**SAP Thought Leadership Paper**
Shared Services

# Getting the Most Out of Finance Shared Services

## Start by Using ERP to Consolidate and Automate

The Best-Run Businesses Run SAP™

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**About the Author**

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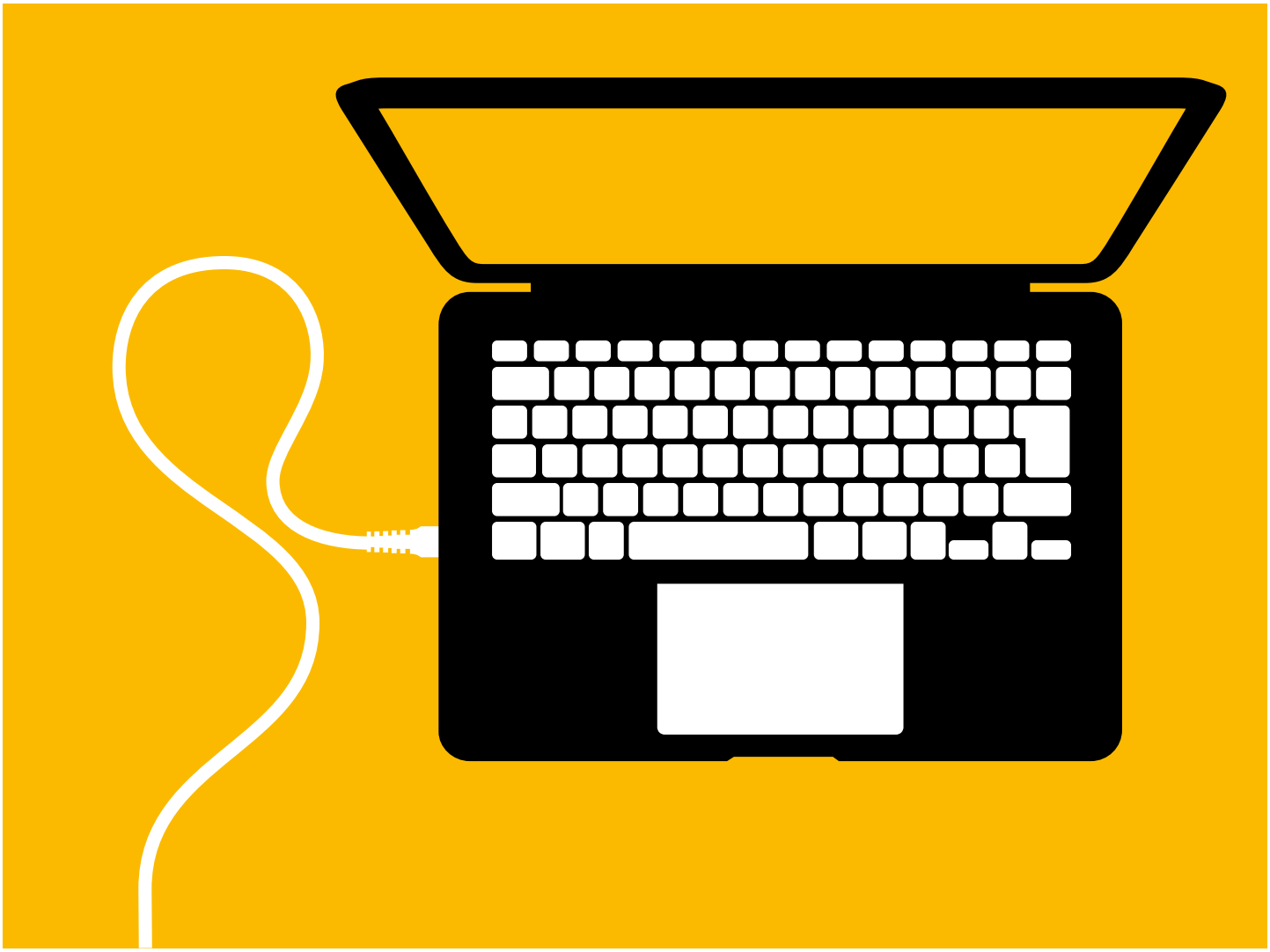
Enterprise resource planning (ERP) software is a great place for organizations to start when it comes to consolidating and automating administrative functions. By enabling shared services for transactional activities, including financial processes, ERP systems help your company reap the benefits of standardized workflows, economies of scale, and optimization of processes – leading to greater efficiency and end-user satisfaction.



# Executive Summary

The appeal of shared services is widely recognized, and most companies have moved or are moving the transactional activities of their business toward a shared services model. Those who have already established shared services are under constant pressure to lower costs and improve the quality of their financial operation. Those who are currently evaluating shared services are struggling to determine the most "future proof" strategy.

Many finance processes – such as payables and receivables management, expense processing, and payroll – are natural candidates for the centralization of services. In particular, when looking at which services to consolidate within your organization, consider ones with:

- **High labor intensity** – Functions that make the best candidates for shared services are characterized by high repetition rate, labor intensiveness, and skills specialization.
- **Standardized workflows** – Tasks can be segregated along the business process, and have clear, repeating points in time when data must be synchronized.
- **Opportunities to benefit from large economies of scale** – Various benchmarking studies[1] in past years confirm that companies with shared services can run certain finance functions at one-third the cost of their peers.

Transitioning a business function to a shared services center, however, requires careful planning. A critically acclaimed approach is to simply drop the given finance process practice on the shared services team (often dubbed "lift and shift").

Companies often come from a diverse landscape of business processes, all a reflection of their internal systems and technology. When evaluating a move to shared services, you need to identify a set of processes that, once streamlined, can add value to the business. These processes must be nonintrusive to your organization and to the business function itself – that way, shared services can be the route to process excellence without having to transform the whole company.

**FOOTNOTE**

1. For examples, see studies conducted by SAP and the Americas' SAP Users' Group (ASUG).

# Start with an ERP Foundation for Shared Services Implementations

ERP systems are the transactional backbone for finance processes such as accounts payable, accounts receivable, and general accounting. Financial management systems have helped streamline transactional finance business processes through greater automation. In addition, extensions and enhancements to core financial ERP systems have enabled them to move beyond traditional back-office functions and deliver improved workflow and collaboration functionality. So as your organization looks for ways to further reduce finance operating costs, ERP systems will play a larger role.

Shared services implementations involve the provision of a service, usually in a central – not necessarily offshore – location. Common practice is to separate the shared services teams from those parts of the organization it serves. This imposes requirements on the transaction systems not usually found in traditional enterprise software implementations. The maximum benefit of shared services can be achieved when managed by one single ERP instance serving the whole company.

This single instance also implies standardizing process definitions, business rules, and data structures – something often difficult to achieve in the short term due to the heterogeneity of systems and processes across different company units. But heterogeneous IT landscapes should not inhibit the transition to a shared services operation. For an occasionally long interim, your shared services center will have to utilize existing systems while its single instance platform is being implemented.

> "If you want to have efficient processes, you need automation. To drive automation, you need integrated systems. And to get that integration, you need to leverage technology using a common platform."
>
> Colin Sampson, CFO and Senior VP, SAP Asia Pacific Japan

# Full Success Lies in Consolidating and Automating Services

Business process automation is a key success factor for your shared services implementation. Automating business processes isn't a new concept, but advances in software technology – such as more scalable ERP systems, workflows, scanning technologies, electronic data sharing technologies, and standardized connectivity – are now helping business units automate manual tasks and improve efficiency. The economics of process automation software are much more compelling, however, when you can implement services once, in a shared services center, rather than deploy multiple instances that serve broader user bases across multiple business units or departments within your organization.

Achieving greater economics through automation is especially true with financials. Consider the manual entry of invoices into accounting systems; it's not just labor intensive but also risky. Input errors detected at a late stage of the business transaction – after the payment has already been initiated, for example – create costs in complete disproportion to the original cost of handling the invoice. An invoice not paid to the right addressee or not paid correctly will cause questions from the supplier back to the person who ordered the goods or services and will ultimately lead to internal customer and supplier dissatisfaction. Depending on the process, human errors may even have consequences for compliance. Integrated, automated processes are the way for your organization to avoid error-prone, costly manual processes.

SAP provides the technology you can use today to achieve efficiency in your processes.

When evaluating a move to shared services, identify a set of processes that, once streamlined, can add value to the business.

# Financial Shared Services in Action

So which financial processes are best served by a centralized services model? We've identified three examples of processes that are good candidates for migrating to shared services.

## EXAMPLE ONE: RECEIVABLES MANAGEMENT

Receivables management provides a key opportunity for aligning business processes in shared services centers. Often, accounts receivable functions operate out of regional centers, thus inhibiting process standardization for what is typically a labor-intensive, manual, paper-based function.

By consolidating the receivables management function in a centralized shared services center, it becomes much easier for your organization to standardize processes and achieve economies of scale. Using advanced software solutions, you can automate most exceptions – such as billing disputes or late payments – based on the same rules by which your shared services center staff operate.

Within your receivables management, dispute and collections management are processes that are well suited to employing a shared services approach. Management of dispute and collections is often performed as an afterthought. Overdue items are dunned when detected, and the information about client's payment behavior is neither tracked nor used in a manner that helps ameliorate the problem. This results in slow cash collection, or – worse – the risk of writing off the due amount entirely.

In moving your dispute and collections management to a shared services model, your organization can take advantage of solutions from SAP – namely, the SAP® Collections and Dispute Management application and the SAP Biller Direct application. Using these applications in combination with the SAP ERP application, you can automate follow-ups and related communication and steer agent's attention to the most risky overdue accounts. This results in shorter time-to-cash receipt and reduced risk of bad debt write-offs. When used in conjunction with the SAP Credit Management application, you can leverage the intelligence gained during the collections process to make more precise decisions regarding credit line management.

Using SAP Shared Service Framework software, your shared services center can combine call-center capabilities with an advanced ticket system, providing your customers with an easy and consistent means to interact with the financial aspects of their business transaction.

## EXAMPLE TWO: ACCOUNTS PAYABLE

Shared services have high potential for streamlining complex processes, such as accounts payable. Typically, the accounts payable process is managed using a distributed model that is inconsistent and nontransparent – and when it breaks down, it can result in a flood of calls from angry suppliers to the purchasers of the goods or services.

One frequent approach to streamlining accounts payable is to move it to a shared services center, automating the company's invoice-to-pay process. With this approach, invoices sent by your business partners are scanned and then digitized through an optical character recognition (OCR) engine. Electronic invoices may not need any format conversion at all. Invoices then are verified against purchase orders or goods receipts, archived in your SAP ERP application, automatically posted to the ledgers, and subsequently queued up for a payment run.

Plus, using SAP Shared Service Framework, customers and suppliers have a simpler way to inquire about invoice and payment status.

Within your shared services environment, people only "touch" an invoice when there is an exception. When no purchase order exists, for example, automatic workflows send off an e-mail to the approver who reviews the exception for payment. Most invoices will pass through the invoice-to-pay platform without ever requiring attention.

The improvement potential is sizeable. Predictable cycle times help you to better manage cash flow, making you a preferred business partner to your suppliers while reflecting in favorable payment terms on the next round of negotiations.

**EXAMPLE THREE: PROCUREMENT**

By operating its own ERP service delivery platform, your shared services center can deliver significant benefits to your company beyond just performing the same processes better or cheaper. By aggregating data around a particular function, such as procurement, your shared services center can provide insights that enable your enterprise to change the way procurement is performed.

Within a shared services environment, you can view a particular supplier from the perspective of an entire company, rather than a region or division. By consolidating procurement, it is easier to view suppliers from a perspective of total spend, increasing your company's leverage in negotiating prices. Furthermore, within a global context, the insight into supplier performance in one country can be reused to select the best-performing suppliers in another country.

The SAP ERP Financials solution supports the unique demands of shared services implementations. Many global corporations rely on SAP as their key business partner in delivering critical enterprise finance processes in a shared services environment.

# The Future of Finance Shared Services

The question of which processes can be moved to shared services is a question of a company's understanding of the relative strategic importance of processes. Only a few years ago, many client-facing processes would have been deemed impossible to move to shared services, yet today it is not unusual to sell even complex products or services through shared services centers. The same was true for collections management, which in the past was believed too crucial for customer relationships to be performed as shared services.

Finance shared services organizations attract an increasing scope of functions. Leveraging the latest technology innovations, the shared services center of the future will be continually driving standardization, automation, and business processes excellence. The wealth of information gathered in the shared services center's service delivery platform from the millions of business transactions processed every year can be leveraged to provide value-added decision support information and services to the enterprise.

Finance shared services centers will become centers of expertise in the automation of repetitive transactions and transactional processes. While implementing shared services centers is largely a business decision, the key to successfully delivering shared services on an enterprise scale is a robust, scalable, and flexible technology platform. Such a platform must support the high transaction volumes that characterize global businesses in addition to providing the scalability, reliability, and robust security, while retaining the flexibility to adapt to changing business environments. The SAP ERP Financials solution is engineered to support the unique demands of shared services implementations. Today, many global corporations rely on SAP as their key business partner in delivering critical enterprise finance processes in a shared services environment.

**LEARN MORE**

**Colin Sampson, CFO and senior VP at SAP Asia Pacific Japan, observes, "If you want to have efficient processes, you need automation. To drive automation, you need integrated systems. And to get that integration, you need to leverage technology using a common platform."**

**SAP provides the technology you can use today to achieve efficient processes.**

**For more information on finance shared services solutions from SAP, go to www.sap.com/lines-of-business/finance/shared-services.**

**NOTE:**

This paper is a revised and updated version of an article by Bernhard Fischer, "Getting the Most Out of Shared Services: It Starts with Using ERP to Consolidate and Automate," *SAPinsider*, January 2008 (sapinsider.wispubs.com).

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