Delivering tomorrow's companies today

How global business services can transform your business

The CFO perspective — at a glance
The CFO perspective – at a glance

We want to help you get to the insight you need as quickly as possible. This is one of a series that summarizes the key findings from Ernst & Young reports from the perspective of the CFO and future finance leader.

What is *Delivering tomorrow’s companies today* about?

This Ernst & Young report¹ explains how a new hybrid model of shared services and outsourcing is transforming the way global businesses operate, and the impact this will have on key functions, including the finance department. It also addresses the new challenges that many CFOs will face in leading a new breed of business services organization.

In a sentence

There is an opportunity for CFOs to take a lead role in guiding their organizations toward a new brand of sophisticated, multi-functional, global shared services structure.

¹ *Delivering tomorrow’s companies today: how global business services can transform your business*, Ernst & Young, 2013.
A new model for global business services

For the past two decades, companies have been using outsourcing and shared services to deliver operational efficiencies. But leading organizations are moving toward a much more sophisticated and ambitious model, using multifunctional shared service centers that integrate finance, IT, HR and other back-office functions into a global support business.

These global business services organizations bring greater scale and operational efficiencies than their single-silo counterparts; but they also enable best practice and innovation in one part of the business to be transferred across the organization. Cost savings remain a vital part of the equation, but companies are increasingly using global business services organizations to deliver added value, strategic input and more sophisticated business analytics.

The benefits of the multifunctional approach are potentially huge, but there are a number of challenges for the CFO and other C-suite executives. These service organizations are large entities in their own right, and their emergence has major implications for management and governance. In line with this, many CFOs at a growing number of companies are finding themselves leading huge multifunctional support operations that stretch their skills and experiences into new domains.

The new breed of global business services organization makes it possible for the rest of the company to concentrate all its energy on successful and sustainable growth. As such, they are a vital new ingredient in the recipe for growth.
Implications for CFOs

**Move toward a multifunctional model**
In the past, companies tended to set up shared service centers with a focus on a few specific functional areas, with finance often in the vanguard. But, by bringing previously separate shared services together under one roof, global business services enable know-how in each functional silo to be leveraged and shared. The repetition of tasks and processes can be eliminated, while stand-alone expertise can be maintained where necessary and optimized across the globe. With the right structure in place, this kind of global service model can deliver much greater economies of scale and cost savings than can be achieved by having three or four separate functions doing their own thing. By leading the way in this evolution, finance can deliver a model that is genuinely transformational for the business.

**Learn how to blend shared services with outsourcing to deliver greater value**
The move to multifunctional shared services does not spell the end of outsourcing. For many companies, there may be a number of processes within the support organization’s remit that are better run by third-party providers. In some ways, it is easier to mandate fixed service levels or cost savings from an external supplier than to do so with an in-house operation. But as companies move toward a more complex model of in-house and external service providers, control and governance issues come to the fore. One option for managing this hybrid model is for the finance, and other functions, to each do all their own contracting – both with outsourcers and with their in-house multifunctional shared services. However, this may not capture the potential standardization benefits that are available through a more coordinated and cross-functional approach.
Design the KPIs to drive performance
CFOs need to measure the performance delivered from these multifunctional service centers using increasingly sophisticated metrics and tools. The traditional measures and service level agreements remain vital, including cost per transaction, speed of delivery, availability and response rate. But leaders in this field are applying a second group of performance measures that are typically much more focused on outcomes. For finance, this might include more qualitative measures such as the quality and impact of their analysis and reporting.

Ensure the model works for emerging markets
Globalized companies with extensive operations in emerging markets might previously have been tempted to keep those businesses outside the shared services center model. After all, why meddle with operations in markets where labor is already cheap? In more recent years, that issue has become more nuanced as costs in emerging markets rise. But for now, however, the more compelling case for bringing your emerging market operations into the fold is what the new global support organizations can deliver beyond cost savings alone. Indeed, the real value here may be in creating the support structures to enable rapid and flexible growth in a fast-changing market environment.

CFOs should take a leading role
A traditional shared services center would have reported to the head of the function it served – and thus many CFOs have experience of overseeing a shared service in their own particular area. But these management structures are being reappraised as companies embrace multifunctional shared services. The trend is increasingly for the head of global services to report either to the CFO or the COO, although a specific cross-functional governance body should also oversee
global business services. Another possibility is for the head of global services to report directly to a governance board. Under this model, the functions buy in work from global services, but the unit owns the process, maintains its own profit and loss account, and reports directly to the C-suite, just as customer-facing business units would. Any of these models represent a huge change in the way finance operates within the broader structure. Indeed, the CFO is increasingly at the helm of this major transformation in the way organizations structure their businesses.

**Implementing the new model**
Few companies will move directly from having no experience of shared services at all to a multifunctional approach, so it's likely they will have some knowledge of the issues associated with establishing a support operation. Nevertheless, the challenges involved in running the operations at a global and multifunctional level are considerably more complex.

Companies will confront problems in different ways, but those that follow some basic rules in implementing a multifunctional approach will find the transition more straightforward and effective. Learning points include the following:

- **Embrace the multifunctional model**
  Companies that continue to focus on individual functions will miss out on some of the benefits that global business services can deliver.

- **Concentrate on process**
  By looking at end-to-end processes rather than types of transaction, companies break down barriers between functions.

- **Own the technology**
  Global business services organizations work best when they take control of their IT architecture, rather than buying it in.
Be open-minded about delivery
Some services will be delivered better by an outsourcing firm, while others are best sourced from captives. The key is not to be dogmatic about either approach.

Run the organization as a business
Global business services is a business within a business – it needs to treat the rest of the organization as clients.

Focus on consistency
Where services are delivered in a variety of ways – in different parts of the world, for example – the organization misses out on standardization benefits.

Prioritize business intelligence
Global business services units that operate centers of excellence and provide high-quality business analytics will be valued and accepted by the rest of the organization.

Sell the value proposition
A global business services organization must constantly explain its value to its clients, just as any other business would.

Further reading
- *Growing Beyond. How high performers are accelerating ahead*, Ernst & Young, 2012.
- *Seizing the opportunity in Global Compliance and Reporting*, Ernst & Young, 2012.
- *What lies beneath? The hidden costs of entering rapid-growth markets*, Ernst & Young, 2011.

For a copy of the full report, please visit www.ey.com/gbs
Other insights for the CFO

Delivering tomorrow’s companies today: how global business services can transform your business is one of a number of studies that provide insight relating to the CFO role – represented by the wheel below. For more on these insights, please go to www.ey.com/cfo or contact your local Ernst & Young representative.
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