

**Salford University – 30<sup>th</sup> June 2016**

# **The Transformation of the Finance Function through New Organisation Models**



**Ian Herbert - Deputy Director - Centre for Global Sourcing and Services**



The Official Preparation Camp  
Headquarters for Team GB



Based upon a longitudinal study – 1997 to 2016

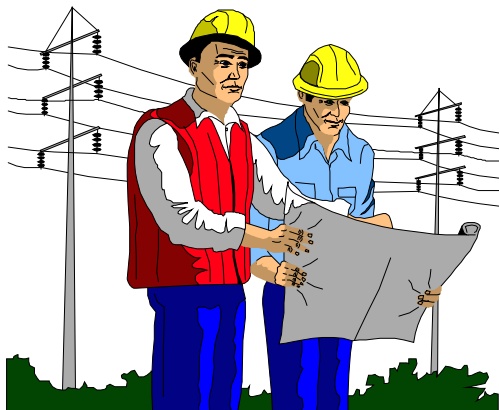
- Nature of the shared service model v. outsourcing
- Impact on the finance function, opportunities and challenges
- Present trends and future opportunities
- Impacts for individual careers, professional bodies and regional economies



## ***The empowerment challenge!***

*“If we do our job properly there won’t be any need for a separate management accounting department!”*

*“The objective is to create resource consciousness at the point of resource consumption”.*



*Management Accountant talking about his department’s role in supporting empowerment (1997)*

# Organizational context: Utilityco



Safety, availability, reliability



# Organizational context: Utilityco



# The 'Cycle of Life' - 1990 to 2016



*The further we look back in time the more clearly  
we might see the future!*

*Sir Winston Churchill*

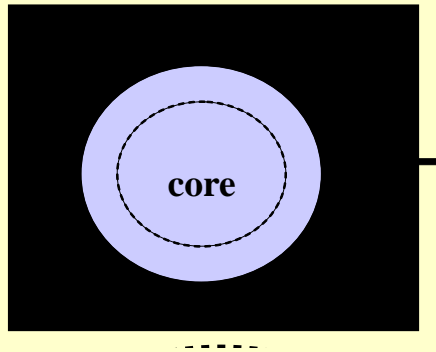


Men more often need to be reminded than informed

Dr Johnson

# 1. Modernisation – Lean & Mean?

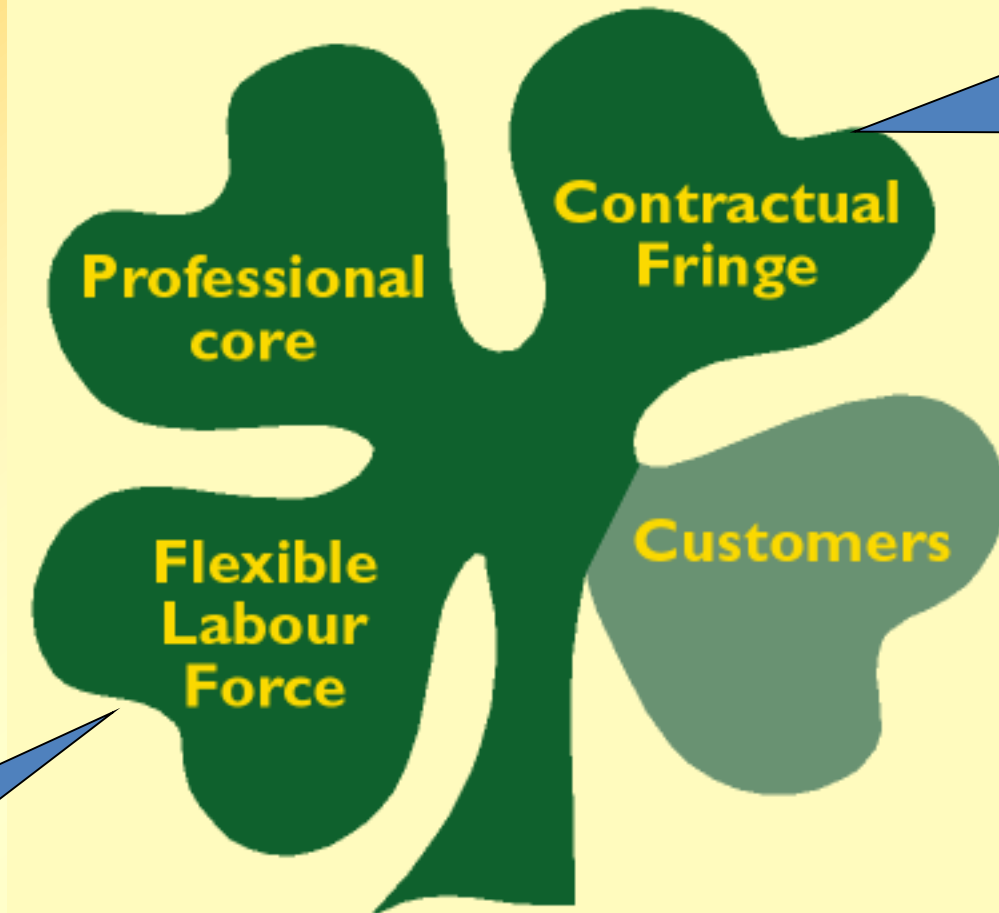
1990



Market-driven ideology

- Reduce headcount & cost
- Outsourcing
- Increase flexibility
- Culture change
- Assumption economic rational

# Charles Handy's 'Shamrock Organisation'



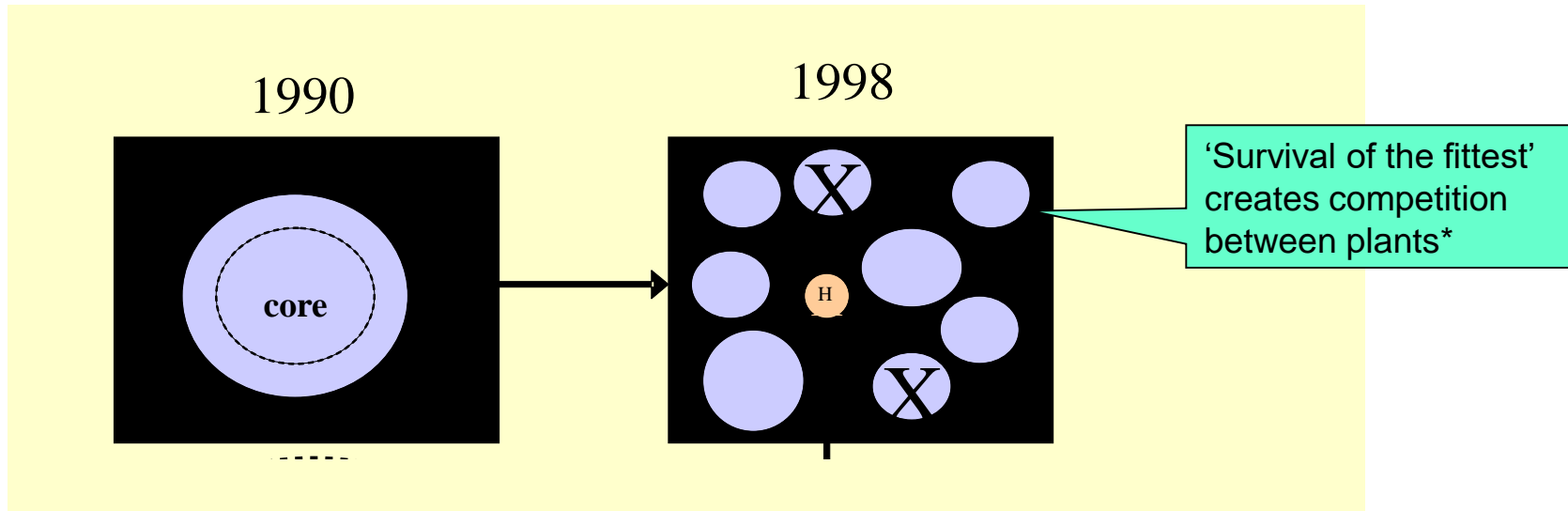
Outsourced  
+ self-  
directed  
contingent  
workers

Contingent  
workers

From: 'The Age of Unreason' (1989)



## 2. Business transformation programme – working smarter



- New Working Practices – efficiency and effectiveness
  - De-centralisation
  - Empowerment
  - Autonomy
  - Smaller Head Office
  - SBU rationalisation
- Schumpeter – creative destruction
- But maybe raw Darwinism?

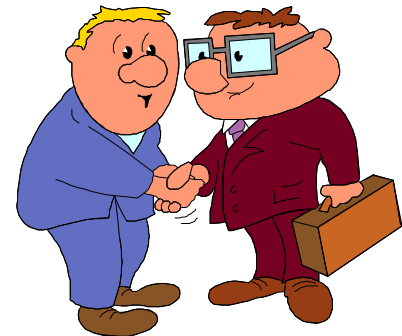
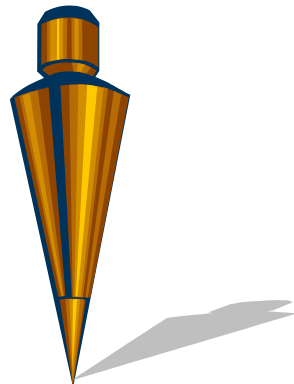
# Finding the balance

## traditional style

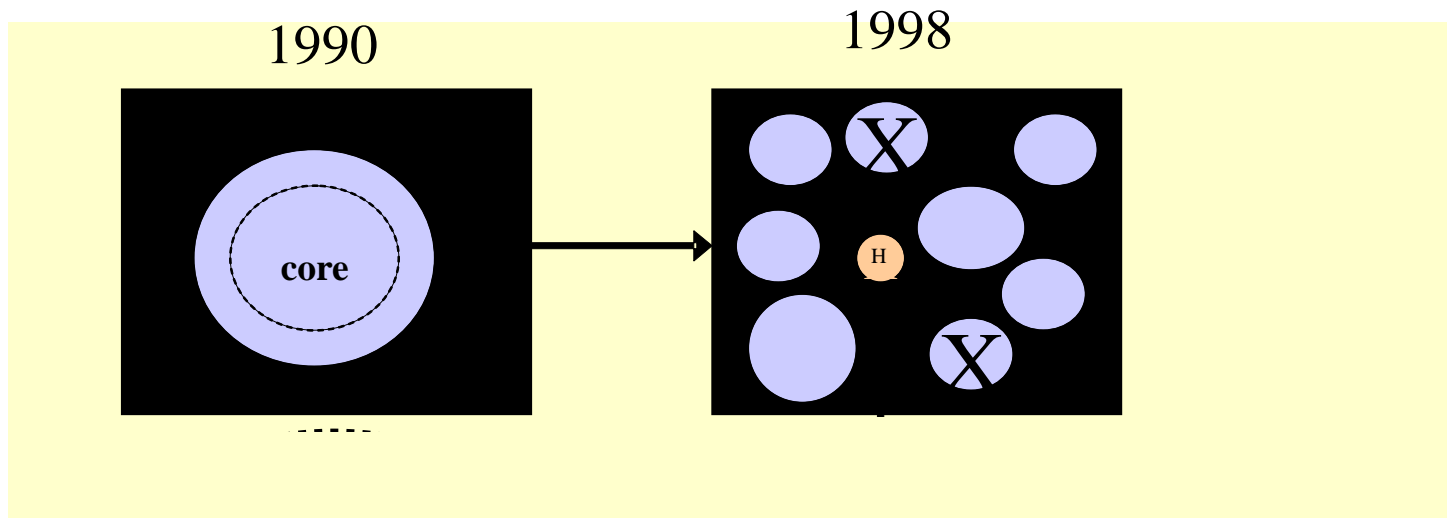
- centralised
- bureaucratic
- structured
- = efficiency & control

## empowered

- devolved
- participative
- fluid
- = effectiveness & flexibility



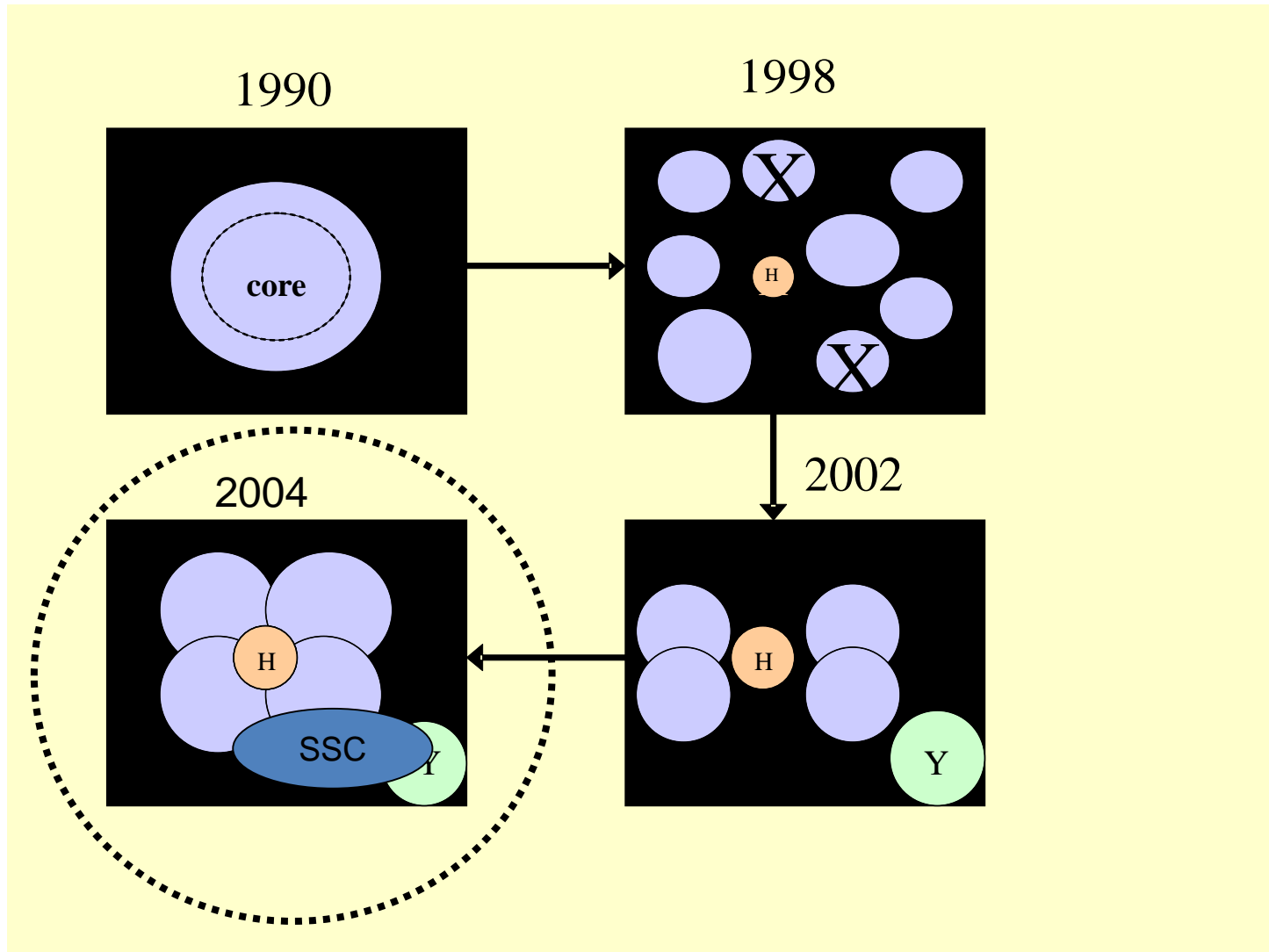
### 3. Consolidation – the ‘joined-up’ company



Need for greater efficiency  
(economies of scale)

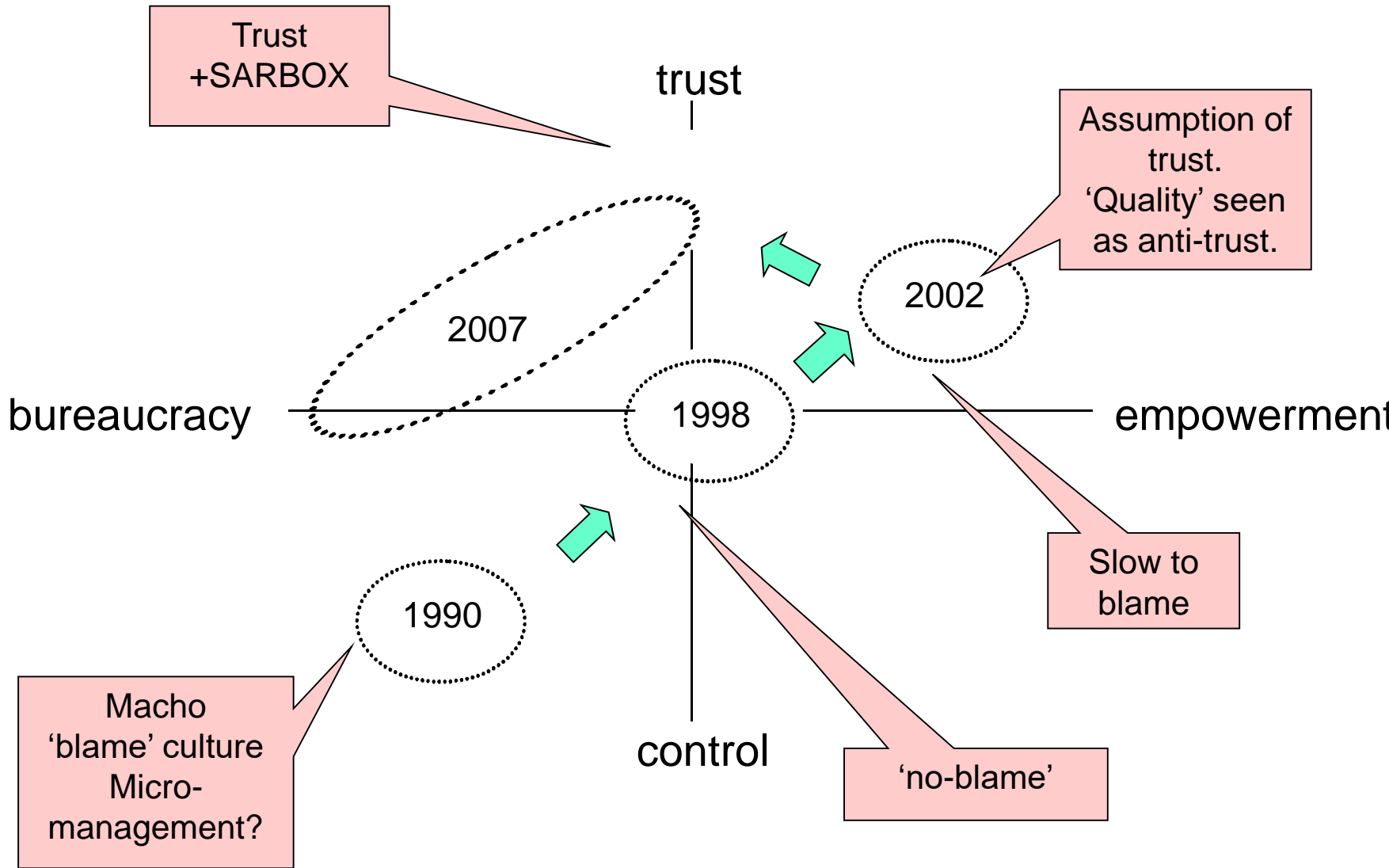
- Driven by Head Office
- Consolidation of ‘like’ technology
- Acquisition of other energy businesses (joined up industry!!)

## 4. Shared Services – reduce cost through scope, scale and standardisation

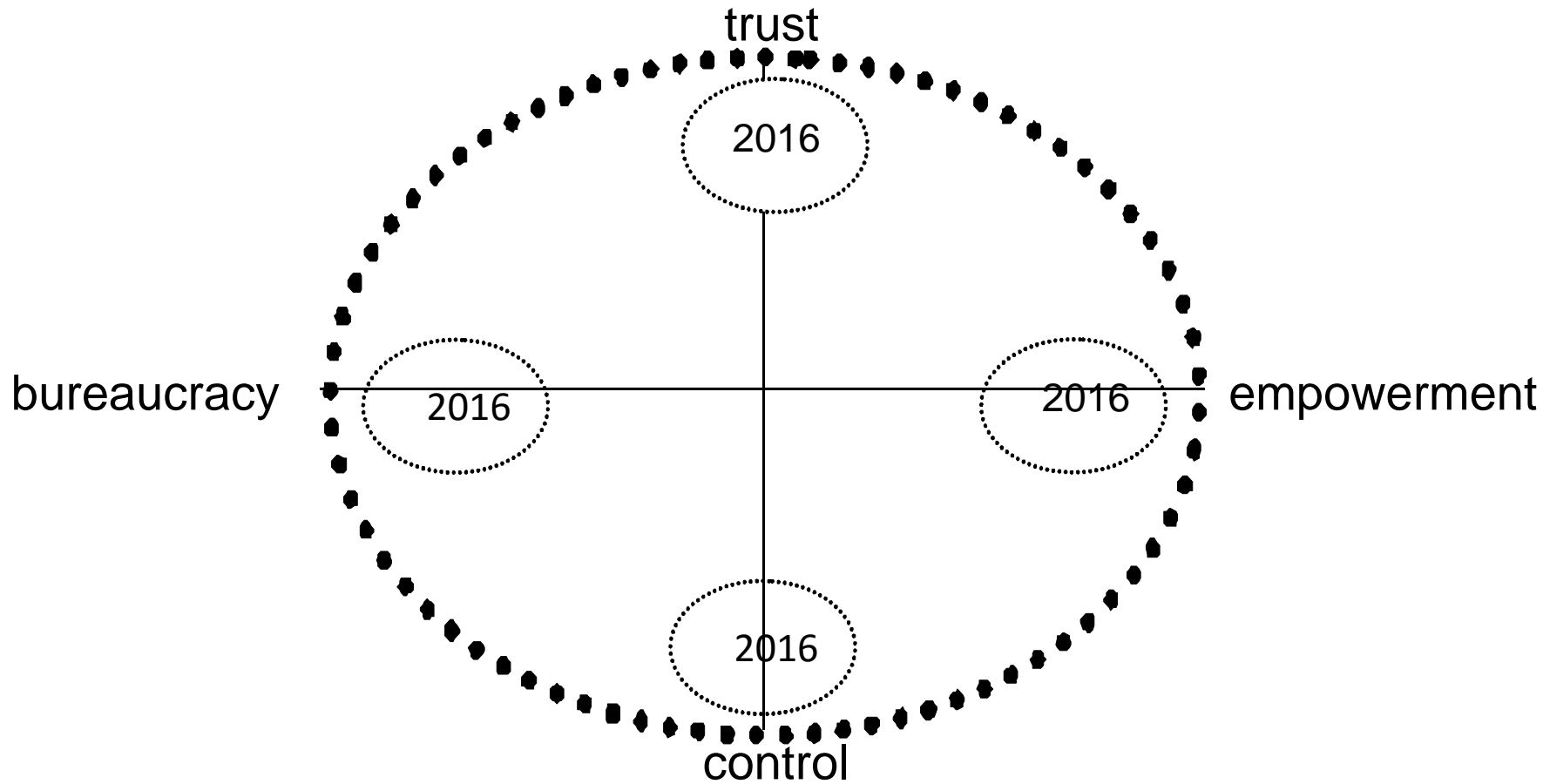




# Style of management



# Style of management



Simultaneous loose-tight properties?  
Peters and Waterman (1982)

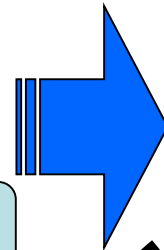
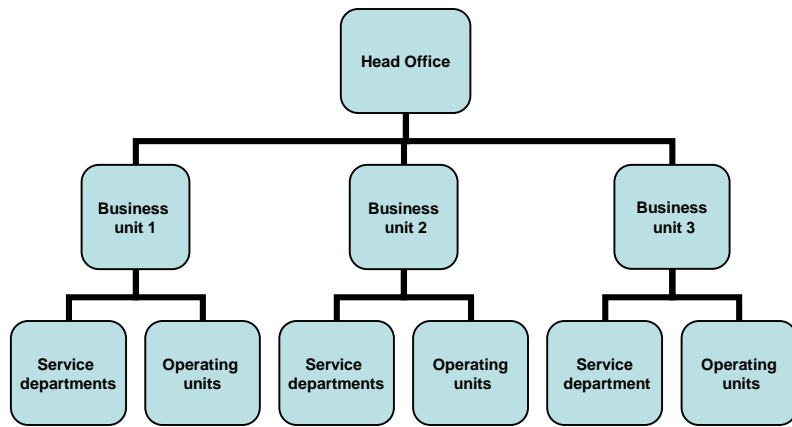


## **Shared Services - Cinderella of the plot**

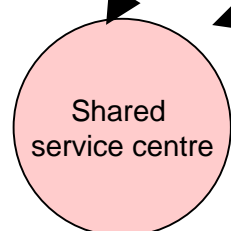
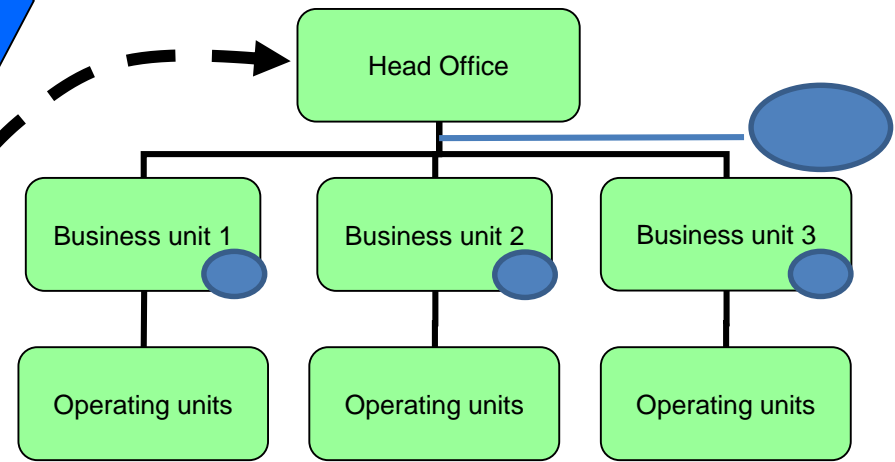
**But a range of possibilities!!**

**Perhaps a 'third way'??**

# Moving to a Shared Service Centre Model

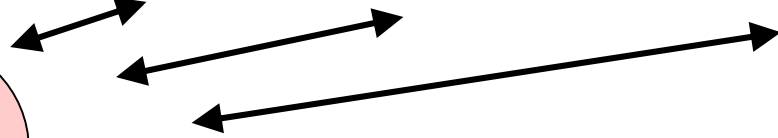


## Shared service centre structure



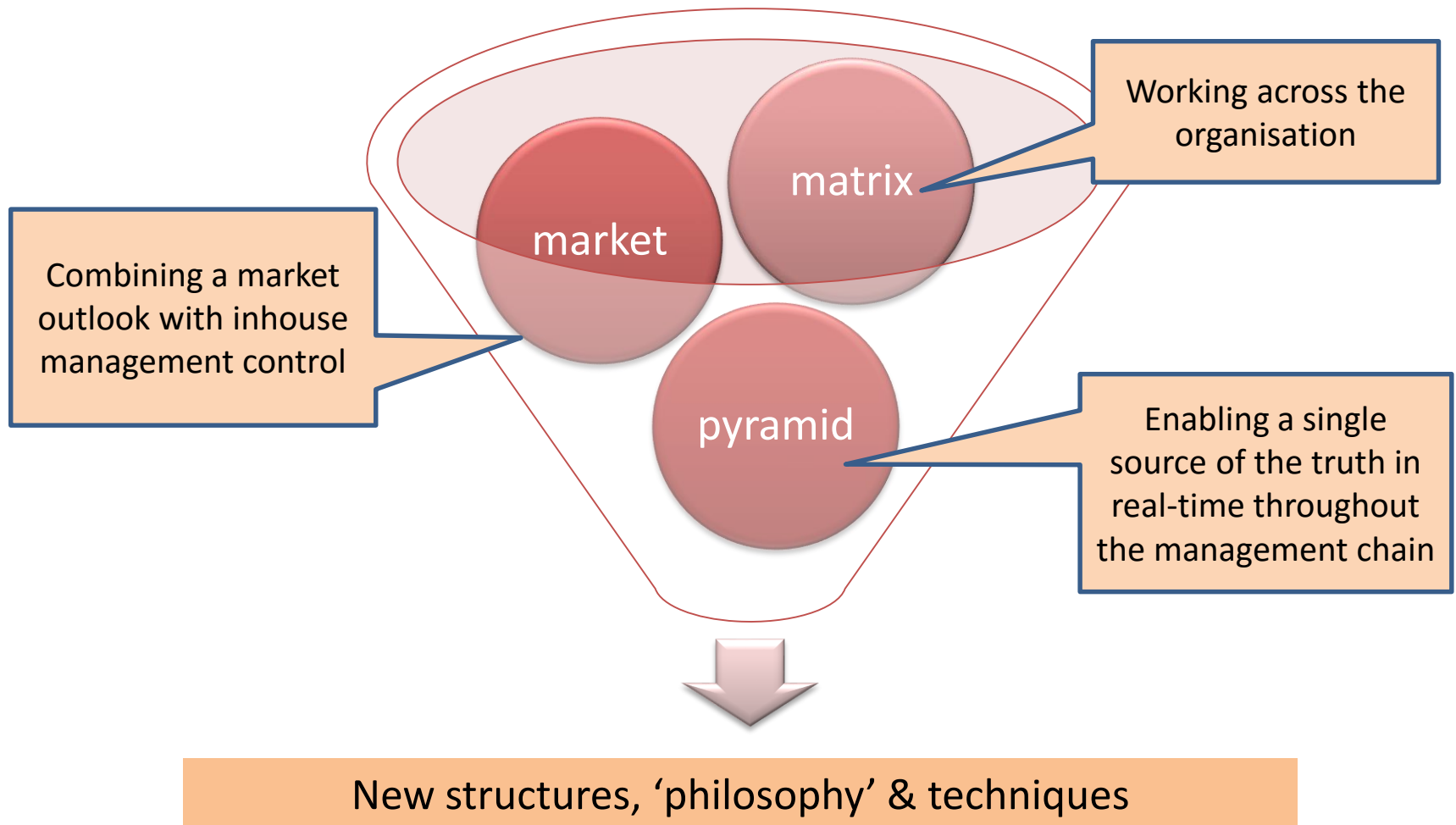
Semi-autonomous  
Thinking like a business  
Networking & benchmarking

**Conventional Divisional structure**  
(support services embedded)





# More than just a new organisation chart - The SSC model blends different approaches



# UK Business Services in brief

Delivered over **40,000** training days via **Engineering Academy** to over **7,000** delegates



## Change Programmes

We manage **£65m** of Change including delivery of the UK ERP project



## Facilities

Manage **62** secure, energy efficient sites, enabling 14,000 staff



## Fleet

Manage **6,600** safe, efficient company vehicles



## People

**17,000** colleagues paid

Over 178,000 HR contacts annually



## Country Management

Supporting 10 pan-European businesses



## Supply Chain

We procure

**93%** of UK's **£1.1bn** spend

## Logistics

More than

**2,500** orders fulfilled each week



**Finance**  
In excess of

**1,200,000** transactions per annum



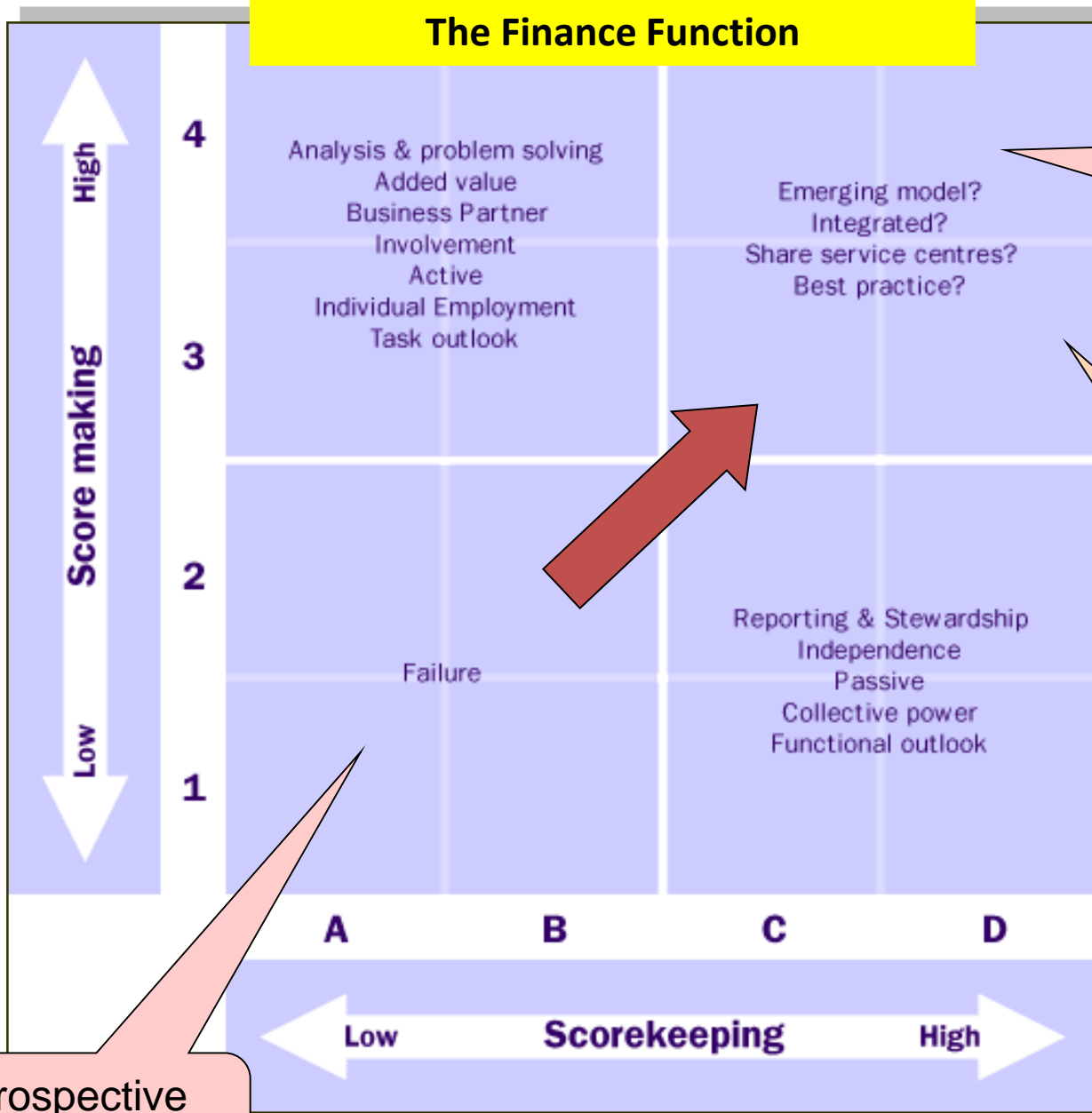
# Towards a new business model?

- The 'kingdom of engineering' had been challenged.
- Engineering no longer THE core competence?
- Now, the ability to manage a bundle of engineering projects and liaise with the regulator is what now defines at least one part of the company. (c.f. Penrose, 1959)
- The SSC as a core competence? New intellectual property?
- Another perspective - as an energy trading company (with the ability to generate its own power).
- Finance has simultaneously become a commodity AND the driving force of the company (financialisation).





# The Finance Function



But what is the professional territory?  
And, whose is it?

SSC as a training camp?  
SSC as a career?

retrospective introspection

And the  
future?





The further we look back, the more clearly we  
might see the future! Winston Churchill



# The Centre for Global Sourcing and Services



**Nothing's changed  
but everything's different!**



2005





# 2013



Michael Sohn / AP

NBC/Instag



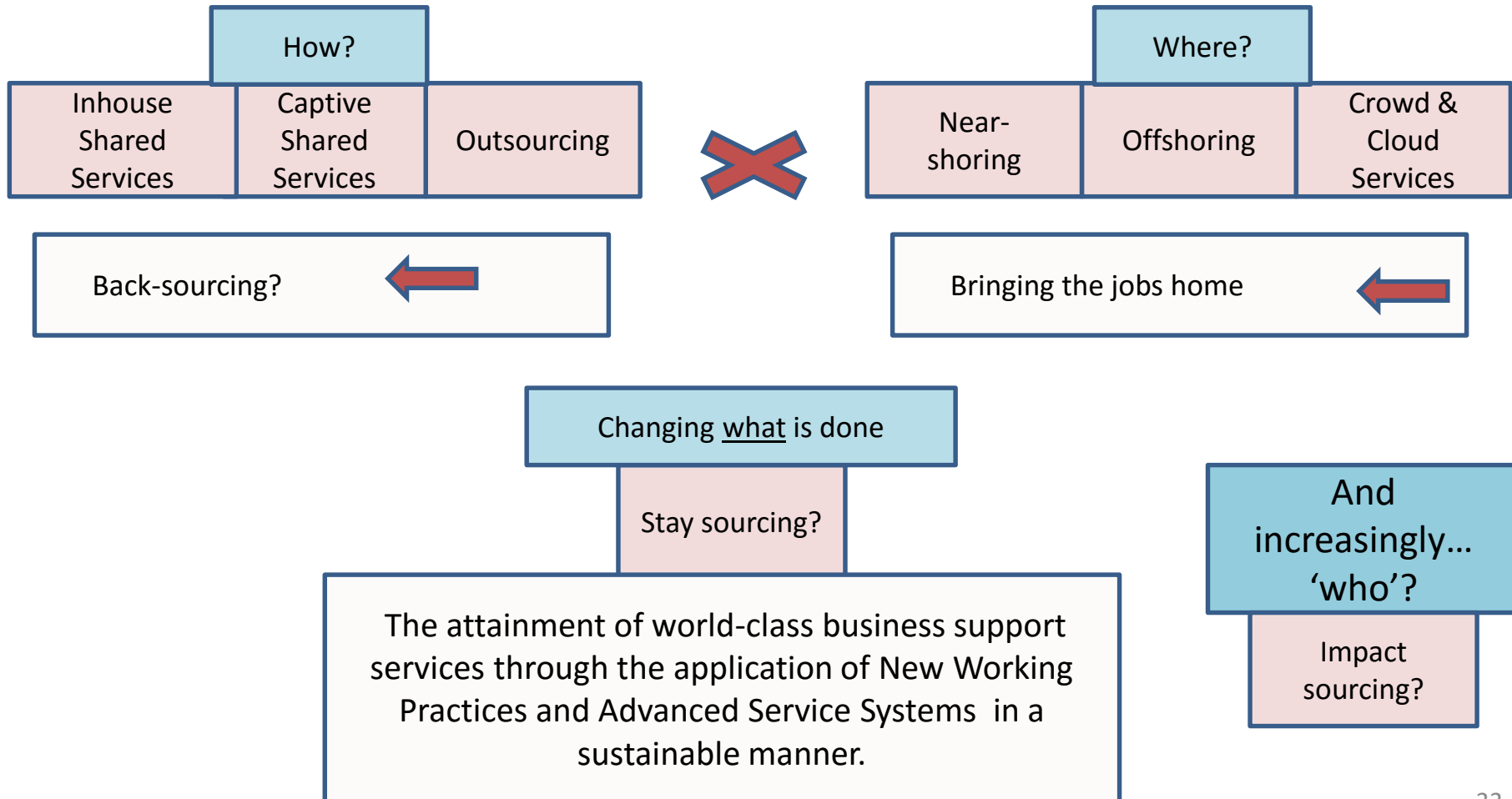


**All this technology is making us antisocial.**



# What we do?

“The Centre is dedicated to carrying out both academic and ‘focus on practice’ high impact internationally renowned research on how organisations source and manage business and IT services in a global context”.....*Centre for Global Sourcing and Services Website*



# Implications of change – where are we heading?

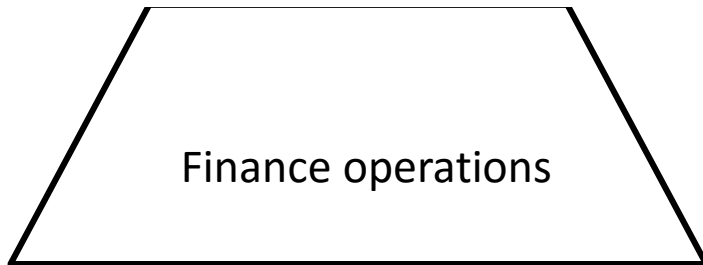
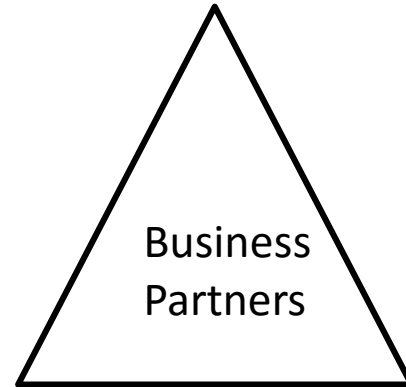
- The hour glass profession?
- The segregated profession?
- The threatened profession?

# Segregated finance?

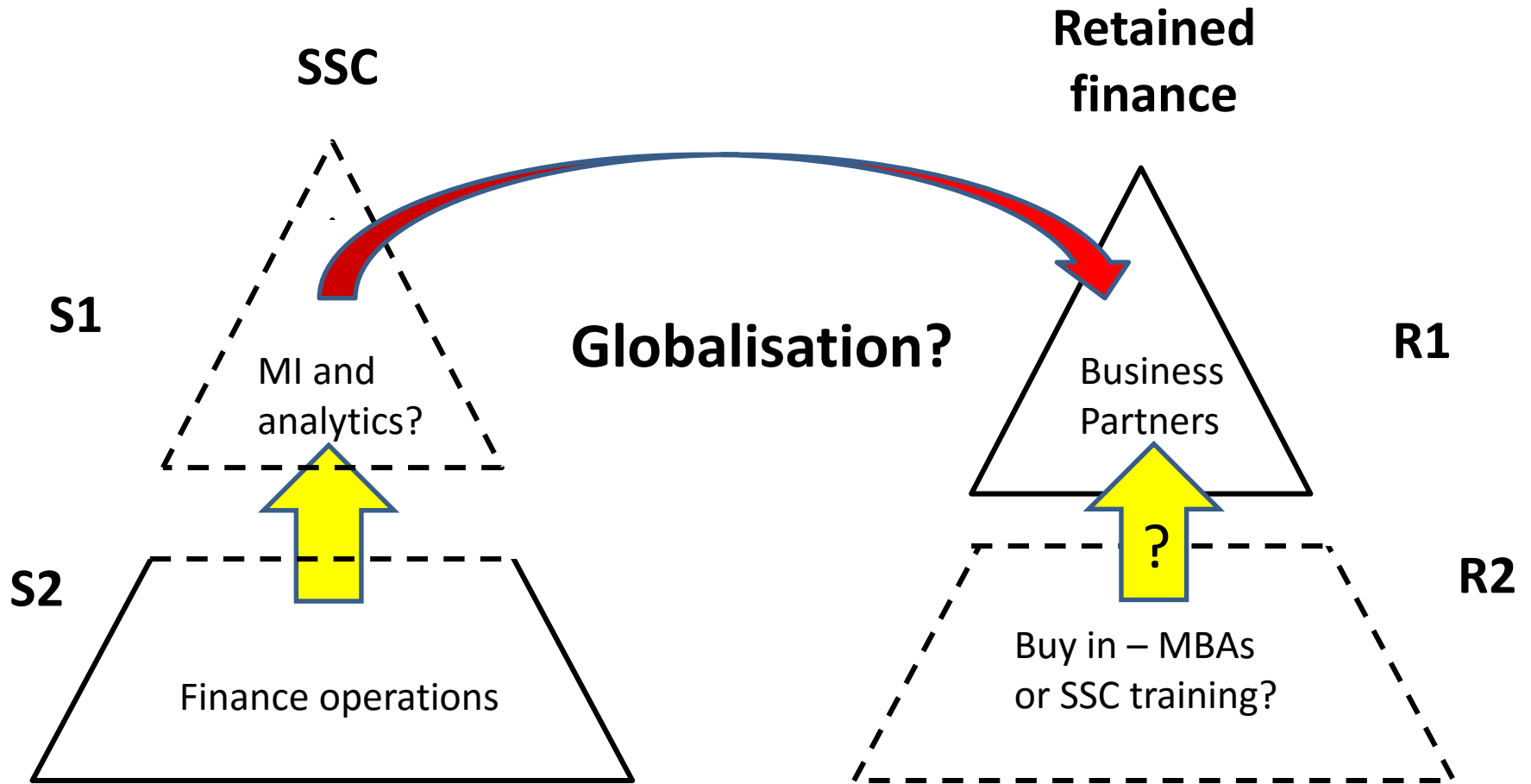
**SSC**

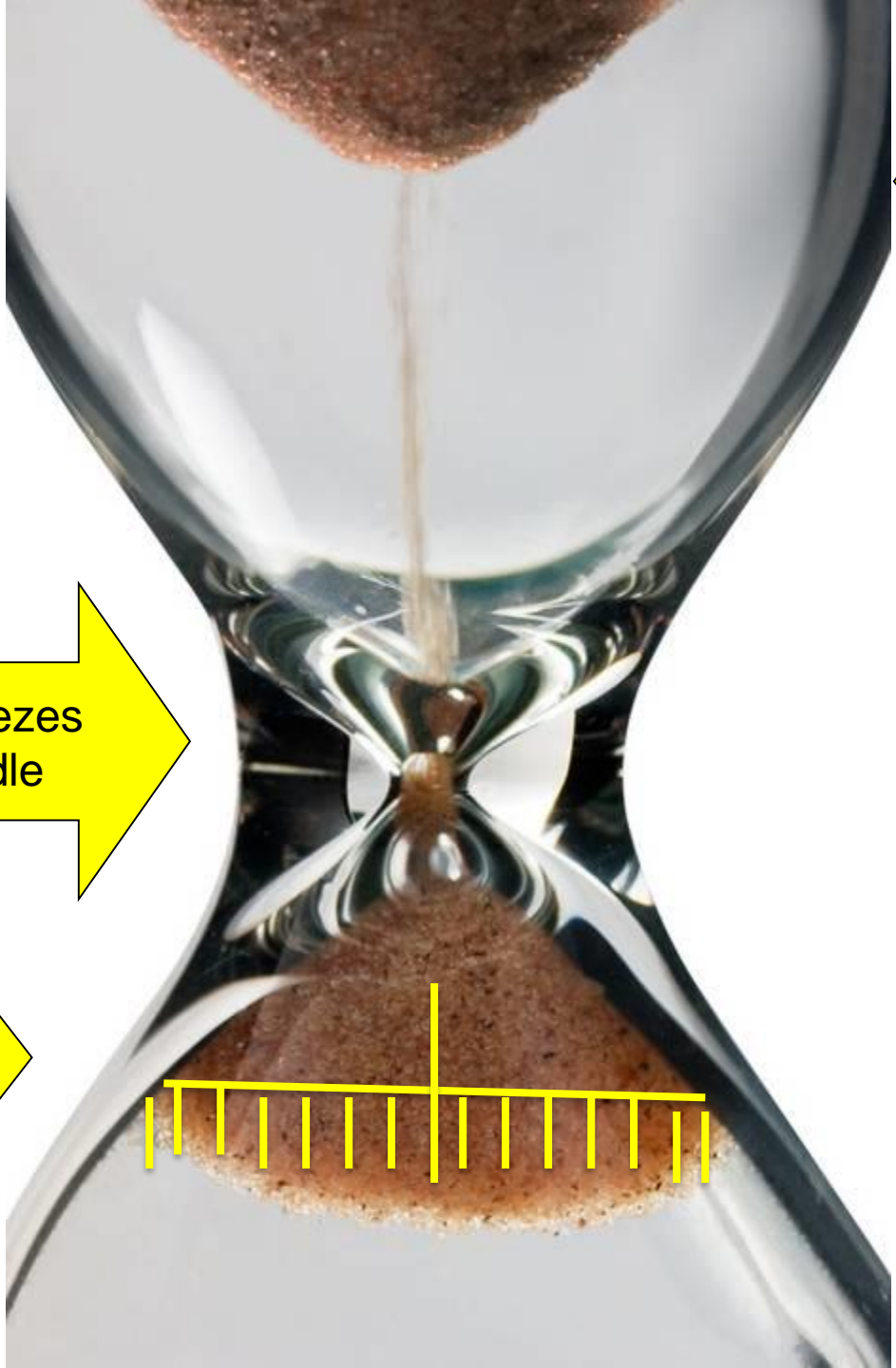
**Retained  
finance**

**Globalisation**



# Segregated finance?





Elite workers  
– business facing

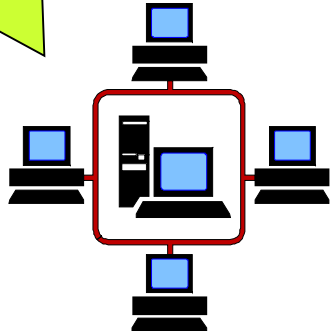
BPR squeezes  
the middle

Flat hierarchy



# Accounting – who's space is it anyway?

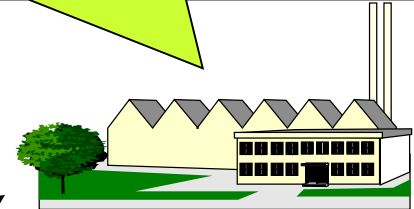
IT?



Process experts?  
Operations managers



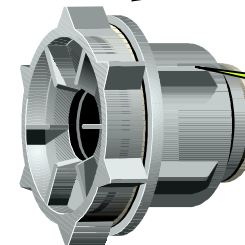
Head Office?  
New roles – data scientists?



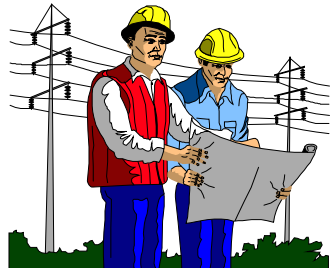
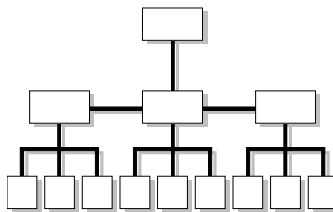
Self-service managers?



Marketing?



HR & Org. Designers



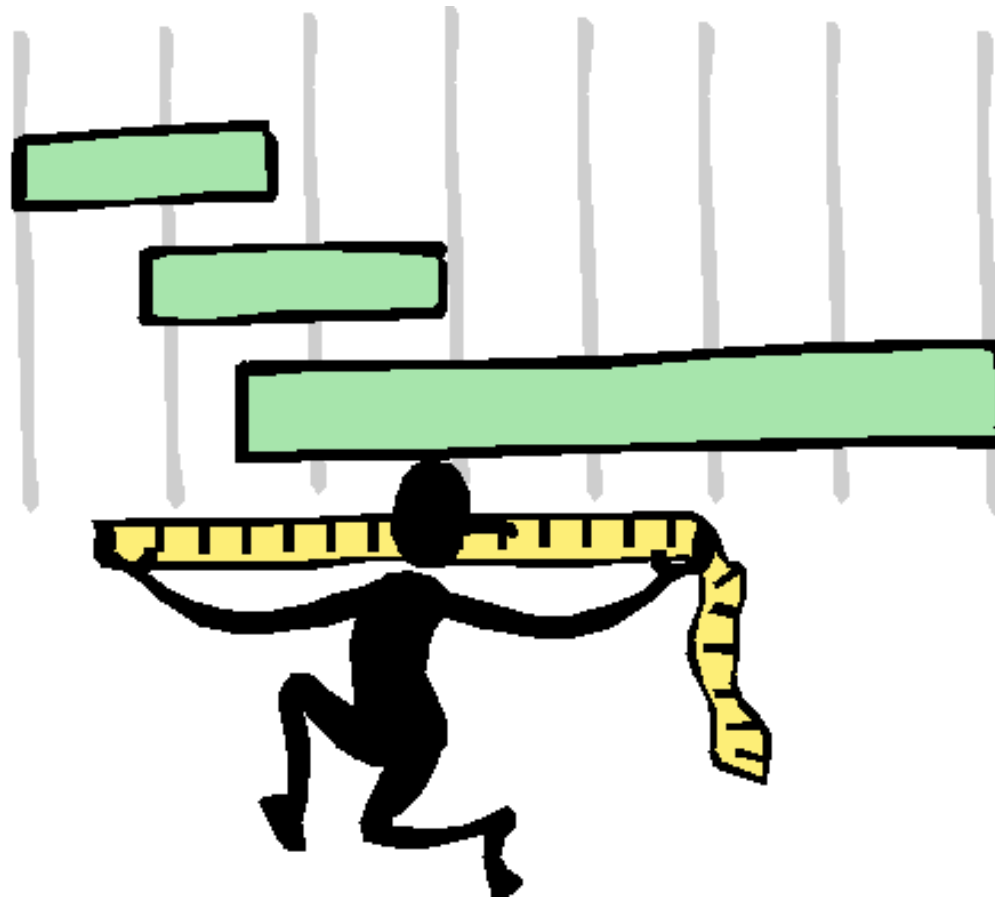


TITANIC DISASTER  
SURVIVORS LIST



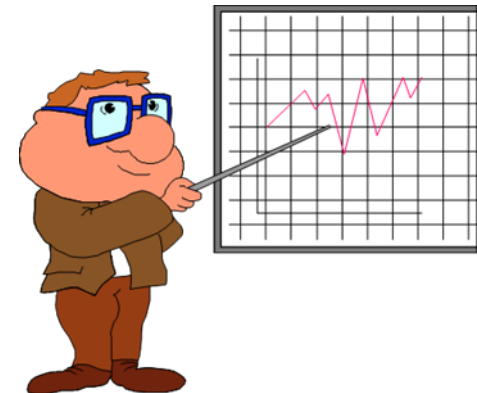
*“ any news from the Iceberg?”*

# Data Analytics – Structured insight?



There are significant opportunities for generating insight through data analytics and big data. But...

- ... research by Loughborough University's Centre for Global Sourcing and Services suggests that this potential may not be realised if organisations do not ask the right questions about the links between
- business partners,
- business process centres, and
- business units.





© marketoonist.com

Some people will spend a lot of time getting data analytics right, and a lot of people will spend some time getting it wrong.

# Data analytics (& big data)

- Whilst corporate-wide master data has improved significantly in recent years, data analytics requires new thinking.
- This means creating a different culture that values and leverages data to better support global end-to-end processes which deliver real outcomes.

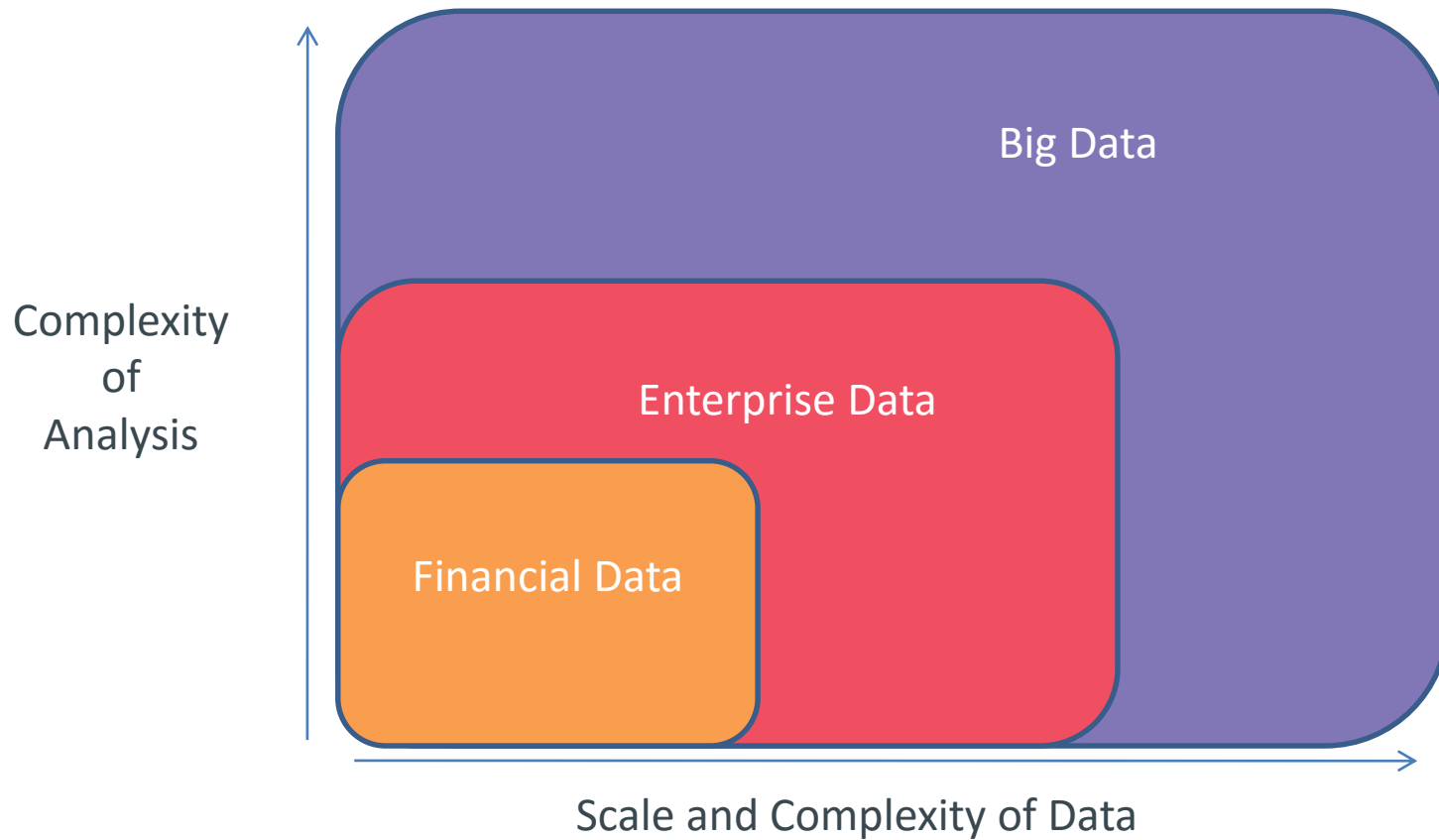




# Organising for data analytics and big data

- Data analytics: needs new structures and thinking to go with the technical opportunities?
- Big data is messy and its application needs to be tailored around individual business problems.
- But, what if the talent pipeline dries up as the professional 'training camps' are offshored ?

# Data analytics?





But before we go on..

What is essence of 'big data'

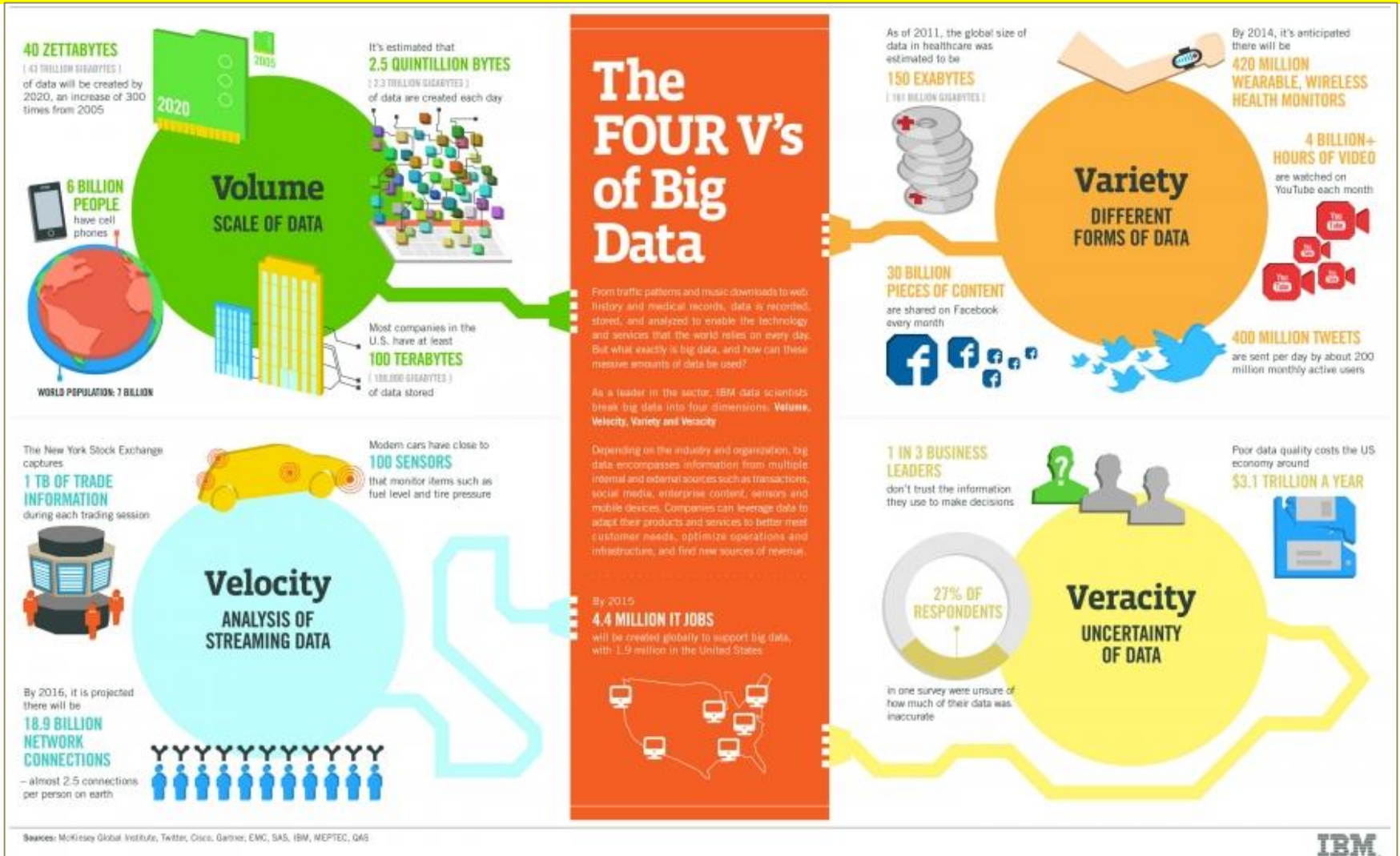
And,

is it just a fad?

“Big data” refers to datasets whose size is beyond the ability of typical database software tools to capture, store, manage, and analyze.

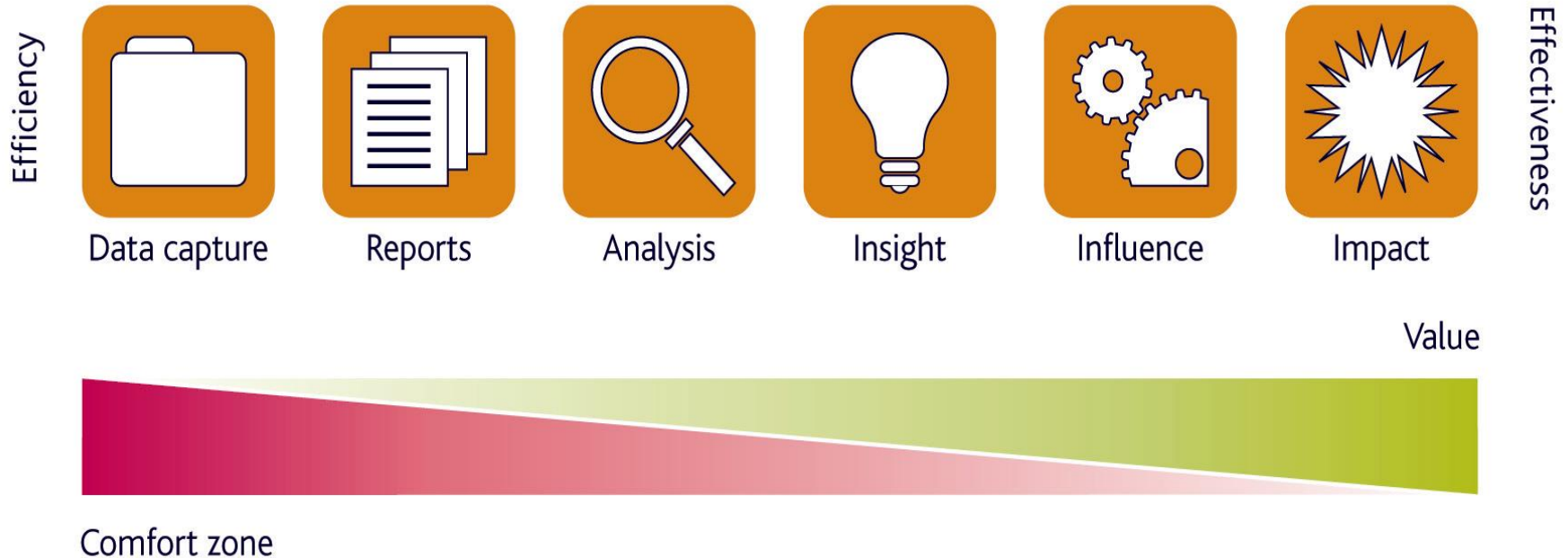
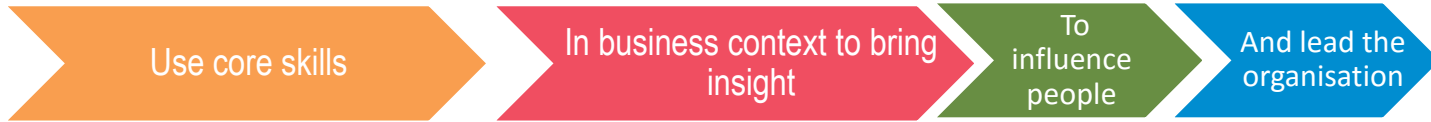
*(Big data: The next frontier for innovation, competition, and productivity, McKinsey Global Institute, June 2011)*

# WHAT IS BIG DATA – THE 4 V's?



= Value

# What is the basis for finance professionals' claim to be well placed to help unlock Big Data?



# Insight, influence and impact requires...

- Inspiration/creativity
- Leading-edge expertise
- Broad views & multidisciplinary collaboration
- Business connectivity & understanding
- Data security
- Intelligent information users
- Interpersonal skills



# CIMA Survey 2015

- For most companies, fully adapting to a data driven era of business remains a work in progress.
- ‘86% of the finance professionals we surveyed agree that their businesses are....

... struggling to get valuable insight from data, not least due to issues such as organisational data silos, challenges relating to data quality, or difficulties in working with unfamiliar non-financial data.’

# Challenges in harnessing Big Data

Bringing data together from different databases/business silos

62%

Ensuring the business captures reliable good quality data in the first place

51%

Extracting insight from non-financial data

46%

Ensuring insights gained from data are used to improve performance

43%

Identifying meaningful trends and insights in a mass of data

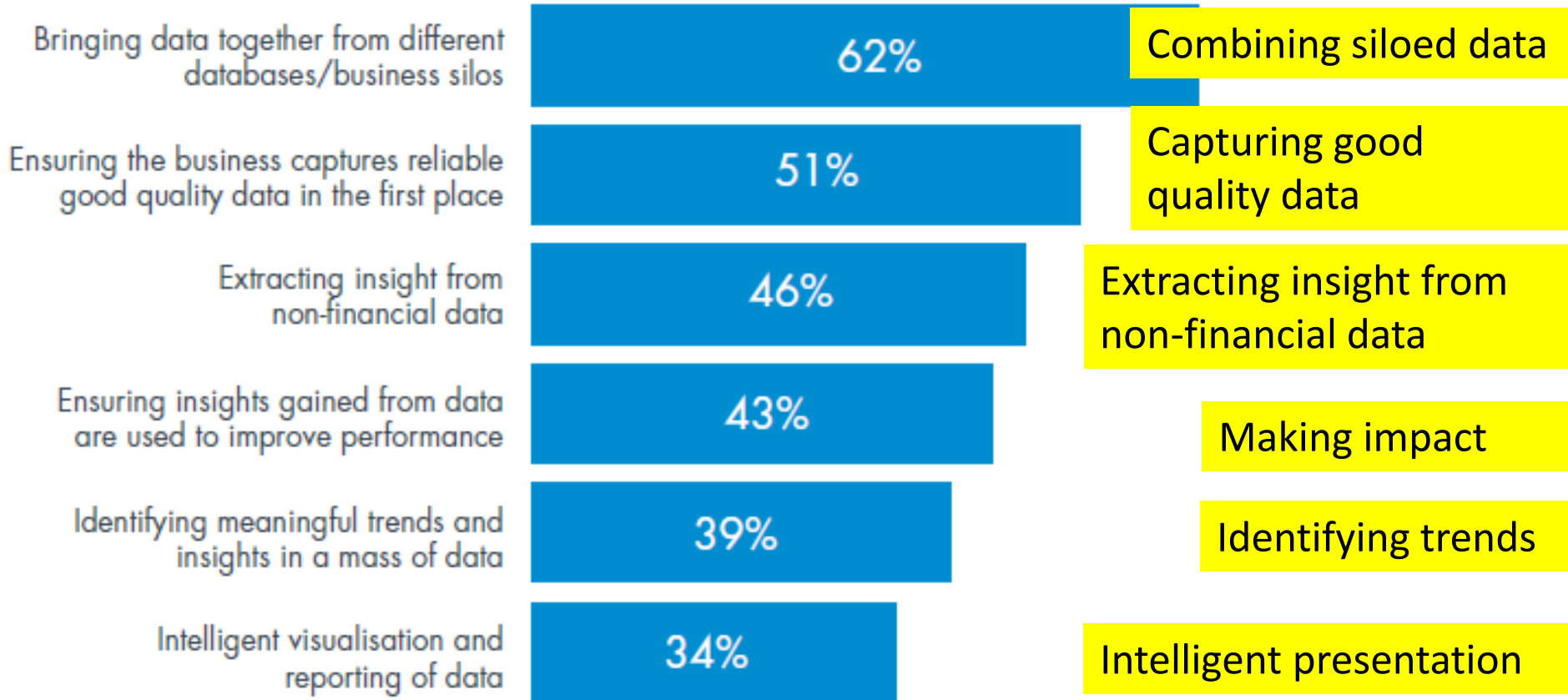
39%

Intelligent visualisation and reporting of data

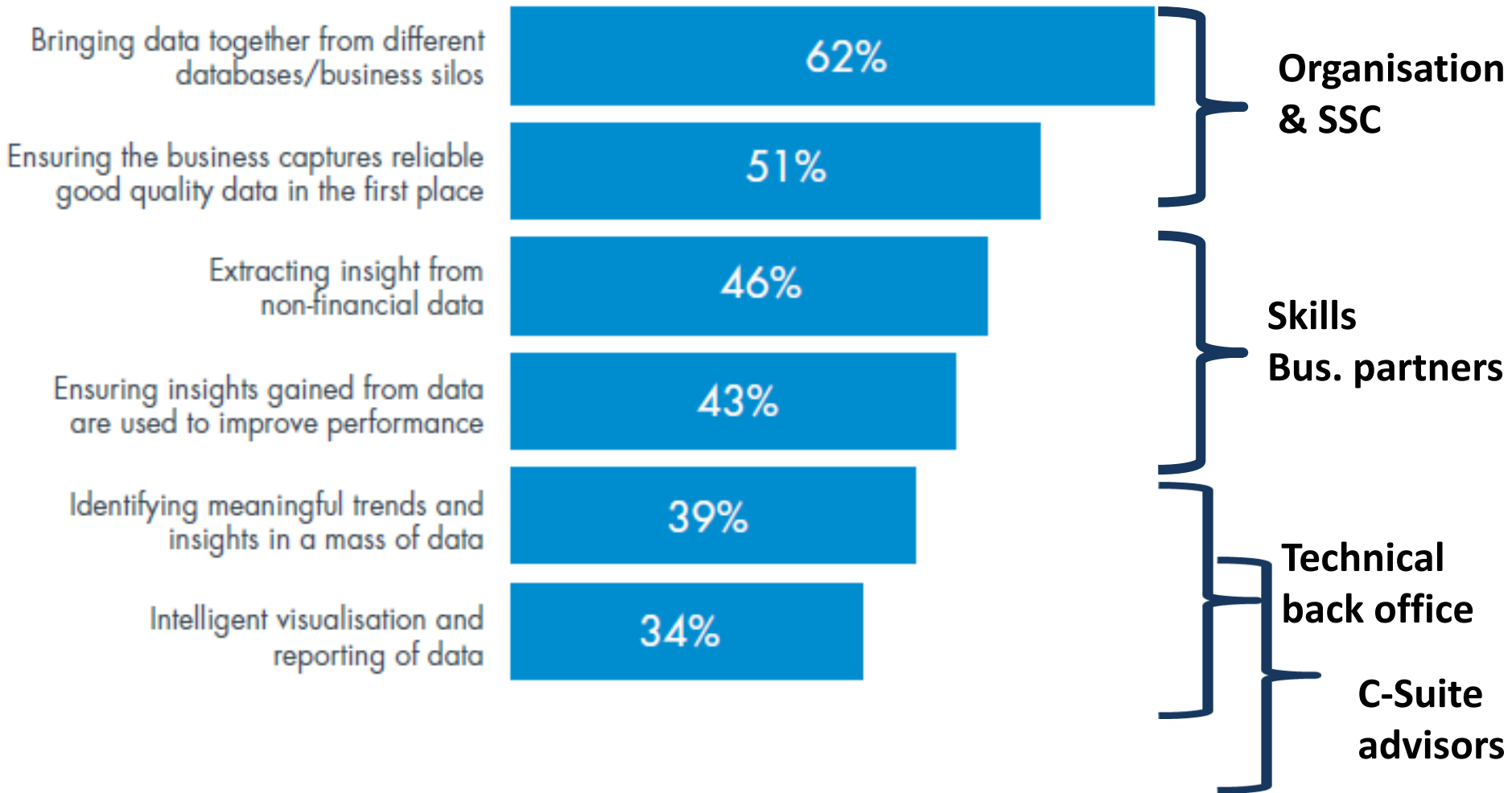
34%



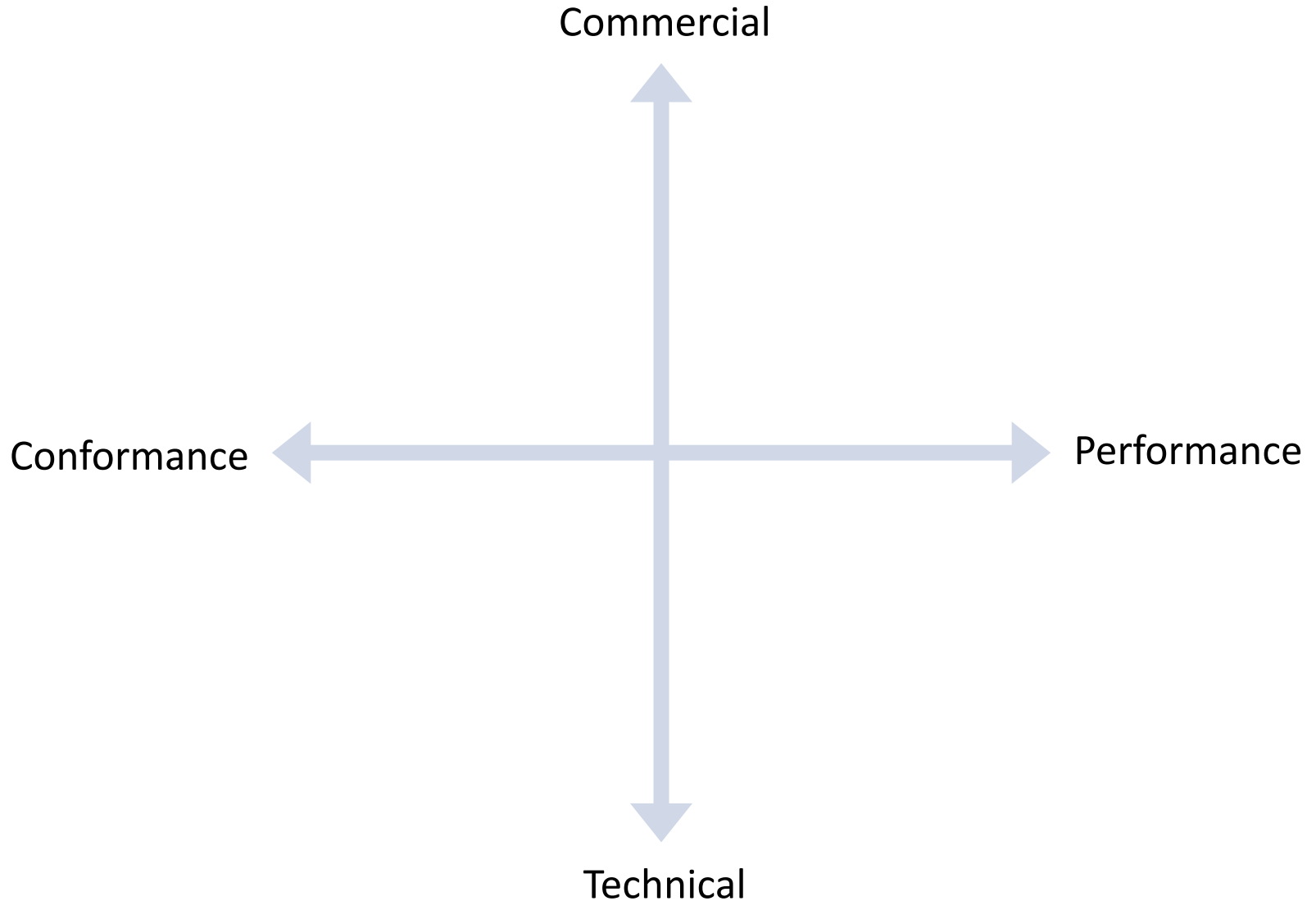
# Challenges in harnessing Big Data



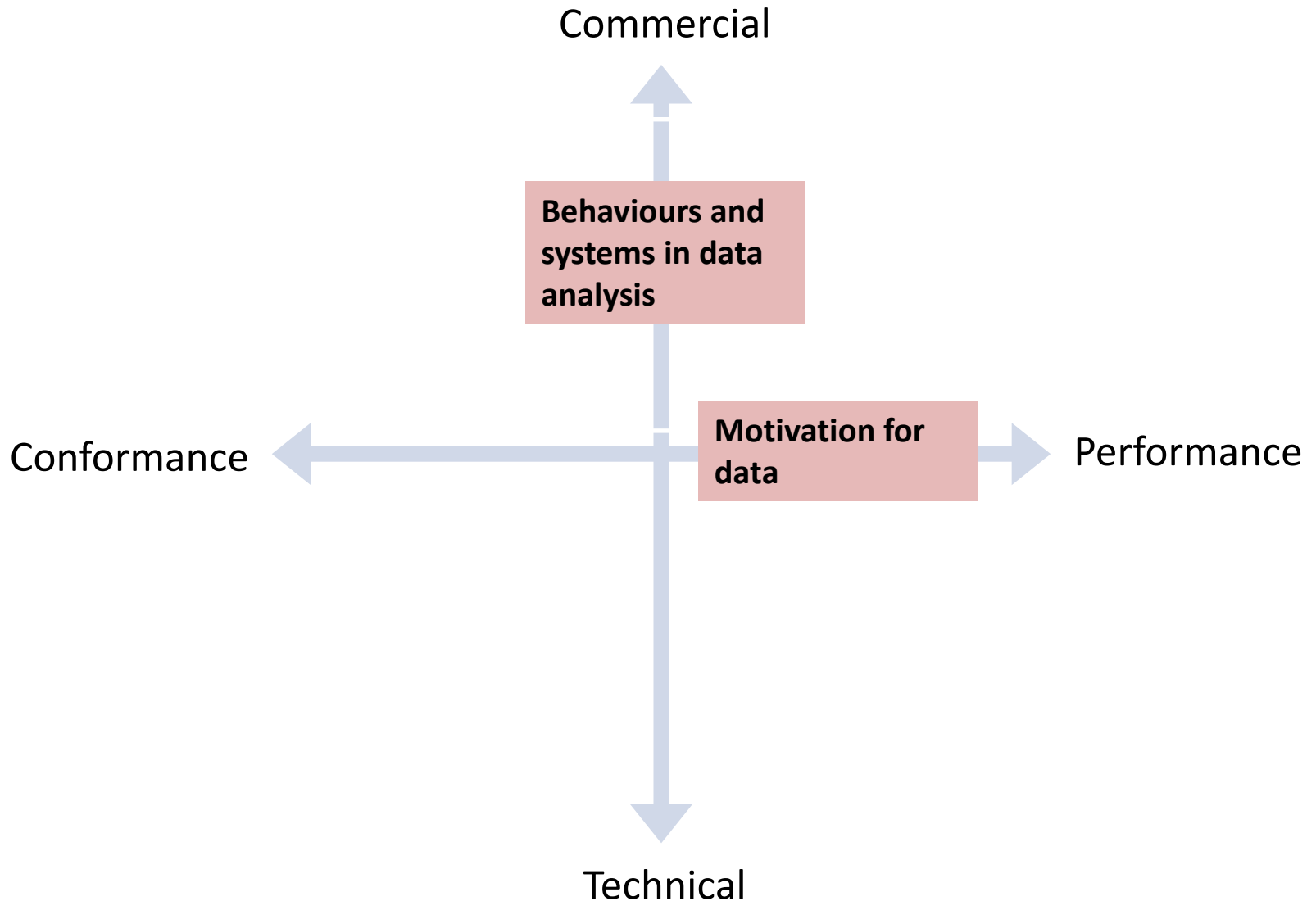
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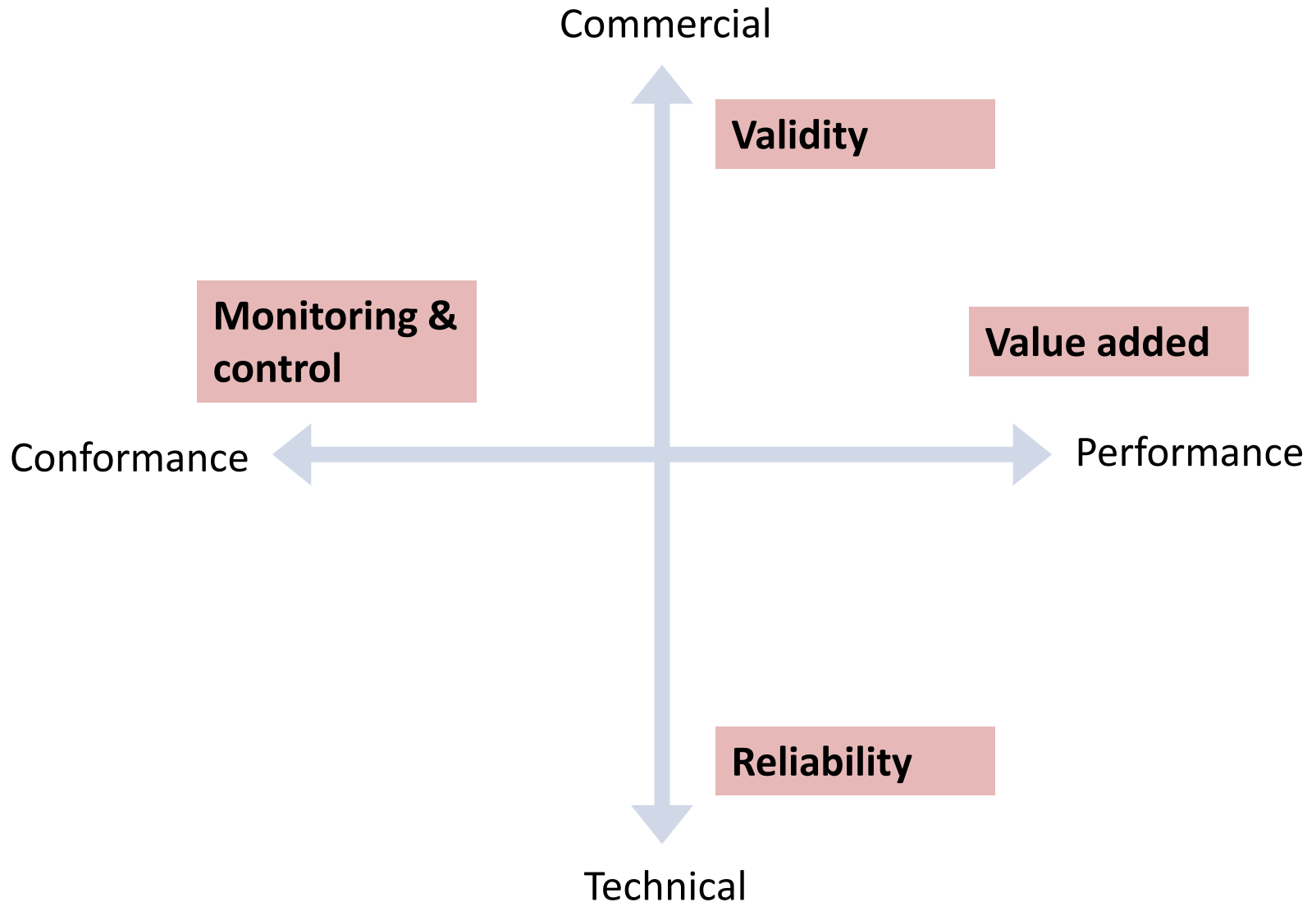
# The competencies required for data analytics



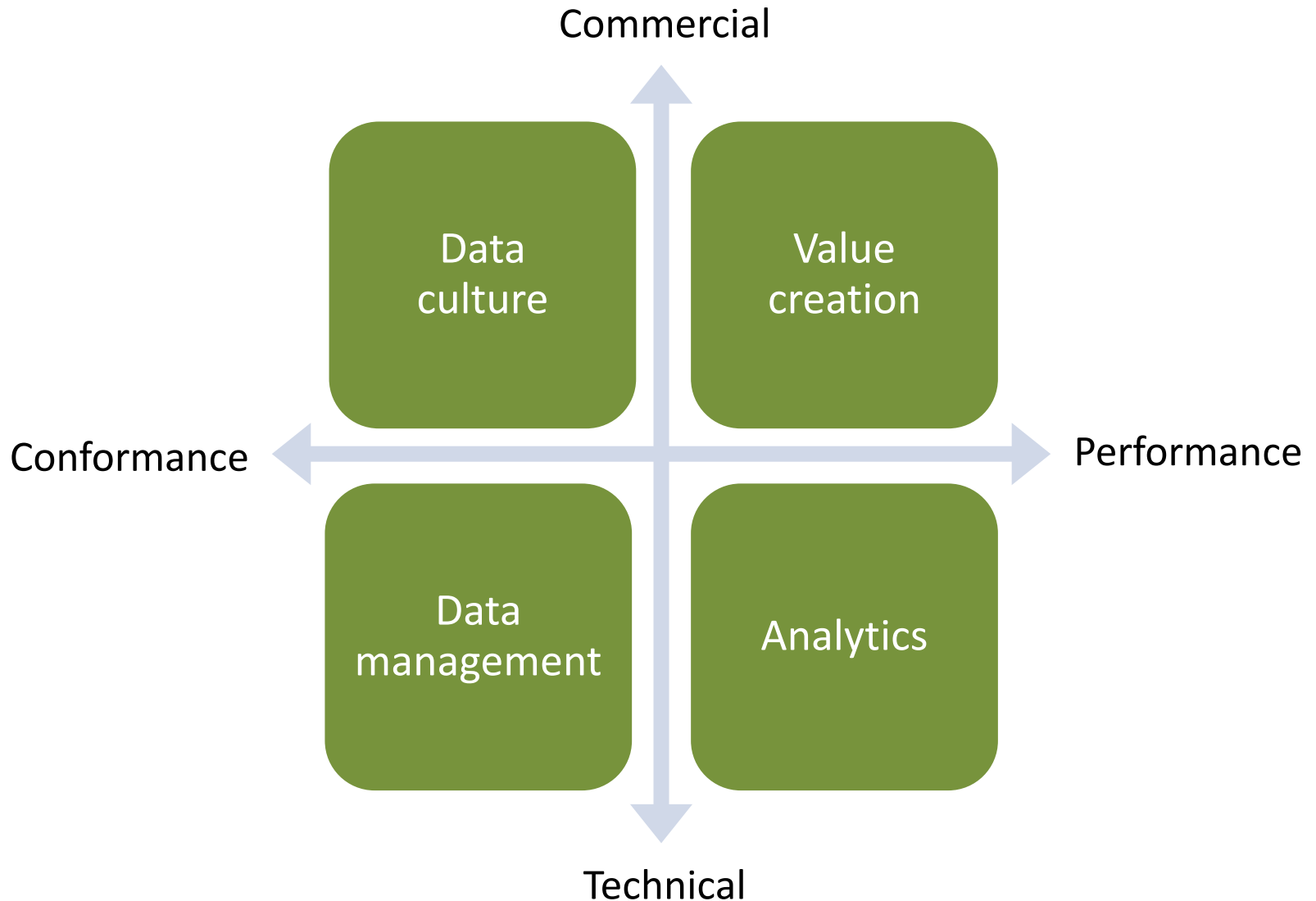
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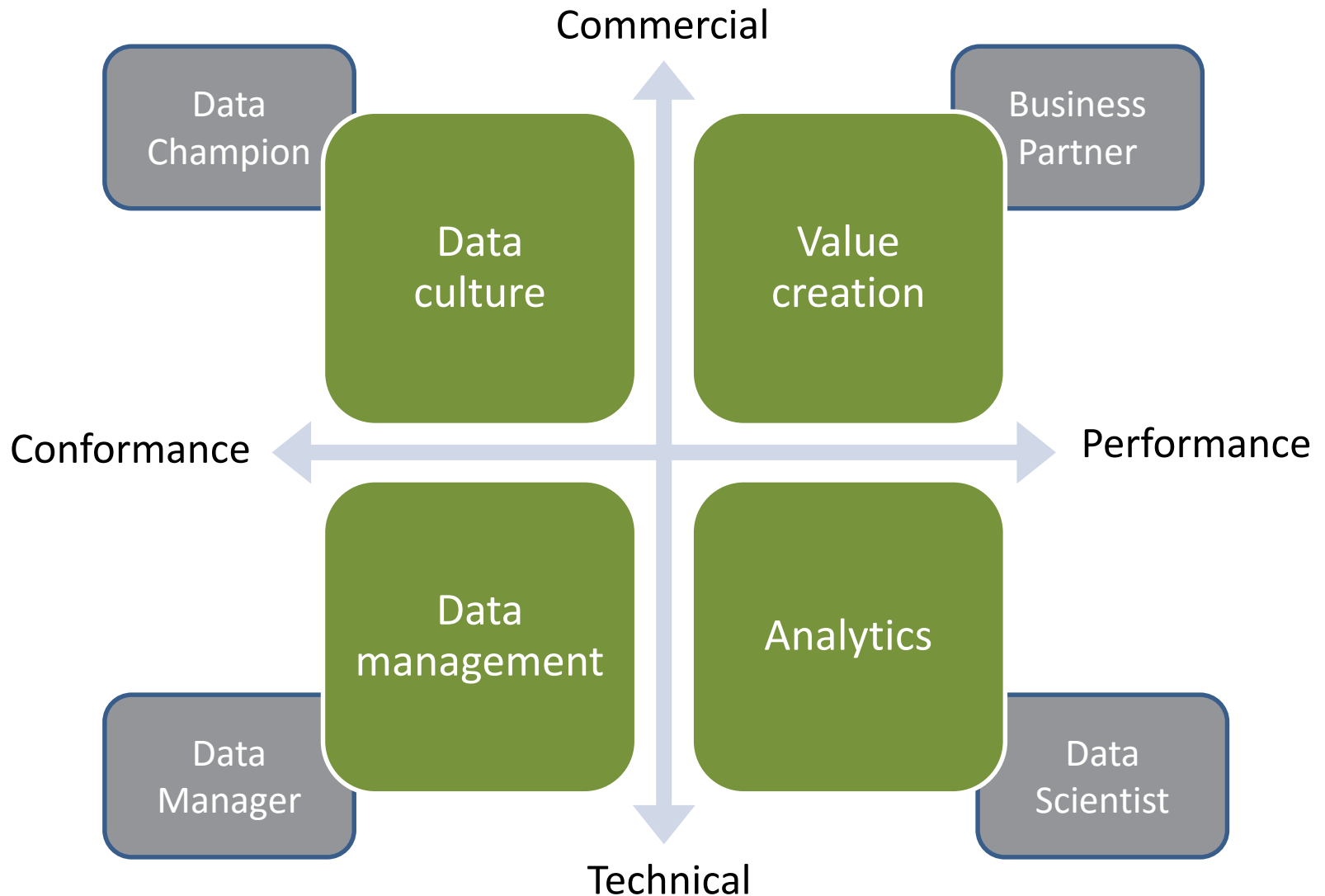
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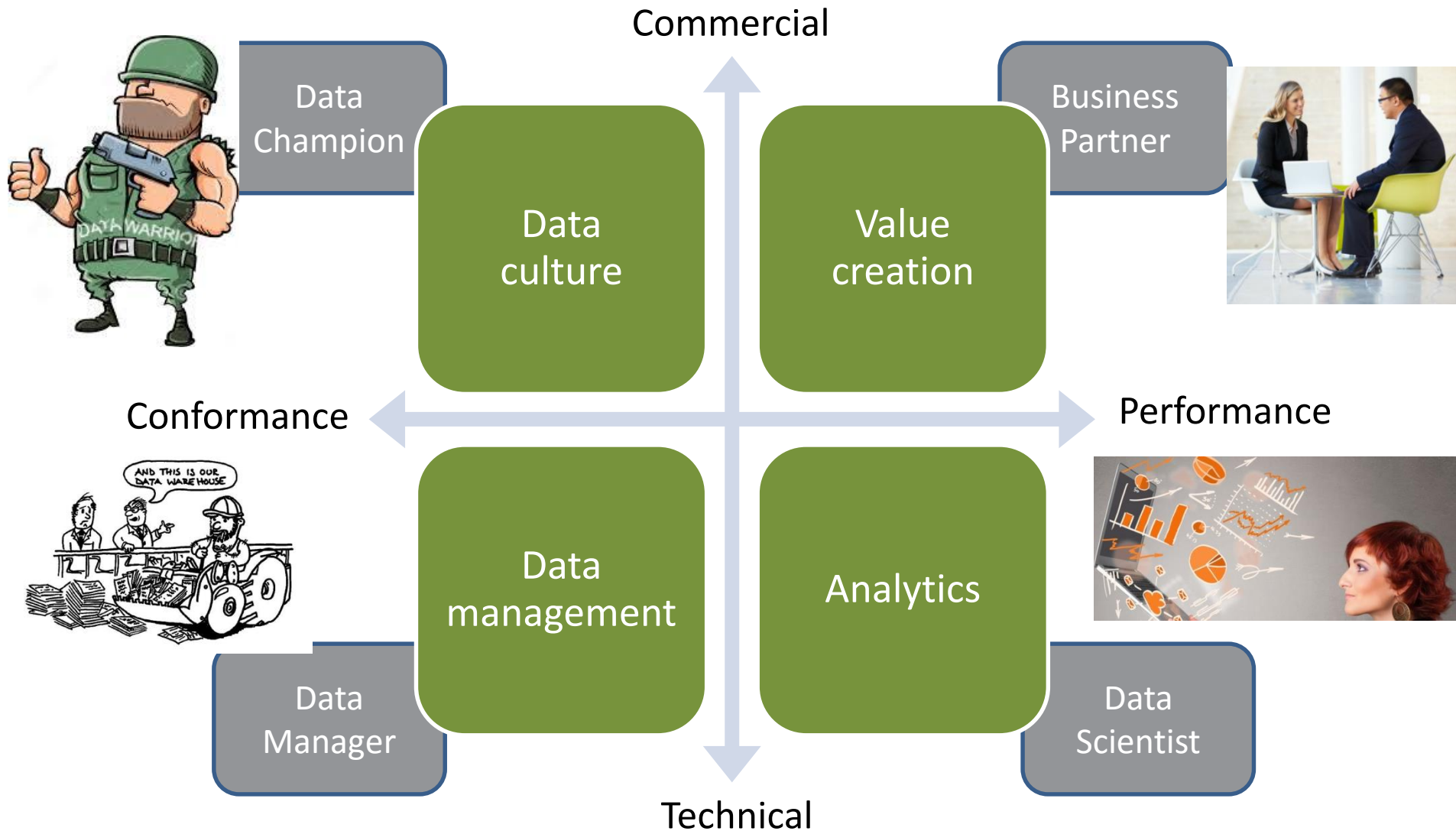
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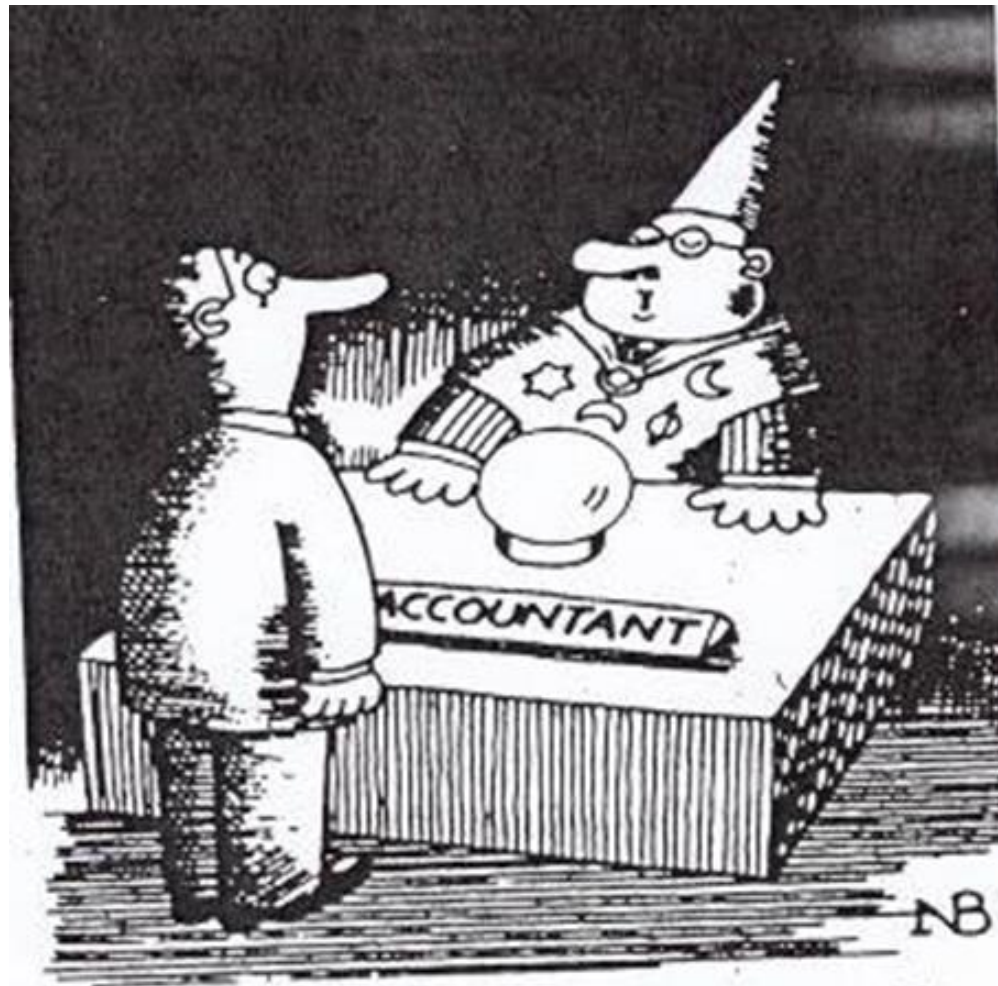
# New roles for management accountants



# New roles for management accountants







*"It's not an exact science."*

# Have you got the right culture?

## Weekend



## Weekday



Are we trapped in a digital stone-age?

**The near future??**

**Robotic Process  
Automation**

**Humans Need Not Apply**







**Better  
technology  
makes more  
better jobs for  
horses**



**Better  
technology  
makes more  
better jobs for  
~~horses~~ humans**



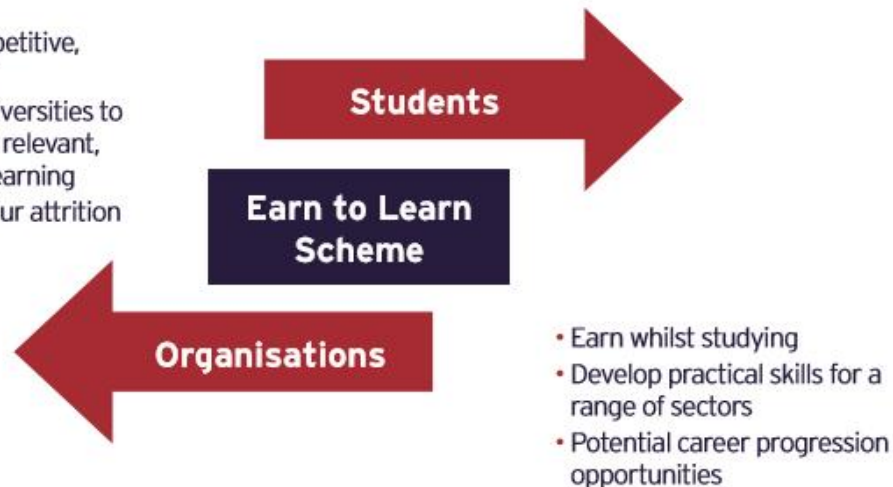


## Earn to Learn Scheme

*The Earn to Learn Scheme is an initiative being piloted by Loughborough University in collaboration with a number of other universities across the UK.*

The scheme endeavours to attract Shared Services/BPO organisations to establish premises on or near campuses to develop mutually beneficial working relationships for both organisations and students.

- Access to multi-language talent pool
- Flexible, competitive, labour force
- Work with universities to develop work relevant, world-class, learning
- Reduced labour attrition



Questions?







## Time-space distancing

Quattrone & Hopper (2005)

ICT (ERPs in particular)

Is enabling events, actions and people to be separated over time and distance.

This is what enables....



## The global knowledge economy!

Problem is though....

The only person who has to be in that particular location is the man digging the hole.

Those others could be in Poland!!

*The Martini Workers!*  
*Any time, any place, any where!*