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Specific Models for Romanian Companies - Finance Shared Services

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Abstract

Shared services are a type of intra-corporate activity for support functions such as information technology, finance, purchasing, marketing. Out of these functions, the finance shared services are singled out in this paper. The activities pertaining to the finance department are analyzed according to The Association of Chartered Certified Accountants ACCA professional standard. Some of these activities are highly suitable to be managed as iterative back-office processes, such as the receivables account and the payables account. We propose several finance shared services business models which we have found evidence of in Romania. Finance shared services may be managed as pools of diversified activities, as simple iterative processes (such as invoices), as end to end accounting processes, or as inclusive solutions which involve other functional areas such as credit management and purchasing. Evidence of Romanian companies providing such services has been collected using Internet resources such as job advertising sites, company web sites and the media. In Romania, there are a variety of shared service and business process outsourcing providers, such as Continental Automotive, Hella, Oracle, British American Shared Services, Hewlett Packard, Bosch, Accenture, Genpact. The purpose of this paper is to exemplify the benefits brought by one type of shared service and its value proposition potential. This article is part of a research on value based management, in which the particular case of intra-corporate business value pattern is analyzed for production, research and development, and overheads (shared services). Intra-corporate business is managed using the transfer price which is different from the market price, and this is one reason why we call this business model "specific". The other reason is that Romania as a location offers the very advantages shared service providers seek.

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Shared services are a type of intra-corporate activity for support functions such as information technology, finance, purchasing, marketing. The logic and value proposition of shared services has been analyzed in a separate article (Cozmiuc, Petrișor 2015). According to this paper, shared services are usually iterative standardized activities managed via transfer price, but may also be complex functional support managed via allocations. In the former case, shared services are clearly defined activities and the object of the works of consultancy firms, such as Pricewaterhouse Coopers, KPMG, Ernst and Young, Deloitte, Accenture, Mc Kinsey; the object of the works of professional accounting bodies such as The Institute of Management Accountants IMA, The Chartered Institute of Management Accountants CiMA and The Association of Chartered Certified Accountants ACCA; the object of excellence standards in service provision such as The Hackett Group standards. The advice of consultancy firms, the works of accounting standard bodies and the excellence targets are worked into this analysis. Standardized shared services may offer quality, efficiency, accountability, flexibility, scale. Within this paper, we propose several models for finance shared services which we exemplify in Romanian companies. These examples are common place and may be used on a high scale. The goal is to analyze the benefits of the shared services value proposition.

Business models for finance shared services

The finance function is highly suitable for a shared service approach. Typically, a finance department comprises accounting services such as accounts receivable, accounts payable, fixed assets, journal entries; management reporting; plant controlling; project controlling; business controlling; management (The Association of Chartered Certified Accountants ACCA 2015). The activities in the finance function are either simple and iterative or complex and knowledge intensive. Activities such as the management of accounts receivable and accounts payable are the common place of shared services. The finance function offers the possibility for more complex remote activities, such as the end to end accounting and cross functional support from the sales or purchasing organization.

Romanian companies have grasped the opportunity of finance shared services. Companies such as Continental Automotive, Hella, Oracle Romania, British American Tobacco, Hewlett Packard, Bosch, Genpact, Accenture provide a variety of finance shared services and business process outsourcing. Continental Automotive Romania has a department for controlling services out of which most are shared services; it bundles management reporting and analysis, sales administration, investment and business analysis, accounts receivable. At Hella, there is a similar finance center which pools management reports out of SAP, investment management, IFRS auditing, invoice management, miscellaneous reports. Oracle has a full department for credit management, that is accounts receivable and all cash collection processes. At British American Tobacco, shared services are a standalone company unit, called British American Shared Services which is responsible for the whole of Europe; these services consist in procure to pay, global treasury operations, order to cash, audit, global intercompany, finance service desk. Hewlett Packard renders a variety of services, related to cash collection, financial analysis, all with foreign language expectations. Bosch is also diversified and offers SAP support for the finance function, invoice handling, management accounting, internal controls, and uses the German language to do so. Genpact is a business process outsourcing company that offers book keeping services for accounts receivable, accounts payable, general ledger with several languages. Accenture provides simple and complex accounting and controlling services, such as management reporting with several languages, accounting analysis with several languages.

Models for shared service provision in Finance are offered in the works of consultancy firms, such as Pricewaterhouse Coopers, KPMG, Ernst and Young, Deloitte, Accenture, Mc Kinsey, in the works of professional accounting bodies such as The Institute of Management Accountants IMA, The Chartered Institute of Management Accountants CiMA and The Association of Chartered Certified Accountants ACCA and are the object of excellence standards in service provision such as The Hackett Group standards. These tend to be specific and precise. They frequently refer to the receivables account, the payables account, end to end accounting and sometimes to cross functional solutions. In this article, we match the guidelines for shared services with professional standards for the finance function such as those provided by The Association of Chartered Accountants ACCA and examples of shared services at Romanian companies. The result is intended as a clear definition of finance shared services and an outline of the benefits they bring.

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