IBM

Improving Management Reporting with Shared Services

Tom Willman, Bryan Hall and Bill Marchionni, The Hackett Group

This essay is part of a series, *Controllers' Corner: Two-Minute Essays on Financial Management and Control*, which asks industry thought leaders for their opinions on critical issues facing today's finance organizations.

Smart decision-making requires relevant information in the right format at the right time. Yet, in spite of the time and resources that Finance and IT teams have spent to gather, prepare and report on information, there is still a large, unfulfilled demand for quality and timeliness.

Q. Given the pressure to improve decision-making while driving down costs, what options are open to the Controller's office for improving the reporting ecosystem?

In our last essay for Controllers' Corner, we discussed the idea of using a shared services or center of excellence operation to help meet management reporting needs. One of the things we have heard from companies that have actually made this change is that, when you ask them why they are successful, they invariably come back and say that it is because they first established credibility by providing transactional services in that type of delivery model.

The companies we talked to that have done it and done it well tend to be those shared service organizations that are pretty mature. Moving consolidations into a shared service environment is one trend that's maturing. And we recently talked to a major consumer products company that is launching two major projects, both intended to drive reporting into a shared services environment, after recognizing that this technology has been successful at a process level.

That's not to say that if you are developing a shared services strategy and are just starting that journey that reporting shouldn't be part of the dialogue. But it's important to recognize that there may be some resistance.

Breaking Down the Barriers

The reason that familiarity with a shared services environment is so important is that there tend to be strong emotional barriers that can prevent organizations from being comfortable or confident in shifting the responsibility or location of reporting. For example, there may be a manager for a particular country or region who has finance people on site, pulling information together locally. They have built a working relationship and they communicate well. The idea of that role or a portion of that role being performed somewhere else, by someone else, is disruptive. The country manager will ask, “Am I going to get the same level of support that I was getting when I had someone right here?” That’s where we have to take a step back and say “no, it’s a completely different model.”

In the shared services model, the linchpin of the process and the delivery mechanism has to be that common technological core and making sure that the data is consistent globally. Today, much of an organization’s data is interrelated, whether in the classic areas of inventory data going into accounting or in using external market share data to examine how we are performing against plan.

It is important to point out, however, that the model for management reporting is different from the model in the transactional shared services world, where there is not as much interaction and dialogue with, say, the country manager we mentioned earlier. In the shared services model for reporting–as the companies that have done this have made very clear–they spend more on travel and in making sure that the people who provide these services take the time to stay close to the business and understand what the requirements are, than is necessary on the transaction side. So, with a shared services approach to management reporting, that country manager will still get the direct support that he or she needs. We want to be very careful not to “take something away from the business” that the business needs.

Efficient and Effective

Shared services can have a very direct impact on efficiency while improving effectiveness. If you look at the opportunities now available to finance, there aren’t many other situations where you can do that, working against constrained budgets and the type of realities we are dealing with in today’s economy. That’s another thing that we are calling people’s attention to.

The finance organization may have tried to make this sort of change before and gotten pushback. But now they can use the difficult realities of the economy to help break through some of those barriers. While a few industries are insulated from the current upheaval, most are still looking at very challenging times in the near term. So, this isn’t the time for political infighting. What we are saying to most of the CFOs we talk to is, “Look, this isn’t a new idea to you. But if you were unsuccessful in getting the organization on board with it before, maybe now is the time to revisit the issue.”

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About Bryan Hall

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