

Article for FM magazine

Getting 'more-for-less' in finance shared services.

Arguably the cost of the typical finance function has halved over the last two decades, during which time expectations from the business have almost doubled. A series of transformation programs have implemented ERP systems, established shared services centres (SSCs) and addressed the stringent demands for greater control and regulatory compliance. At the same time, the pressure to benchmark performance against 'world's best practice' have also increased, together with the demand from business units for better and more comprehensive decision relevant information based on a single version of the truth.

In this article David Mitchell and Ian Herbert look at the nature of 'continuous improvement', as a 'business as usual' (BAU) process, and the emerging role for accountants as the executive managers of global business processes (often titled "Global Process Owners").

The relentless march of the "more for less" agenda

The finance function is stronger, leaner and more productive than at any time in the past yet, the "more for less" agenda shows no sign of abating. Many SSCs are proud of their achievements, both in fostering the creative power of their people and for delivering results that are demonstrable to the business. Despite the successes in identifying and resolving many instances of 'squeaking wheels' there is something of a paradox in making a series of ad hoc improvements into a coherent and sustainable programme of improvement.

On the other hand "mega projects" often focus on distant "target environments", cause business disruption and provide solutions that are going out of date by go-live. Whilst there will always be a need for periodic game-changing projects, for many mature SSCs the new paradigm is continuous improvement.

We, therefore, make the case for; 1) a meta-level "*Complexity to Simplicity*" (C2S) process to challenge and improve end-to-end processes on a continuous and agile basis, 2) a new executive level role, the "*Global Process Owner*" (GPO) to champion the change, 3) fine-tuning; governance structures, recognition-reward metrics and RACI protocols to enable "transformation and change as a business as usual process" and *empower the GPO's to succeed*.

The GPO is a very senior level role requiring the individual to champion a structured agenda of process improvement that views all activities as interlocking elements in an end-to-end process that results in real value to the business. We distinguish the role of "Process Owner" (challenging and improving) from "Process Operator" (operational delivery) although some job descriptions and positions contain both roles.

'If it ain't broke don't fix it!'

This maxim has served both motorists and systems operators well for many years. However, it has also let down others who have experienced critical breakdowns or else have seen their systems survive but, almost imperceptibly, become outdated and not fit for purpose.

The challenge of continually evolving tomorrow’s enhanced operating model forms a part of a broader cycle of maintaining stability while driving improvement. This has been described as ‘fine tuning the engine while driving at speed’. In this new mode the problem-set for the GPO/Process Operator roles is; delivering what is urgent today while getting ready for what is important tomorrow. Both need action now. See figure 1.

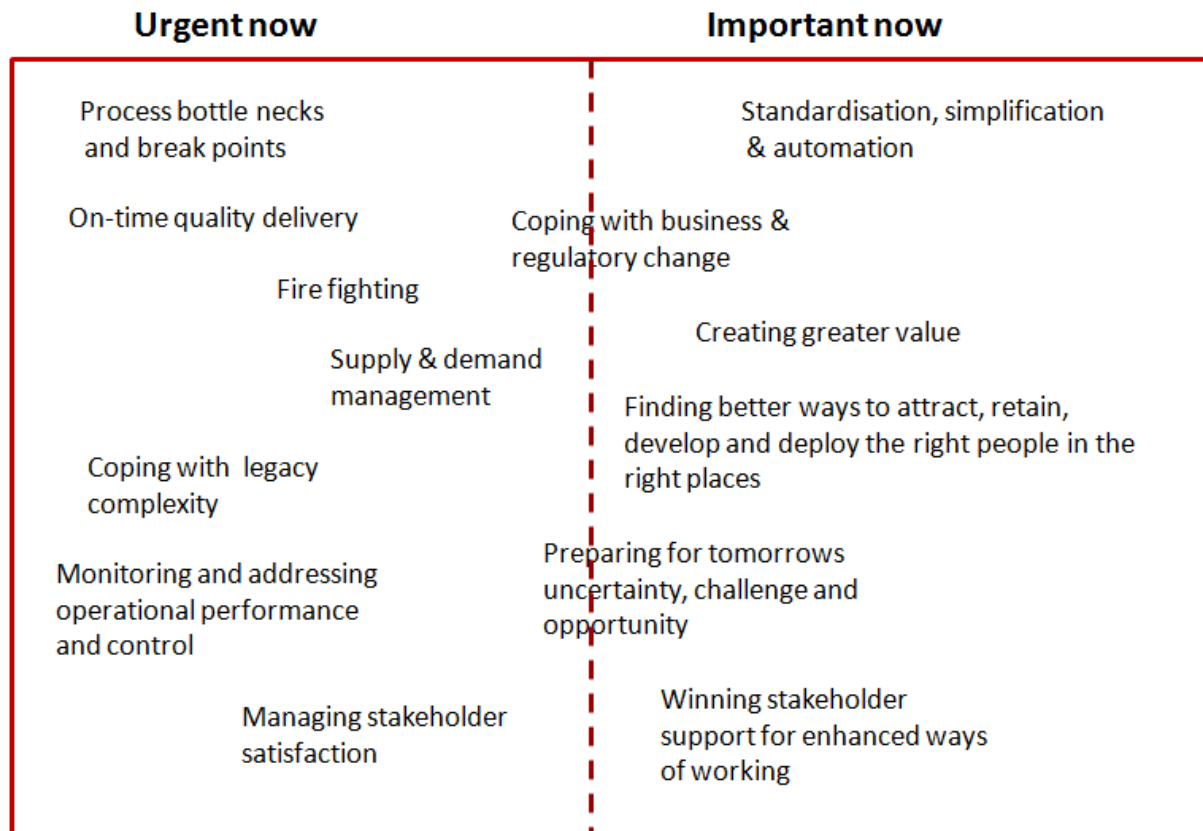


Figure 1. The initial problem-set of the Global Process Owner

Focusing on one or the other may be doable. To do both at once, without stopping the work flow, requires a new mindset and skills. Continuous improvement requires:

- a well-designed framework;
- a process champion and corporate level sponsors;
- a cross-functional team of experts, and;
- an environment in which knowledge is shared and learning accelerated.

Continuous Improvement does not lend itself to heroic sprints of effort, but rather a calculated, calm and systematic process. The champion of this process is the GPO but the role, framework and tools are still very much work in progress.

Consideration 1) a “meta” level Complexity to Simplicity Process

The objective of continually improving a process to achieve an ongoing flow of “more for less” requires a meta-level “complexity to simplicity (C2S)” process to be established with its own delivery model. The C2S delivery model will look the same whether the target process for improvement is; R2R, P2P, O2C etc. Common initiatives across all of the finance processes should:

- Drive standardisation and simplification in; data and coding structures, processes, procedures and policies as well as systems.
- Automate and enable processes by; digitising paper work, utilising workflow and empower and extend the scope of analysis and control.
- Rationalise legacy roles; unbundling and reconfiguring tasks in order to leverage specialist expertise, economies of scale and labour arbitrage.

While the detailed application of principles will vary across end-to-end processes GPO's will benefit from sharing learning's and best practices between them. Ultimately processes are more like interconnected cogs in a machine than independent streams. They are "loops" not "lines". In addition process performance and control are inter-dependent even though operationally they are frequently managed under different governance structures.

The GPO "team challenge" is, therefore, to collaborate, continually improve value and accelerate learning:

- Both across their specific end to end process, and
- between different business processes, while at the same time
- Improving both performance and control in harmony

The techniques of continuous improvement are not new; lean manufacturing, six sigma, quality circles, change management, agile project management to name but a few. Aspects and features of these techniques can be built into the C2S delivery model. However, what is new for many organisations is creating an enterprise wide industrial scale process to continually deliver more for less by transforming complexity into simpler more efficient ways of working on a never ending sustainable basis.

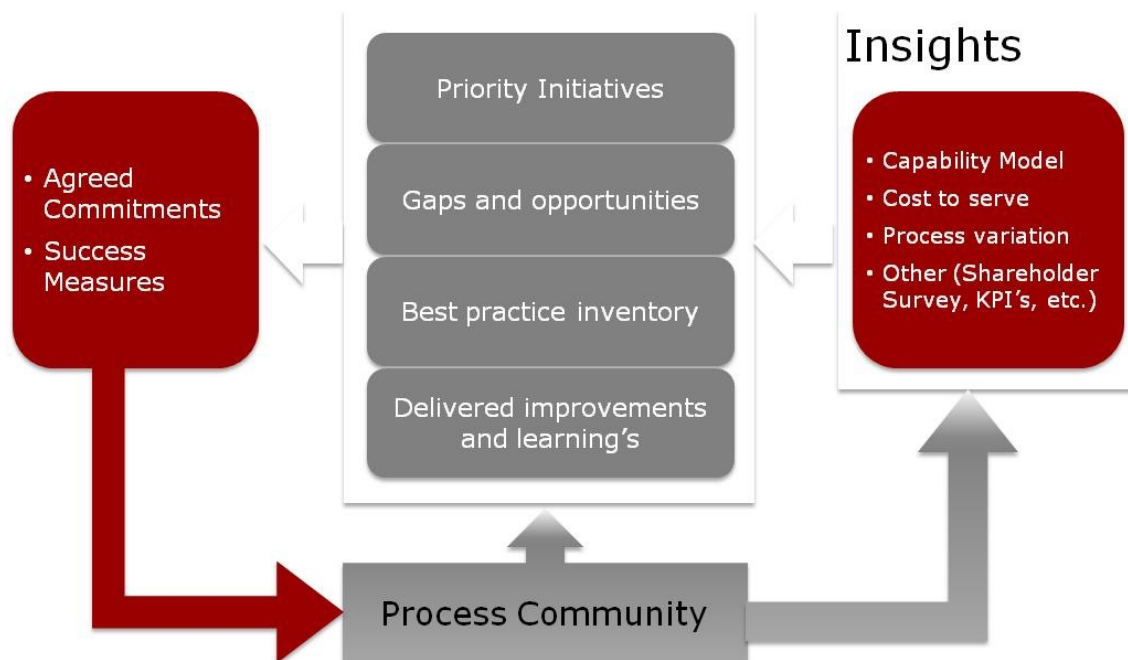


Figure 2. Elements of a meta level Complexity to Simplicity process

We are starting to see GPO's creating continuous improvement frameworks drawing on insights from multiple data points to identify gaps and opportunities and create portfolios

of agile initiatives. These data points include; a systematic and regular review of; benchmarks, capability, cost to serve, capacity versus demand, process variation analysis, stakeholder satisfaction and Key Performance Indicators (KPIs).

Consideration 2) emerging GPO roles and challenges

The More-for-less agenda needs its own champion (the Global Process Owner) to mobilise a cross functional community of experts that already have busy operational roles. A high degree of collaboration is required between GPOs and a clear remit for the role of the GPO together with senior level sponsorship.

While a number of people now have “Global Process Owner” as part of their job title many are seeing this as a role rather than a job. We are, therefore, seeing the GPO role being added to existing job descriptions as well as new job titles being created. It is not, for example, uncommon for a senior finance officer to have a line role managing a local shared service location while at the same timing having the role of GPO for R2R or P2P.

The optimum career journey to CFO is the talk of many new aspiring CIMA members. The GPO role is attracting some of the best talent in finance and is emerging as a must have “port of call” as well as a career path “destination” but it is not for the faint hearted. Strong candidates have already demonstrated success in a career portfolio that includes finance operations delivery and critical business problem solving as well as gaining a reputation as a “shaker and mover who can operate within the protocols of the corporate culture and manage the politics”

For GPO’s the challenge is to influence improvement while experiencing the pressure to direct it. The issue for the GPO is that governance and resources lie within the functional hierarchies while the opportunity to improve lies across the end-to-end process. The GPO must get a whole process community to worry about what happens beyond their functional boundary and think about what good looks like in the context of the end process outcome and business goals.

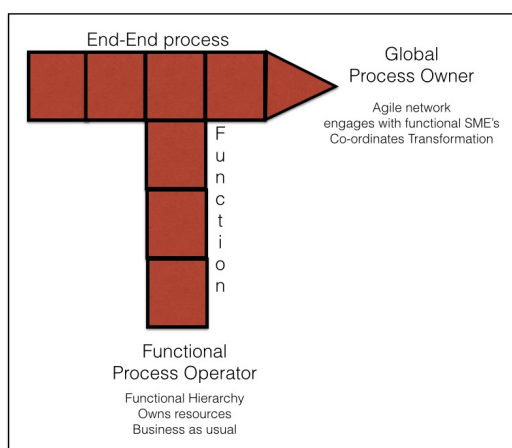


Figure 3. The extended problem-set of the Global Process Owner

In addition the mindset of operations is “consistent quality delivery” and to “eliminate defects”. The mindset of transformation is to “break the rules and envision the

unthinkable”. It is interesting to observe that evolution would not occur without “defects” (or gene mutation). Yet subject matter experts within the functions must be able to embrace both mindsets at the appropriate time with the former under the management of the Process Operator, and the latter under the leadership of the Process Owner.

Consideration 3) empowering the GPO’s to succeed

GPO’s need to engage with subject matter experts from across the silos and build a community around the end to end process. These key resources will always be busy with day-to-day operational activities. Transformation initiatives fail when they are staffed with available rather than expert resources. However, the functional silos that own these resources are often measured on the achievement of functional objectives rather than end process outcomes and business value created. There may, therefore be a need to fine-tune governance structures, recognition-reward metrics and RACI protocols to enable “transformation and change as a business as usual process” and *empower the GPO’s to succeed*.

All parties need to have a clear understanding of how the GPO role fits within the overall business imperatives and the governance structure. The role requires collaboration and support to pursue the bigger objectives that lie beyond individual functional boundaries.

Indeed, the dispersed stakeholders in the business units will have varied needs and can be forgiven for framing their thinking around the traditional silos of professional functions. How can they be expected to know that there is a new sense of purpose in the SSC that combines the expertise of different disciplines, rather than perpetuating the traditional warring fiefdoms that often designed systems for their own convenience and to maintain their own power? A key element to success is, therefore, to educate stakeholders and build their understanding of the end-to-end process and how it aligns to their more individual business context.

Designing initiatives to deliver discrete wins over a six to eight week period is a good way to get busy resources to engage. If compromises are needed for practical purposes designing the scope of the initiative to fit the availability of critical resources is often the best approach. In a continuous improvement environment one initiative builds on what is made possible by its predecessors so “no good idea gets left behind”.

Conclusion

This article is the precursor to one based on an interview is a GPO in a major company and sets the scene for what is an interesting development in the world of the finance function and beyond. The Global Process ownership construct is nascent with 50% of companies with a GPO having appointed them in the last 18 months (according to Shared Services Link). Our observation is that companies are still defining what the role means as well as the frameworks in which they operate. GPO’s are strongly (but not uniquely) associated with shared services.

We believe that as the SSC movement matures the need for agile initiatives within a structured programme of continuous is an important agenda that requires both new

thinking and new roles such as the Global process owner. We welcome the opportunity to share ideas and resources with GPO's in taking the subject forward.

David Mitchell is EVP Transformation and Process Optimisation at Consider Solutions
dmitchell@consider.biz www.consider.biz

Ian Herbert is deputy director of the Centre for Global Sourcing and Services at the School of Business and Economics, Loughborough University.

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David and Ian will be leading a discussion of this topic at the next meeting of the CIMA-Loughborough Shared Services Forum will conduct a 'deep-dive' on process improvement and ownership in Sheffield on April ?? 2015. For details see the project website