FINANCIAL SHARED SERVICES: COMPARING STAFFING AND COST METRICS

A Discussion of Key Findings Related to Staffing, Cost, and Productivity

In January of 2019, Brad DeMent (partner and finance practice lead) and Trey Robinson (partner) from management consulting firm ScottMadden delivered a webinar to discuss the results of the latest finance shared services benchmarking study. The study was designed by ScottMadden and surveys were administered by APQC over four cycles: spring/summer 2014; spring/summer 2015; summer/fall 2016; and spring/summer 2018. The scope of the study covers the following topics for an in-depth analysis of financial shared service centers (SSCs): Delivery model, scope of services, staffing, location, performance, and technologies leveraged.

The top performer peer group was a group of organizations in the study that consistently led the way across key cost, staffing, and performance metrics. The study found that the top performing organizations are outpacing the comparison group on these key metrics in their SSCs and in the finance function more broadly. Top performers consistently do more with less: they perform with fewer staff, pay less to operate their SSCs, and are more productive than the comparison group for high-value financial processes like planning, budgeting, and forecasting. The substantive gaps in performance between top performers and the comparison group are largely a product of greater automation and more highly skilled staff among top performers, DeMent said.

STAFFING

Data and analysis from the finance shared services benchmarking study shows that top performers have significantly better staffing ratios than the comparison group. As Figure 1 illustrates, organizations in the comparison group have nearly five times more finance function FTEs than top performers. On a broad level, DeMent said, this gap could be attributed to the fact that top performers automate more processes and employ staff with more focused and highly-trained skillsets.

Median Number of Finance Function FTEs Across the Entire Organization per $1 Billion Revenue

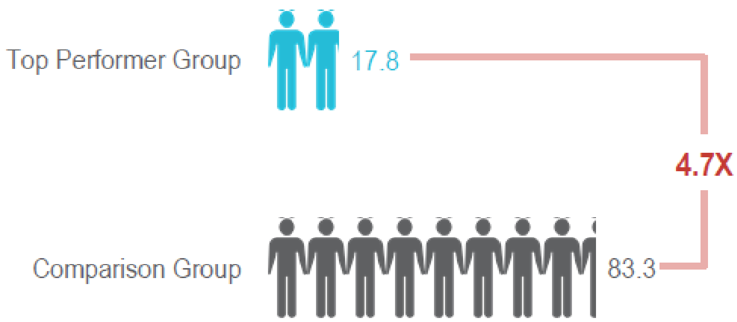

Figure 1

The gap between top performers and the comparison group comes into sharper focus when examining the median number of FTEs that perform each process, shown below in Figure 2.

Median Number of FTEs that Perform the Following Processes per $1 Billion Revenue

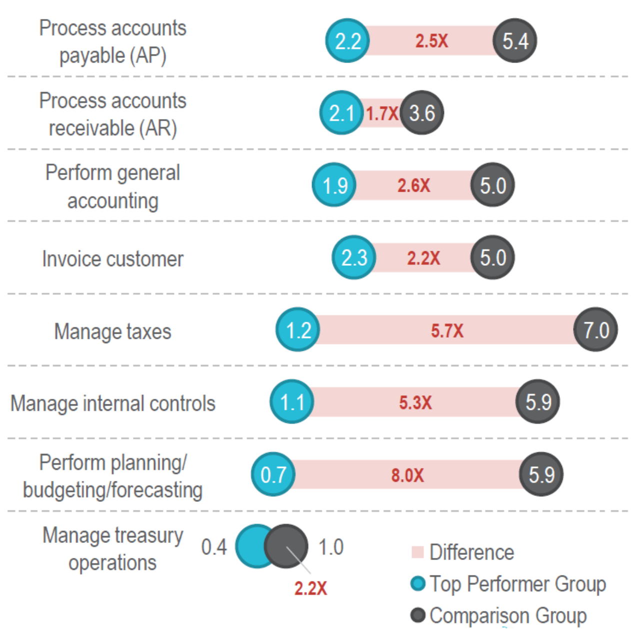

Figure 2

For some processes like accounts receivable, the gap is relatively small but still significant: The comparison group has nearly twice the number of FTEs for this process. The largest gaps are for processes related to FP&A: Budgeting and forecasting, for example, requires eight times more FTEs for the comparison group than for top performers.

A key part of the explanation for this large disparity comes from the fact that high-value FP&A services like planning, budgeting, and forecasting have increasingly moved into SSCs, DeMent said. More than half of organizations (56 percent) reported that planning, budgeting, and forecasting services are now provided by their SSC, and a similar number (55 percent) now rely on their SSC to perform due-diligence. Top-performing organizations use technology and analytics to a much greater extent to perform these processes more efficiently. For example, top performers leverage robotic process automation (RPA) at a much higher rate than the comparison group (46 percent versus 18 percent). With greater automation and more highly-trained skillsets, top performers are greatly outperforming the comparison group when it comes to staffing.

COST

Cost represents another area where top performers outstrip the comparison group by wide margins, whether measured by the cost of running the entire finance function or the cost of running an SSC. For example, Figure 3 shows that per $1,000 of revenue, the comparison group spends close to four times more to perform the finance function. The gap is somewhat smaller for operating an SSC, which for DeMent "tends to support the theory that a lot of higher value-added functions with big staffing improvements are moving out of the corporate environment and into shared service models." SSCs present a savings opportunity for top performers as well as the comparison group, though higher staffing numbers for the comparison group in general mean higher costs for processes with higher volume.

Cost Metrics per $1,000 revenue for Finance Function and Finance SSC

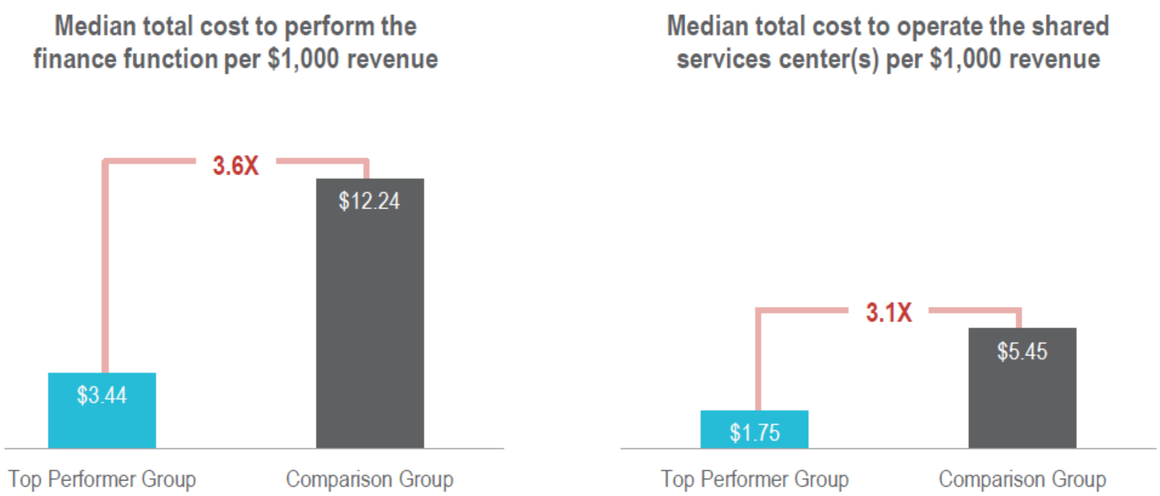

Figure 3

PRODUCTIVITY

Productivity, DeMent said, is a measure of the amount of volume that can be moved by a person or team within a department. Data and analysis from the finance shared services benchmarking study shows that top performers are consistently above the comparison group on these metrics. Top performing SSCs are:

- 1.5 times more productive when it comes to accounts payable (AP)
- 2.5 times more productive for accounts receivable (AR)
- 4.7 times more productive for customer invoicing

The gaps in productivity between top performers and the comparison group for AP and AR are consistent with previous surveys, DeMent noted. Customer invoicing, meanwhile, has emerged as a newer area where top performers are outpacing the comparison group. “In earlier surveys,” DeMent explained, “invoicing was located in supply chain departments, warehouse groups, or even in sales operations. We would postulate that the big push toward end-to-end processing and to moving order to cash into shared service operations has pulled things like billing and collections into shared service environments.”

Greater efficiency among top performers for these processes is related to the fact that top performers tend to automate more, but automation isn’t the only cause, DeMent said. “Skill sets are a significant contributor to efficiency and should not be ignored either. I can attest that in some cases the difference between the highest performer and lowest performer has been five times greater even without technology added. You don't always need to throw money at automation to get those kinds of productivity improvements."

KEY TAKEAWAYS

Data and analysis from the finance shared services benchmarking study show that top performers:

- Are 2 times to 8 times more efficient in staffing major finance processes
- Perform the finance function and operate SSCs with fewer FTEs than the comparison group
- Spend far less money to operate their finance function and SSCs
- Are more productive and efficient than the comparison group, especially when it comes to customer invoicing.

STUDY DEMOGRAPHICS

The study population is robust and diverse, with 468 organizations participating. While 64 percent of participating organizations are from the US and Canada, respondents also included organizations from Europe (26 percent), Asia-Pacific (8 percent), and Central and South America (2 percent). Company size is balanced across the revenue profile, with median revenue of $7.8 billion. Most organizations (89 percent) have been operating for more than three years, and more than half have been operating for longer than five years.

ABOUT APQC

APQC helps organizations work smarter, faster, and with greater confidence. It is the world's foremost authority in benchmarking, best practices, process and performance improvement, and knowledge management. APQC's unique structure as a member-based nonprofit makes it a differentiator in the marketplace. APQC partners with more than 500 member organizations worldwide in all industries. With more than 40 years of experience, APQC remains the world's leader in transforming organizations. Visit us at www.apqc.org, and learn how you can make best practices your practices.

ABOUT SCOTTMADDEN'S CORPORATE & SHARED SERVICES PRACTICE

ScottMadden has been a pioneer in corporate and shared services since the practice began decades ago. Our Corporate & Shared Services practice has completed more than 1,700 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients span a variety of industries from energy to healthcare to higher education to retail. Examples of our projects include business case development, shared services design, shared services build and implementation, and shared services improvement. To learn more, visit www.scottmadden.com | Twitter | Facebook | LinkedIn