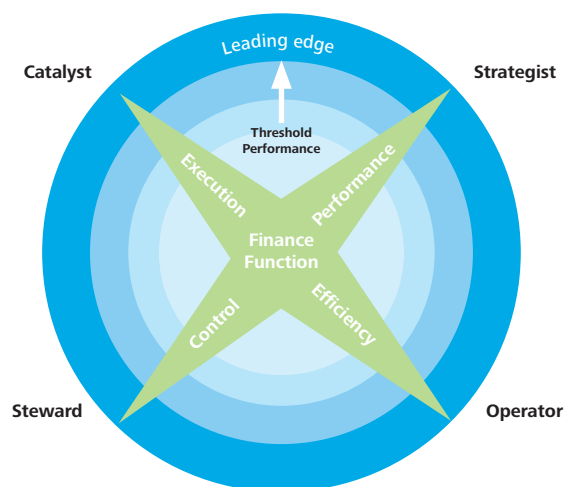


## CFO Insights: Beyond consolidation: Unlocking value from shared services



Many CFOs have good reason to be interested in shared services. With initial headcount reductions from implementing shared services averaging 14 percent, and annual productivity increases averaging eight percent thereafter,<sup>1</sup> CFOs may have a bottom-line motive for at least considering shared services for their company—and those that already use shared services may have a case for increasing its contribution to the business.

Deloitte's<sup>2</sup> *Four Faces of the CFO* framework offers CFOs a useful tool for understanding the benefits that shared services can deliver and identifying ways to more effectively pursue them. According to this framework, every CFO is called upon to play four distinct roles within the enterprise: operator, catalyst, steward, and strategist (see chart). And in this issue of *CFO Insights*, we use that framework to help CFOs identify specific steps they can take to help unlock value from shared services.



### The operator perspective

Shared services' potential cost and efficiency benefits have proved attractive to many CFOs, who, in their role as operators, are responsible for running the finance organization in an effective manner. Ninety-three percent of the shared services centers in Deloitte's 2011 global shared services survey included finance processes, compared with 60 percent for HR and 48 percent for IT,<sup>3</sup> putting CFOs in the forefront of shared services adoption among functional leaders.

At companies with a finance shared services organization (SSO), the CFO can help improve its efficiency and effectiveness by supporting initiatives such as:

- **Improved process standardization.** CFOs can recommend shared services governance mechanisms, such as global process owners or process councils, that can help improve efficiency and effectiveness by supporting process standardization and improvement.
- **Greater consolidation.** Many transactional finance processes can be well-suited for achieving economies of scale through consolidation. CFOs interested in encouraging greater consolidation may wish to consider a global "hub and spoke" deployment model in which a single shared services center performs transactional activities for the entire enterprise, with additional centers (the "spokes") delivering more language-dependent and/or interactive services on a regional basis.
- **Scope expansion.** CFOs can support the use of a shared delivery model for finance activities "higher up the value chain" as well as for transactional tasks. Almost a quarter of the respondents to the 2011 Deloitte survey, for instance, indicated that they used a shared services model for financial planning and analysis (24 percent), forecasting (23 percent), and budgeting (23 percent).

### The steward perspective

In his or her capacity as steward, the CFO works to protect the vital assets of the company, enable compliance with financial regulations, and communicate value and risk issues to investors and boards. Little wonder, then, that CFOs have a clear interest in using shared services to improve risk management. In fact, many companies have already reaped benefits in this area: 85 percent of respondents to the 2011 Deloitte survey said that shared services had a positive impact on the company's level of controls.<sup>4</sup>

To a certain extent, risk and control efficiencies are a natural by-product of the standardization, consolidation, and automation inherent in a shared services implementation. A greater opportunity for improving control and risk management, however, can arise when processes are redesigned for placement in shared services. Because standardization typically entails end-to-end examination of a process, it can give risk and control specialists the opportunity to inspect and, if needed, improve the controls associated with each process as well. CFOs can help enable this by stressing the need to involve risk professionals during process design and by helping identify appropriate specialists for the process design team to consult.

Another opportunity lies in the possibility of using the consolidated, enterprise-wide data housed in an SSO to conduct risk analytics. A broad-based view of a company's transactions can help CFOs identify control gaps and weaknesses that could be difficult to recognize without access to financial data on an enterprise level.

### The catalyst perspective

With respect to shared services, the CFO may act as a catalyst not only by leading the development of the business case, but by actually implementing shared services in his or her function. Most companies, in fact, begin their shared services journey with finance, only later expanding it to other functions such as HR and IT. A CFO who has led the way to shared services can assist other functions' adoption in several ways, such as making the lessons learned from the finance SSO's implementation available to other functional leaders or looking for opportunities to co-locate other functions' shared resources with shared finance resources.

CFOs can also play an important part in shaping the behavior changes needed to support the effective use of shared services. For example, the CFO can use the weight of his or her position to seek constituents' buy-in and encourage adoption. And on an ongoing basis, the CFO can advocate for and participate in governance mechanisms that help align the SSO's service levels and costs with customer and enterprise needs; identify and rationalize potentially duplicative investments in shared services; encourage customer compliance with standardized processes; and identify, escalate, and resolve issues around shared services performance.

### The strategist perspective

As a strategist, the CFO collaborates with other senior executives and the board to influence the company's future direction. In this role, CFOs should be aware that shared services can deliver strategic value as well as reduce service delivery costs. Eighty-three percent of respondents to Deloitte's 2011 survey indicated that shared services had a positive impact as a platform to support growth or enable scalability. Many respondents also noted that shared services helped remove distractions for the core business (66 percent), manage working capital (52 percent), and pursue M&A synergies (42 percent).



CFOs should be alert to opportunities to leverage shared services to help pursue broader strategic goals, such as expansion into new markets or growth through M&A. A CFO should also be able to clarify how each proposed strategic initiative is likely to affect service delivery needs and estimate the cost and feasibility of making the necessary operational adjustments. By helping the executive team understand both the possibilities and the limits of shared services as a strategic enabler, the CFO can help keep the company's shared services strategy—and, more generally, its overall service-delivery strategy—aligned with business strategy.

#### Finding opportunities; managing risks

By considering shared services from all *Four Faces of the CFO*—operator, steward, catalyst, and strategist—CFOs can find ways to help shared services deliver multiple business benefits. And by answering the following questions, CFOs may gain additional insights into achieving those benefits:

- **How well aligned is the company's shared services strategy with its business strategy?** We have seen companies, for example, where the SSO's strong mandate to cut costs worked against the enterprise's ability to execute its growth strategy. One way to gauge the risk of mismatches can be simply to ask leaders on both sides how shared services is kept informed of the company's strategic direction. These discussions can be used to frame the right level of shared services initiatives.
- **What processes exist to share information and coordinate investments across all of the company's shared services operations?** Shared services synergies can create added cost savings. Making a deliberate effort to identify and pursue such synergies is especially important at companies with multiple functions in shared services, since the tendency to operate in functional silos can impede communication and lead to unnecessary duplication of effort.

- **Should shared services be applied to processes "higher up the value chain"?** Factors to consider include the extent to which such processes can be standardized across the enterprise and the willingness of the business units to accept their placement in shared services.
- **How can we take advantage of the data in shared services?** Analytics using finance data can explore questions around risk, pricing, and profitability; HR data can be used for workforce analytics and safety analytics; and so on.
- **Should we outsource and/or offshore part or all of our shared services operations?** Continuing economic pressures, coupled with the evolution of the outsourcing marketplace and a broadening range of options for offshoring, may make offshoring and/or outsourcing a more attractive option even to companies that have historically been reluctant to do either.

Done well, shared services can help a CFO more effectively fulfill all four of his or her key roles within the enterprise. The potential can make shared services well worth a CFO's careful attention as a significant driver of value.

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#### Endnotes

<sup>1</sup> "Executive summary of Deloitte's 2011 global shared services survey results," Deloitte Development LLC, 2011. Available online at [http://www.deloitte.com/view/en\\_US/us/Services/additionalservices/Service-Delivery-Transformation/31334fc2655ce210VgnVCM3000001c56f00aRCRD.htm](http://www.deloitte.com/view/en_US/us/Services/additionalservices/Service-Delivery-Transformation/31334fc2655ce210VgnVCM3000001c56f00aRCRD.htm). *Ibid.*

<sup>2</sup> As used in this document, "Deloitte" means Deloitte & Touche LLP and Deloitte Consulting LLP, which are separate subsidiaries of Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

<sup>3</sup> "Executive summary of Deloitte's 2011 global shared services survey results."

<sup>4</sup> *Ibid.*

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