## Executive Summary

**Shared Services Organisations within the Finance Function of European companies are now an established best practice**

This year's enlargement of the European Union to the East has lead to a significant growth in the size of the unified economic market. With a standardised regulatory framework now in place across a large part of Europe, and set to increase further over the next few years as expansion continues, we are seeing a further uptick of interest among European companies in setting up and improving Shared Services Organisations (SSOs).

Centralising transactional finance activities that are otherwise duplicated across divisions, business units, subsidiaries or entities enables companies to improve regulatory compliance, risk management and decision support while maximising cost efficiencies and increasing quality. However, securing such myriad benefits requires thorough preparation and the utilisation of proven SSO best practices.

In order to improve the empirical baseline on shared services usage within Europe, The Hackett Group surveyed for the third consecutive year a broad range of more than 80 Europe-based companies to document their activities in planning and implementing SSOs for their Finance function.

Conducted jointly with Answerthink Europe, the study's remit included defining which finance processes are routed through SSOs; identifying the most common reasons for implementation; benefits gained; understanding where SSOs are located now and future trends; which IT landscape is used; an analysis of which Key Performance Indicators (KPIs) are deployed to measure progress; and whether European management teams typically have enough reliable information to make an informed decision about the potential benefits and drawbacks of SSOs for their particular situation.

Below are some of the study's major findings:

- 63% of study participants have more than 2 years experience in running an SSO (up from 58% in 2003).
- The majority (64%) of participants have implemented a Finance SSO. A further 20% plan to do so within the next 2 to 3 years.
- High-volume transactions account for the majority of activities carried out within an SSO. The 4 most popular processes are accounts payable and accounts receivable (both 94%), fixed assets (91%) and general accounting (87%). All processes have increased in usage since 2003 (most significantly credit, which has ballooned from 31% to 56%) with the exception of freights and customer billing, both of which decreased.
- The major motivations for implementing SSOs in finance remain unchanged. Top of the list, at 76%, is administrative cost reduction, followed by service and quality improvements (68%). Interestingly there has been a sharp increase, from 35% to 51%, in implementing shared services as a part of corporate strategy. Also on an upward curve are both compliance and tax flexibility. Generally IT support issues have decreased in importance.
- 60% of participants operate regional Shared Services Centers (SSCs), unchanged from 2003. Forty seven percent operate additional national SSCs, down from 52%. Greenfield locations have increased slightly from 17% to 22%, but the majority of SSCs (56%) are still located at corporate headquarters.

- Compared to 2003, realised savings have deteriorated. Whereas last year 80% of companies reported that their SSO had achieved savings of 11% or more, just 56% of companies now make this claim. Indeed, 5% of companies experienced cost increases of 5% or more. Payback is essentially stable, with 69% achieving this in 3 years or less.
- At 79% top management support remains the most critical factor for succeeding with an SSO but is down 5 percentage points from 2003. Poor service quality remains the biggest concern, up from 52% to 62%. Securing quick wins has essentially doubled in importance as a success factor (from 31% to 60%).
- SAP remains the most widely used ERP platform (79%) and ERP is still the most critical IT tool (72%). In saying that other tools are being increasingly used, especially workflow (up to 58% from 46% in 2003) and automatic matching and payment allocation tools (up to 38% from 23%). Uniform IT landscapes have increased from 35% to 46%.
- Almost all SSOs (87%) are now organised by processes. But in 80% of cases the processes start and end within the Finance function, so are not end-to-end or cross-functional.
- Service level agreements (SLAs) are standard practice. Fully 83% of participants use SLAs or are presently putting them in place. Usually SLAs comprise process descriptions (90%), pricing (81%) and contact information (76%). The study finds that a small number of companies, 2%, have implemented and then abandoned SLAs.
- Pricing is mainly based on cost or cost-plus allocation (with a combined score of 71%) or by products (37%). Benchmarking as a basis for pricing is used by 10% of participants. In half of companies prices are flexible and vary over time.
- Performance measurement is increasing in significance. Accounts payable is the most commonly measured process, with the most popular KPIs being, at 61%, "incoming invoices per FTE (Full-Time Equivalents)" and "cost per invoice processed" (42%). For the Finance SSO generally, the most popular overall KPI is, at 18%, "finance cost as a % of revenue."
- While cost reduction remains the primary motivation for establishing an SSO, other reasons are climbing the importance ladder, such as regulatory compliance and risk management. This can be expected given the upswing in importance of corporate governance isssues.

Increasing numbers of companies are waking up to the fact that an SSO is not just a cost cutting initiaitive, but a true reengineering opportunity. Leading organisations are finding that it is possible to leverage service quality while simultaneoulsy reaping significant cost reduction. Taking more than a narrow cost-saving focus is critical. The deteriorating results for achieved savings demonstrates that successfully implementing an SSO requires competent and sufficient planning and resourcing.

We remain confident that European companies are able to significantly accelerate their learning curve, and avoid costly mistakes, by studying the best practices in use in other companies, both within and outside of Europe, and adopting those that are most appropriate to their particular situation.