforts into additional areas to achieve greater effectiveness and resilience more quickly. As a result, outsourcing across finance functions is expected to grow an average of 41 percent, given the plans outlined in Figure 9.

As the incremental cost benefits from shared services are exhausted, Finance will need additional leverage. Furthermore, in many organizations, improvement and effectiveness of shared services has stalled, and CFOs are seeking alternatives to reignite the change process momentum. Combining shared services with outsourcing can provide needed leverage. Cost is a common driver

of outsourcing decisions; expense reduction is a simple but compelling rationale for change. Additionally, early adopters report that hidden strategic benefits often emerge as the organization's experience with outsourcing grows – in large part because companies are able to focus on their core competencies.

As one leading company indicated, the mere process of defining what is to be outsourced enforces a beneficial level of discipline. Contractual obligations and service level agreements require process definition and documentation. Policy making and transaction processing can become intermingled. The documentation required for outsourcing forces the organization and the external provider to delineate what is performed by each party. Ultimately, this collective understanding drives standardized policies and work redesign that, in turn, provide greater cost control. Additionally, the extensive communications and controls surrounding the reporting processes help support organizational governance models and regulatory compliance requirements.

For example, a leading company indicated that a single, global shared service center for Finance created an opportunity for one-time cost cuts and the continuous pursuit of further efficiencies. But after it achieved these reductions, the company looked at the various pieces of the shared services center and asked which it actually needed to own. This approach allowed the firm to determine what was core and what was non-core.

*“One board member said, ‘Are you telling us that an outsource provider can do this better than you can?’ We said, ‘Yes – because of the economies of scale and leverage that they have, and they have a lot of practice at this and they can do it better and cheaper.’ Management is looking for something that really adds some value.”*

– Vice President, Accounting and Controller, Global Energy Exploration Company

Other companies use outsourcing as a tool for rebalancing the finance portfolio. In these cases, they moved directly to outsourcing because they recognized economies of scale, expertise and “plug and play” component possibilities.

Some companies may be considering the use of shared services for certain processes. For these organizations, conventional wisdom has been to implement shared services and new technology in parallel (e.g., the “big bang”) because that approach offers a shorter (though more intense) disruption, a more cost-effective implementation and faster time to benefits. This alternative includes consolidation, knowledge transfer and, possibly, some transformation. But, the competitive environment suggests that implementing shared services is “catch up ball” not innovation, and a tactical necessity rather than a strategic advantage.

*“If companies keep doing what a specialist can do better, they are simply diverting resources to do things that are non-core and don’t add value to the business. By outsourcing, say, repetitive activities, it frees up my time to do the higher-value activities like decision support and providing better information.”*

– Director of Business Transformation, Global Technology and Services Firm

Pursuing transformation in three distinct steps – consolidating processes through shared services, transforming internally and then eventually outsourcing to increase competitiveness – can be costly. By moving directly to outsourcing, companies can spread the investment over the life of the contract, drive transformation through the provider, share the risk and provide a catalyst for faster benefits. Outsourcing providers have typically invested in best-in-class processes and technology. They can also implement improvement initiatives (e.g., Six Sigma, functional best practice, etc.) to address the root causes of issues and improve quality and performance.

## Conclusion

The findings from this survey reflect an overarching theme that is consistent across industries and organizations of different sizes: Finance is balancing competing demands in a complex internal and external environment. A shared services approach, once considered to be the panacea for all finance challenges, is now viewed as a commonly used element in the much broader finance agenda.

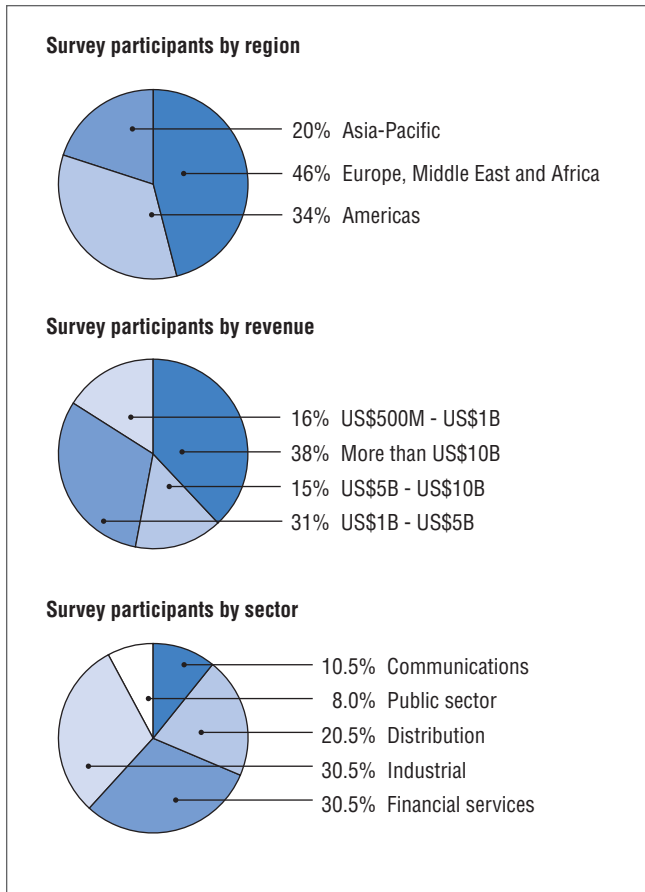
Finance must strike a balance between top-line protection and bottom-line improvement. The objective used to be about standardization; it's now about managing complexity. It used to be about controlling cost; it's now about profitable growth. It used to be about performance; it's now about balancing risk and performance. The benefits of striking a balance are strategic, transformational and financial.

Shared services no longer offer a distinct strategic advantage; they are a tactical necessity. Shared services were once considered a mythical entity: an organizational construct that would reduce cost, improve data consistency, upgrade the skills of the financial organization and enable Finance to truly become a business partner. But, as we have noted, these benefits can be elusive, and shared services have become another mundane component of businesses today. By reenergizing shared services and combining them with outsourcing, organizations can recreate the "magic." Although the once-common myths about shared services have been debunked, new ones have emerged about outsourcing. These myths will disappear too, as finance organizations realize anticipated (and unanticipated) benefits from outsourcing.

The staid, unchanging finance organizations of the 20th century must evolve into the rapidly changing, flexible finance organization of the 21st century. There are new tools, new points of view, new rules and regulations that must be analyzed and supported. The face of Finance is continuing to evolve. Shared services and outsourcing are both enablers of change, and together, they will play an integral role in Finance's success.

## Appendix

In November 2004, IBM Business Consulting Services and the Economist Intelligence Unit completed an online survey of 210 finance professionals from 45 countries. Eighty-two percent of the respondents were senior finance professionals with titles of Chief Financial Officer (CFO), Deputy CFO, Senior VP of Finance, Finance Director or Controller. The balance represented senior management, business unit leaders or country directors.



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## About IBM Business Consulting Services

With consultants and professional staff in more than 160 countries globally, IBM Business Consulting Services provides clients with business process and industry expertise, a deep understanding of technology solutions that address specific industry issues, and the ability to design, build, and run those solutions in a way that delivers bottom-line business growth.

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- <sup>1</sup> Bramante, Jim, Gregor Pillen and Doug Simpson. "CFO Survey: Current state and future direction." IBM Business Consulting Services. 2003.
- <sup>2</sup> "Your Turn: The Global CEO Study 2004." IBM Business Consulting Services. 2004.



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