Shared services & outsourcing model – how to make it work

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Finance roles associated with the traditional HQ will often be mirrored and/or transferred to an SSO (Shared Services Organization), although this will vary from organization to organization. Typical business areas placed in SSO operations are: accounts payable, accounts receivable, fixed assets, general ledger, corporate services and management, decision support and financial planning and analysis.

A recent ACCA study into talent management practices across the global finance profession provided an insightful, yet puzzling response from the 1,200 shared service and outsourcing professionals who responded. Seventy-nine percent of respondents believed talent management to be critical, but 72% replied that they did not have a talent management program in place.

The skills that finance professionals need to bring to their role are changing – globalization, regulation, technology and business volatility are all factors impacting the role of finance in business and placing new demands on capabilities within the finance function. Finance career paths are becoming less straight line. However, talent management is not only about mitigating risks, there are also clear business benefits.

Firstly, a good talent management program can be very cost effective. Higher engagement levels from staff lead to greater job satisfaction and lower attrition rates. Naturally, this means lower recruitment costs and better knowledge retention.

Secondly, an effective program will be capable of identifying new talent within the shared services organization, thus providing a greater talent pool for the wider finance function. Many SSC leaders complain that they are unable to find good local talent for senior level positions. An effective talent management program allows leaders to build their own talent, with the added benefit that such individuals have an understanding of the industry, company culture, and processes that an external hire cannot hope to rival.

> **For Dell it is important to be able to react to the ever changing market conditions and regulations, and this can only be achieved through a highly educated workforce that keeps expanding their professional expertise.**
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> **Wade R. Baze**, Executive Director of Finance, Dell Bratislava

Thirdly, good talent management practices within the finance function will greatly aid the entire business. Today's finance managers are required to think beyond the numbers; they need to chart a path that creates and sustains value for their business. A well-designed and coordinated program that allows employees to operate with the same understanding and same guiding principles will greatly enhance the vital contribution that finance makes to an organization.

Why do many companies fail?

Effective talent management is reliant on a number of critical factors: strategic focus, funding, human capital and an integrated approach. It is all too easy to see talent management as a 'soft target' for cost reduction. Furthermore, it highlights a perception of talent management as a task that fails to add value to an organization. Of course, this is true when it is done badly.

What should companies do?

In order to be successful, there are a number of key fundamentals that organizations need to consider:

- **Recruit for the future, not only the present.** A strong internal pipeline of talent is critical to an organization's success. It is vital that new hires have the skills needed to perform the role for which they are hired, but the most successful employers are also able to identify and hire staff who have the potential to move to different roles in the future.
- **Target and personalize training.** One size does not fit all. There is no point training staff in skills that they will never need. Collaborating with individual employees to understand their career aspirations and capabilities ensures resources are not wasted in developing an employee in a field in which they have little interest.
- **Effective talent management begins at the top.** General Electric's former CEO Jack Welch once said, "People first, strategy second". This is not meant to downplay the importance of a clear strategy, but rather to emphasize the fact that without the right people, even the greatest business strategy will fail. For shared services this means having a leader who is committed to talent management in both words and actions, someone who takes a personal interest in their staff development and takes pride in their successes.
- **Start early.** When setting up a new shared services organization, many companies will commit time and resources to recruitment, but few think about what comes next. Too often there are no development plans or cultural strategy in place. Many organizations think that career paths can be developed later – a not uncommon excuse is "nobody will be promoted for at least a year, so it's not urgent". Unfortunately, all too frequently when that year is up, organizations then complain that their staff are not ready for promotion because they have not invested in their development early enough.

> **The SSC model will always be a people business. We depend more than any other sector on a critical mass of skilled labor.**
>
> **Marek Rešovský**, Vice President of Finance, T-Systems, Košice

- **Manage performance fairly and transparently.** The performance management process needs to be linked to tangible benefits and employees need to feel that their successes are rewarded. This means providing market-competitive reward systems, but crucially also means development and the opportunity for career progression. Overall, the companies who are most successful at talent management are able to attract the best talent, retain that talent longer and achieve better results with that talent.