# Removing Silos and Operating a Shared Services Center





#### Webinar Mechanics



- Submit text questions.
- Q&A addressed at the end of the session. Answers will be posted within two weeks on our new LinkedIn Group, EBS Answers:

http://www.linkedin.com/groups/EBS-Answers-4683349/about

- Everyone will receive an email with a link to view a recorded version of today's session.
- Polling questions will be presented during the session. If you want CPE credit for this webinar, you must answer all of the polling questions.



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#### About eprentise

#### Origin

> Founded by industry veteran Helene Abrams who was Oracle's first Applications consultant

#### Uho we are

- > Product company supporting Oracle E-Business Suite customers' needs for financial and operational change
- Oracle Gold Partner since 2007
- Patent for Consolidation Methodology, 2012

#### Our current target markets

- Large global corporate organizations
- Cross-industry

#### Our current product lines

- Four business transformation software product lines:
  - Consolidation merges and harmonizes one or more disparate, differently-configured, database instances into a single, fully-functional application
  - Divestiture filters data when a company is carving out or selling off part of their business, to create a stand-alone fully functional environment for the divested entity with a limited data set
  - FlexField changes the financial chart of accounts to support standardization and increase reporting reliability retaining all transactional history
  - Reorganization changes or moves any configurations or set-ups and all related transactions. Reorganization is a broad category
    and includes software solutions for merging or separating organization units, ledgers, inventory organizations, or legal entities,
    calendar changes, currency changes, etc. Reorganization Software is used to comply with new regulatory or statutory changes,
    new organization structures, entry into new markets, and to support mergers, acquisitions, or divestitures.

#### New product lines

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- Automated Financial Audit
- C Collection Analytics

#### **Does not violate Oracle Support Agreement**

### Agenda

#### Introduction

- U What Are Silos, And What Causes Them?
- □ What Do Silos Have To Do With Shared Services Centers?
- □ Shared Service Center Operations And Challenges
- Case Study



### Learning Objectives

- **Objective 1:** Learn the root causes of silos in Oracle E-Business Suite (EBS) implementations
- **Objective 2:** Understand how silos impair financial operations and create barriers to operating a Shared Services Center (SSC)
- **Objective 3:** Explain assumptions and common misconceptions about a SSC
- **Objective 4:** Learn techniques to enable different areas of the organization to work together and eliminate silos of data
- **Objective 5:** Explain the mechanics of running an efficient Shared Services Center and supporting global operations

#### The Tower of Babel

 In the story of the Tower of Babel, people's inability to communicate – they were all speaking different languages
 resulted in them being unable to finish constructing the tower.



#### The result: Project failure... all because of **silos**.

#### What are Silos?

Silos are information locked in disparate databases, separate ledgers, different operating units etc. They are the barriers to doing business efficiently and effectively that are overcome everyday through workarounds or forgone opportunities.



### Root Causes of Silos in EBS

#### Existing silos in EBS originated in several ways.

- > Available technology at the time of implementation.
- An understanding of how a global business should operate,
- Knowledge of EBS configurations, hierarchies, ownership, and security.
- A solution for quick integration of acquired systems (M&A activity).
- > Interdepartmental communication and collaboration.
- Standardization:
  - Process level: corporate standards, governance, and controls
  - Data level: data formats, naming conventions
- Different divisions within a company were allowed to setup their own operating units to meet their requirements eventually leading to fragmented integration, more complexity and isolation.
- Company grew by acquisition adding new EBS instances with each acquired company.
- Original configuration didn't support the current business original setup including history abandoned for a new setup with no way to communicate between structures.
- Different departments tackled requirements or problems on their own rather than working together to find a solution that fits everyone.
- Corporate standards, governance, and controls were not in place changes done "on-the-fly".

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# What's the Problem?

#### Information (data) follows the fundamental law of entropy

> An organization's complex IT systems like E-Business Suite (EBS) become more complex as a company grows

#### Companies evolve

- The larger the organization, the more likely it is for operational or reporting errors to cause major problems due to a lack of alignment between ERP systems and business process changes that have occurred
- Systems that support one part of the business may not support another part of the business
- Shared Service Center operations depend on being able to accommodate differences in the business while at the same time supporting global and enterprise standards in data and processes

# Common business functions develop different processes due to heavy corporate growth

- Senerally due to lack of governance policies and procedures or poor administration of them
- Redundant processes and data have high costs in terms of both time and additional people resources
- When a company strategically eliminates redundant processes and data, their use of redundant hardware diminishes, the quality and timeliness of business information improves, and its people are able to collaborate in a more streamlined manner

IT has a significant impact on the bottom line because operating, maintaining, and synchronizing an array of E-Business Suite instances, charts of accounts, calendars, and other configuration items is time-consuming, expensive, errorprone

#### Globalization is different than multi-national

#### Assumptions

A SSC must accommodate different cultures, different time zones, different statutory and regulatory requirements, and different business processes

- The savings of a SSC may only be recognized if the SSC resources can deliver the services more economically than individual businesses
- Silos significantly impede the savings resulting from operating a SSC
  - Data can not be shared effectively
  - Communication is hampered because of different interpretations of the data

### Poll Question

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### How Shared Services Centers Operate

#### Based on an economy of scale

- The more that common business process can be standardized, the greater the volume of transactions that the SSC can handle
- SSC resources are trained to perform specific tasks efficiently so fewer employees need to be dedicated to common operational responsibilities

#### □ An SSC is usually it's own profit center

- It is different than centralizing functions
- An SSC operates under a service-level agreement from the organization (the customer of the SCC)
  - Usually specifies turn-around time, hours of operation
  - Profit is driven by a cost charged to the division minus the actual cost of processing a transaction
    - For example, if the SSC averages a burdened cost of \$10/hour per person, and each resource is able to process 10 invoices per hour, then the cost of processing an invoice is \$1.00
    - In this case, the SSC may charge the division \$1.50 per invoice to account for overhead costs and still make a profit
  - A SSC maintains a full set of financial and management reports for its operations
  - A SSC establishes accountability for providing services to its clients

#### Relative Merits of Traditional Centralized IT Versus Service-Optimizing IT Shared Services



Source: Gartner (May 2013)

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#### **Differences Between SSC and Centralized Operations**

provide."

rics; process metrics.

resource planning.

or basic chargeback.

Controlling and optimizing.

Single, mandated standard.

Insulated and monopolistic. Internal service provision only.

Cost-effectiveness and IT operational performance met-

Custom solution development, technology management,

Corporate budget; high-level allocation for cost recovery

Technical service catalog and ITIL processes.

enterprise architecture, PPM, ITSM, strategic planning and

so long as you can pay for it."

Entrepreneurial and partnering.

ment, business development, and marketing.

control of all significant service fulfillment processes.

enterprise/group.

metrics.

Competitive and engaged. Sometimes providing services outside the

Service, business-oriented service-level agreement and business value

Mutually agreed standards, or at least with a strong influence from BUs.

Technology management, architecture, PPM, ITSM, strategic planning,

Per-service pricing; potentially allowed to make a profit and reinvest it.

Evolving, strong demand focus, client-steered service portfolio, plus

resource planning, consulting, service pricing and financial manage-

#### Table 1. Differences in the Operating Model

Characteristic	Traditional Centralized IT	IT Shared Services		
IT Operating Mod- el	Single centralized organization; sometimes also a part of a mixed/federated approach, but with a very influential and larger central organization.	Mixed — Shared/federated, with a stronger autonomy at BU/P&L level. Central IT function may also exist but is less influential.		
Accountability	Corporate/group function.	BUs, regions and P&L centers.		
Managed As	Corporate function and cost center.	May still report into a corporate CIO, but acts as (or similar to) a P&L center.		
Location	Head office; often physically centralized.	Independent of headquarters; could be virtually decentralized; sometimes offshore.		
Scope	The central IT function usually has a "full" range of IT capabilities.	Usually focused on narrow range of capabilities and services. Laser-focused on core competencies to fulfill determined (limited) portfolio. Often multiple shared-service organizations operating in parallel, offering different services and capabilities.		
Governance	Central mandated use.	Collaborative, with active engagement and oversight from BU heads. Often with optional participation.		
P&L = profit and loss		Table 2. Differences in the	Delivery Model	
Source: Gartner (May 20)	13)	Characteristic	Traditional Centralized IT	IT Shared Serv
Source, Garmer (way 2015)		Optimization	Optimizes assets and IT processes.	Optimizes serv
		Organization Principle	Technology skills and matrix teams.	Services and p
		Focus of Delivery	Supply-driven - "You can have whatever we are able to	Demand-driver

Market Orientation

Leadership Style

Standards Core Capabilities

Funding

Performance Management

Service Management



www.crystallizeanalytics Source: Gartner (May 2013)

### Critical Success Factors of a SSC

#### Data and Process Standardization

- Calendars, Charts of Accounts
- Standardize key flexfields
- Similar processes (matching, cutting checks, payroll processing, closing process, depreciation, costing, etc.)
- Single instance
- Automated end-to-end processes
- Governance
  - Different parts of the organization may not be accustomed to sharing their data
  - Data accessibility
- Understanding local and statutory requirements of each location
- □ Supporting infrastructure
  - Volumes
  - Time zones
  - Maintenance windows
  - Escalation management
- Training
- Communication
- Setting up organization structures for visibility and transparency (ledgers, legal entities, operating units, business groups, inventories)

### **Examples of Silos By EBS Structure**

Silo Impact	Statutory and Regulatory (SEC) Requirements	HR Management (i.e. Transferring Employees)	Tax Reporting Compliance	Customer Relations	Supply Chain Management (Vendor Relations)	Workflows
Separate Instances	$\checkmark$		$\checkmark$			
Separate Business Groups		$\checkmark$	$\checkmark$			
Separate Ledgers	$\checkmark$	$\checkmark$		$\checkmark$	$\checkmark$	$\checkmark$
Separate Operating Units				$\checkmark$		
Separate Inv. Orgs.					$\checkmark$	
Multiple COAs and Calendars	$\checkmark$		$\checkmark$			

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### Incentives & Drivers of Operating a SSC

- Consolidate repetitive data-centric processes to support migration to a shared services center or a centralized data center
- Generate financial reports directly from the system of record
- Reduce operating and maintenance costs to improve the bottom line
- Create a single source of truth to improve business processes and business intelligence
- Enable revenue optimization whenever and wherever possible to improve the top line
- Capitalize on enterprise-wide synergies to leverage purchasing and to better understand customers
- Obtain access to new markets and the opportunity to scale the business
- Simplify audit requirements and align finance operations with corporate strategy
- Headcount reduction
- Operational Center of Excellence in the organization
- Leverage economies of scale
- Enables global negotiations and agreements

### The People Elements of a SSC

#### Cultural differences for consideration

- Style of operations
- Normal working hours
  - Differences create opportunities for system maintenance windows but increase complexity involved in scheduling
- Regional holidays

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- Multiple languages
- Different time zones
- A competitive global company will leverage this varied experience by facilitating the transfer of best-ofbreed practices throughout the organization

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Diversity gives global organizations an advantage over their domestic counterparts. By operating in different countries, the organization is exposed to a wider variety of business practices and



#### **Sharing Business Processes**

Focus on a cultural shift within a company that encourages the sharing of information

- Operations based on the collective information that is stored, shared, and used consistently among diverse parts of the business
- Information available to all those who can utilize it
  - Creates greater efficiencies
  - Streamlines operations
  - Reduces process redundancy

Business processes are intrinsically linked and not confined to departmental, geographic, or organizational boundaries. In a global company, many of the processes are run through a shared services model.

### **Eliminating Redundant Processes**

#### Results in huge cost savings

20% to 40% annualized cost reductions with a payback generally in less than two years

#### Results in intangible benefits including

- Better financial visibility and customer service
- > Tighter controls
- Agility to rapidly accommodate business changes such as acquisitions or divestitures
- Improved cash flow
- Cross-selling opportunities
- Economies of scale

Standard processes enable a global team to jointly service customers, and reduces duplication of administrative, supply chain, and R&D efforts.

#### **Determine Processes That Can Be Shared**

- Shared services center as a way to standardize on common "global" processes such as:
  - Corporate treasury
  - Invoice processing
  - Receivables processing
  - Sarbanes-Oxley Compliance
  - Account maintenance
  - Corporate reporting
  - Expense processing
  - HR maintenance

- Effective management of shared enterprise assets is necessary for an effective global strategy
  - Collaboration
  - > Implementation of effective controls
- □Idea of the "benevolent dictatorship"
  - 1. There can be no wavering about where the finish line is placed (a single global instance)
  - 2. Anything less than success or short of completion is not acceptable (no special exceptions)
  - 3. Obstructionism is not tolerated

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### Poll Question

### **Building a Globalization Strategy**

### Achieving a global EBS platform relies on:

- > An ability to access quality information
- Recognizing the role of technology in the successful integration of the enterprise
- Laying the groundwork for different parts of the business to become integrated with core business processes and decision-making.

Though IT is core to enabling a global ERP, it is the human component – leadership, communication, and governance – that drives its success and delivers results.

### **Operating Principles of a Global SSC**

- Standard processes and controls will be implemented across the globe
- Processes will be consolidated where possible
- Local legal requirements will be incorporated to all processes
- SSC should undertake as much processing work as possible
- Reduce costs and improve efficiency
  - Leveraged low cost locations and standardized on global business processes
  - Eliminate redundant efforts that are common such as month-end close and expense reimbursement
  - Consolidate systems and instances to minimize costs and training required
- Create additional capacity for growth
  - Reduced operational complexity
  - Opportunity to capitalize a diminished number of entities (financial institutions, bank accounts, suppliers, etc.)

### Getting Started with a Shared Services Center

- Identify the information that exists.
- Determine what information needs to be shared.
- Determine what information needs to be maintained separately.
- Identify common business processes.
- Must be championed from the top.

All of the data must be consolidated into a single instance. There must be a single Chart of Accounts that meets all of the legal and reporting requirements of the business.

All of the data and business processes must be complete, consistent, correct, and accessible to those who need it.

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# **Roadmap to Implementation**

- Determine what processes the SSC will cover. Initial evaluations of business processes are to reveal which of them share the most overlap amongst the different operating units. The more common the process, the greater priority it has for implementation.
- Standardize common business processes. Although the different divisions of your enterprise perform similar tasks, their methods may vary. Any processes you wish to consolidate to a shared services center need to follow an aligned methodology that still meets the needs of every affected division.
- Identify common data. The input information for the business processes also needs to be standardized.
   When an SSC employee spends additional time consolidating information from disparate sources, then the cost associated with that process increases.
- Measure current operating costs. A shared services center implementation needs to be justified quantitatively by predicting the potential savings. Your organization's initial cost per process needs to be determined to establish a baseline.
- Acquire benchmarks. Market research companies offer compiled data providing insight regarding benchmark maximums, minimums and averages for enterprise operating costs. Your company can use such information to see how you currently stack up against the competition and what the best practices for improving your performance are.
- Set up a service agreement. Since your shared services center is going to be operating either as a profit center or as a cost center, your company needs to establish prices and conditions for what each division is responsible.
- Implement better business practices. Introducing a common chart of accounts and standardizing ledgers will streamline your organization's information as well as improve the efficiency of the SSC. Secondary ledgers reduce the complexity involved with statutory and regulatory reporting, and also allow you to post data across multiple ledgers with a single entry.
- Recognize the actual return on investment. After your shared services center has been implemented, the final step of the project will be to compare your current operating costs with the original ones, and determine what percent of the actual benefits were realized.



# A Single, Global Chart of Accounts

# R12 includes major advances in its accounting engine

- Single engine manages all posting activities into GL
- Subledger accounting
- Other new features provide extended functionality, making it simpler to perform financial consolidation as well as to remain in compliance with statutory and regulatory requirements
  - Primary and Secondary ledgers
  - Ledger sets
- A single chart of accounts enables companies to take full advantage of these R12 features.

- Accounting policies are standardized across the entire enterprise
- Data remains consistent and has full drill-down and roll-up capability, auditability, and visibility into all of the activity for the entire ledger set
- Conversions not required for data warehouse queries
- Facilitates the movement to a shared service center
- Increases the level of enterprise governance and control of new code combinations

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# Challenges

#### □ There may be substantial infrastructure expenditures

- > A single global instance means:
  - Higher volumes
  - Longer batch processing time windows
  - More network traffic
  - Longer backup cycles
  - Longer test cycles
- BUT, having several instances and systems multiplies the cost (licenses, hardware, staff) and introduces a different complexity in reconciling and synthesizing corporate information.
- □ Four main technology issues surrounding globalization:
  - > Availability
  - Access/Security
  - Performance
  - Functionality

### Technology - Availability

Prearranged level of operational performance during a period of time

- Service level agreement or "three nines"/"five nines"
- To a user, it means the ability of the user community to access the system
- Scheduled vs. Unscheduled downtime
  - Maintenance
  - Patches, configuration changes, etc. (reboot required)
  - Hardware/software failure
  - Environment anomaly

# 3 Types of Availability

#### **Support**

- Break-fix and statutory/critical patches to EBS
- 3-tier service level agreement (SLA)
  - Each tier corresponds to the estimated amount of resources and time required to resolve issue
  - Pre-determined acceptable amount of scheduled downtime

#### Change request

- Simple change
  - requires less than ten support days to implement (e.g. minor functionality modifications)
  - Included as part of existing SLA, regression testing not required
- Planned change
  - requires more than ten days (e.g. major development, acquisitions, projects, upgrades, etc.)

#### Release management

- Regular updates to system
- Large portion of planned downtime
  - Better control of User Acceptance Testing (UAT) and Regression Test Bed (RTB) cycles to enhance quality and reliability of releases
  - Optimal use of environment and DBA resources close coordination with DBA and infrastructure teams
  - Central coordination of release and environment management activities to improve process efficiency

### Poll Question

# Case Study: Global Supply Chain Management







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## Case Study: Global Supply Chain Management



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# Experian – Global Finance Shared Services

Finance Process	Melbourne	Nottingham	Santiago
Accounts payable and travel expenses	$\checkmark$	$\checkmark$	$\checkmark$
Accounts receivable and credit collections	$\checkmark$	√ excl. Norway	Costa Mesa
General ledger	In-country	✓ UK only	$\checkmark$
Payroll	outsourced	✓ UK only	Costa Mesa
Billing	$\checkmark$	✓ some UK/I	Business units
Fixed assets and depreciation	$\checkmark$	$\checkmark$	$\checkmark$
Intercompany processing and reconciliation	$\checkmark$	$\checkmark$	$\checkmark$
Cash management / bank reconciliations	$\checkmark$	$\checkmark$	Costa Mesa

Current Transaction Processing Scope

Global coverage of some processes only (AP, Travel expenses etc.)

Opportunities to take on similar activities in other countries / regions

#### Regional delivery of all processes

Opportunities to centralise key processes globally

# Scope currently limited to "traditional" routine transaction processing activities

Opportunity to take on additional more complex activities

# Experian Technology Issues & Mitigations

Issues Faced	Mitigations			
Availability / Support				
Maintaining 24x7 uptime	<ul> <li>Global Agreement made to "Planned" hours of operations and set hours for outages</li> <li>Substantive PRODUCTION and DR infrastructure housed / maintained in data centers</li> </ul>			
Global Support / Help Desk Presence (24x7 support)	<ul> <li>Co-Located regional support teams in major regional centers</li> <li>Follow the sun; Multi-Shore support locations (Americas / Europe / India)</li> <li>Single Global Incident tracking system (USD)</li> </ul>			
Performance:				
Concurrent Request Monitoring	<ul> <li>Centralized recurring jobs (interfaces/reports etc) to a standardized CONCJOB user -monitored by Global Support         <ul> <li>Support is best qualified to manage ConcMgr usage, capacity, and job conflicts</li> </ul> </li> <li>Distribute business critical assignments to key business user</li> <li>Made the business accountable for</li> <li>Goal is to move all to defined Monitoring group, use automated monitoring tool</li> </ul>			

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#### **Experian Technology Issues & Mitigations**

Issues Faced	Mitigations			
Change Management				
<b>Prioritizing Change</b> Budget to support change is not endless. Conflicts for business to achieve intra / inter BU concurrence arise	<ul> <li>Centralized annual change budget (HR and Finance)</li> <li>GPO's responsible for prioritizing work / Not BU's</li> <li>Significant change vetted via "Business Case" standard</li> <li>Adoption to Release Mgmt and Release Cycles concept (s)</li> <li>Business acknowledgement to degrees of change</li> </ul>			
<b>Configuration Access:</b> Conflicts occur on what is an "allowable" system change vs. what types may be intrusive, and who can implement	<ul> <li>Changed evaluated between GPO / SME's, prioritized and characterized. Potential intrusive change requires UAT and Regression Testing activity (include SM signoff)</li> <li>Created defined EBS "SuperUser" responsibilities for targeted deployment</li> </ul>			
<b>Language of your business</b> Best practice vs. reality of global use Impact of additional support overhead related to MLS	<ul> <li>English is default, exceptions have be approved based of size and impact of regional operation involved <ul> <li>Currently supporting: English, Portuguese, and Spanish (planned)</li> </ul> </li> <li>Movement of work to regional SSC's where user's language skills are recruited</li> </ul>			

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## **Experian Technology Issues & Mitigations**

Issues Faced	Mitigations			
Access / Security				
<b>Configuration Access:</b> Conflicts occur on what is an "allowable" system change vs. what types may be intrusive, and who can implement	<ul> <li>Changed evaluated between GPO / SME's, prioritized and characterized. Potential intrusive change requires UAT and Regression Testing activity (include SM signoff)</li> <li>Created defined EBS "SuperUser" responsibilities for targeted deployment</li> </ul>			
EBS Applications Responsibility Growth (A runaway train): Combination of 30+ countries, 4 languages, and 5 major business threads	<ul> <li>This is still a Work in Progress</li> <li>Assigned GPO and SME resources to subject areas</li> <li>Leveraging Oracle GRC functionality to identify potential responsibility candidates <ul> <li>Retrofitting / consolidating responsibilities based on SCC use or general user designation</li> </ul> </li> </ul>			

### Thank You!

#### Contact

Helene Abrams 407.591.4952 <u>habrams@eprentise.com</u>



- One World, One System, A Single Source of Truth -

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