Federal CFO Insights
Preparing your financial organization for shared services

Conventional financial system modernization efforts have historically been plagued by costly failures that have left many organizations dependent on unsupported legacy systems with increasing operational and performance risk. Although CFOs realize that modernization is fraught with challenges, many still face a critical need to upgrade their financial systems.

In both commercial and Federal organizations, leaders face critical questions when developing a financial system modernization roadmap. Is this the right time for my organization to modernize? Which Shared Services Provider (SSP) offers my organization the services and flexibility I need to be successful? How will I manage this modernization effort throughout my organization?

Office of Financial Innovation and Transformation (FIT) creates opportunities for greater efficiency and transparency for Federal financial management practices. FIT has identified approximately $1-2 billion in annual savings opportunities to be generated by deploying common technology solutions, expanding shared transactional services, and promoting standardization and benchmarking.

Before undertaking a core accounting or mixed system modernization, Federal financial leaders must follow the latest guidance from the Office of Management and Budget, M-13-08, directing agencies to first evaluate the use of a Federal Shared Service Provider (FSSP). To support the agencies' evaluation, Treasury's Office of Financial Innovation and Transformation (FIT) developed the FAME (FIT Agency Modernization Evaluation) process that includes guidance and templates that will help agencies determine the FSSP that is the best fit.

Commercial CFOs value a robust approach when conducting an organizational needs assessment, and select an SSP in order to maximize the benefits for their employees and their shareholders, while bringing greater value to their customers. Frequently, many large divisions within an organization operate autonomously due to a variety of factors including geographic disbursement, differences in objectives, and customer base; this can result in the development of stand-alone systems and processes which present costly inefficiencies. Shared services solutions in both the Federal and commercial spaces should target bringing value to the organization and customer end user.

More than system modernization: harnessing the power of shared solutions

In the Federal space, beyond adhering to policy guidance, the implementation of financial shared services can deliver many benefits to CFOs. Specifically, utilizing an SSP may help address the following legacy financial system challenges.

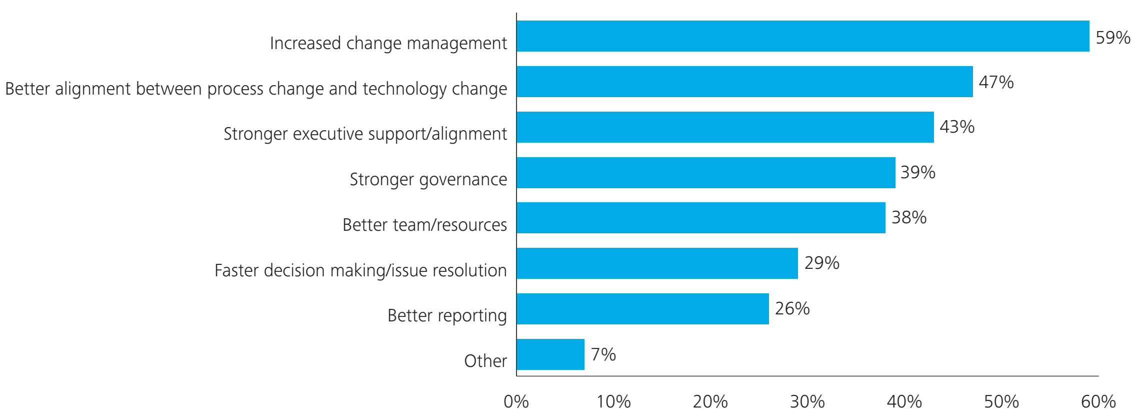
Legacy financial system challenges	Potential benefits of shared services
1. Time consuming reconciliation between redundant systems to support consolidated and accurate financial reporting	• Increased focus on investing in analytical capabilities, enabling financial analysts to report meaningful results and better manage financial risk • Decreased infrastructure footprint which drives down costs
2. Outdated business processes developed due to legacy system limitations	• Business process standardization fostering the adoption of tested practices to increase workforce efficiency and drive down costs (e.g. electronic invoicing and capabilities to streamline data entry)
3. Poor data quality and inability to quickly adhere to legislative changes or provide strong analytics to shareholders and customers	• Increased flexibility and improved data quality, providing transparency into organization financials and increasing auditability
4. Uninformed procurement sourcing due to system and resource constraints	• Adoption of strategic government sourcing of software providers, hosting, and financial transaction processing
5. Growing O&M costs as customizations become needed and upgrades continue to become more complex	• Reduced risk for organization due to the SSP taking the responsibility for upgrades and software costs

Be prepared: lessons learned from experience to prepare for the future

A financial shared services integration effort can be complex and the CFO, as the financial business owner, faces a myriad of risks. However, many of the risks associated with a shared services migration are well-documented and tested mitigation strategies can be leveraged across both commercial and Federal to enable organizations to succeed. The migration will impact the entire organization; success often hinges on dedicating attention to business process impacts, change management and communication across the agency and provider organization, project management and planning, organizational alignment, acquisition, and security and control.

Being prepared will enable your organization to realize the potential benefits. Figure 1[1] depicts the areas where survey respondents indicated they underestimated the level of effort to prepare and rollout a shared services implementation. Communications, cultural, and training all require detailed planning to support an organization and its workforce be ready to accept shared service models.

Figure 1: Areas in which respondents indicated that their organizations underestimated the LOE required for a shared services implementation



Changes to journey

- Similar to 2011, over half of respondents indicated the need for increased change management
- Respondents continue to struggle with aligning process change and technology change
- Other included improved analysis around location selection and not allowing an opt-in strategy

How to execute: embrace enterprise collaboration for success

To mitigate the potential risks and avoid the pitfalls of a shared service implementation, CFOs should focus on a total enterprise approach to implementation, including integrating planning efforts with the SSP. While the CFO may be primarily concerned with "what is best for the finance office", CFOs should focus on "what is best for the organization" to successfully migrate to a shared service environment. In conjunction with the CIO, executive sponsors and shareholders, and organization leadership, the CFO should work to gather buy-in across the organization to completely understand the needs of the firm or agency, prepare the workforce for the transition, and ultimately drive end user adoption. CFOs must prioritize the following areas, and take action to secure successful execution.

Governance design and project management methodologies

Effective governance, including collaboration between the CFO and CIO, can align the organization and SSP behind an agreed scope and vision to drive decision making and provide "top down" influence for change. Coupled with structured project management practices, implementation teams are empowered to resolve strategic issues and mitigate risk to establish that the performance is measured against key metrics to deliver on schedule and within scope and budget.

Interface, data warehouse, and reporting strategies

It is imperative that agencies place a high importance on the analysis of current system interfaces, data storage requirements, and reporting needs when moving to the shared service environment. To facilitate this, CFOs should define a technology strategy to interface legacy systems and crosswalk data to the shared services environment. The organization's infrastructure, from both a hardware and software perspective, must be inventoried and quantified in order to develop robust cost analyses. Additionally, the finance office should evaluate the organization's financial and operational reporting requirements to leverage standard reports and real time query capabilities as much as possible.

Acquisition planning and oversight

In the Federal space, acquisition regulations are rigorous and must follow specified guidelines, making the acquisition process for an SSP different from a commercial procurement. Agencies must carefully analyze the SSP's standard services to create an operable inter-agency agreement (IAA). In both the commercial and Federal spaces, organizations must develop and maintain Service Level Agreements to meet organization shared services requirements. Strong coordination and collaboration between the SSP and the organization is essential to the success of the implementation.

Change Management (CM) and Business Process Re-engineering (BPR)

Arguably the most important component in preparing an organization for a successful implementation is a strong change management strategy and business process impact analysis. To facilitate BPR, agencies should document "as-is" financial processes to understand which services can be migrated cost effectively and where efficiencies can be gained. Stakeholder engagement is essential and their readiness can lead the implementation through fruition. Shared services will impact the entire enterprise, not just financial systems and processes. Actions that may be needed to achieve buy-in and user adoption, include: (1) Workforce planning to assess personnel impacts, align organizational skill sets and to prepare for changes in roles and responsibilities; (2) Integration of communications, stakeholder engagement, and training work streams; and, (3) the ability to foster buy-in for adoption and participation in the implementation process. Managing change among both customers and shared services personnel while keeping the magnitude and speed of change to an appropriate level is important.

Beyond ERP: balancing technology and organizational readiness

CFOs facing the critical need to modernize their financial systems must take steps to avoid repeating failures that have plagued standard ERP modernization efforts. Overcoming historical challenges associated with poor functional or technical designs, complex interfaces to legacy systems, and data discrepancies that lead to a challenging data conversion process, will help pave the way to a successful technology implementation. However, to achieve an effective transition to a shared services environment, the CFO should go beyond technical elements and concentrate on the "soft skills" necessary to mitigate organizational risks unique to shared services efforts. To achieve support and stakeholder buy-in, adequate attention should be given to integrating processes and aligning the vision with the shared services partner, establishing an effective governance framework, collaborating and communicating with OCIO and other organization stakeholders, and understanding the business impacts to prepare the workforce for change. Taking an enterprise approach that balances technology with organizational readiness, CFOs can set themselves up for success and avoid ERP failures of the past.

Becoming the success story

Consider an organization's CFO challenges — currently worrying about the viability of an unsupported legacy system, the days and weeks are spent executing daily budget formulation, resolving transactional issues, and preparing for the taxing task of producing consolidated financial reports, all while trying to incorporate new legislative mandates and commercial industry initiatives. Resources pools are exhausted, many of them drowning in undecipherable data.

Through realization of the benefits of a shared services migration, CFOs can assume their role as thought leaders in financial planning and financial risk management. Empowered through shared services, CFOs can lead the organization to a prosperous state rooted in informed decision making. The flexibility of the financial system afforded by SSPs enables organization CFOs to respond, not only to reporting requirements, but also to organization needs, providing mission specific data for strategic and tactical matters as they relate to budget management, cost benefit analysis, and forecasting.

Leaders in financial management make their investments work for them. Harnessing the power of integration and preparing your organization for shared services can lead the industry to the next generation of financial management.

Endnotes

1. *Shared services: How could you have improved your Shared Services journey?* from Deloitte's 2013 Global Shared Services Survey

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