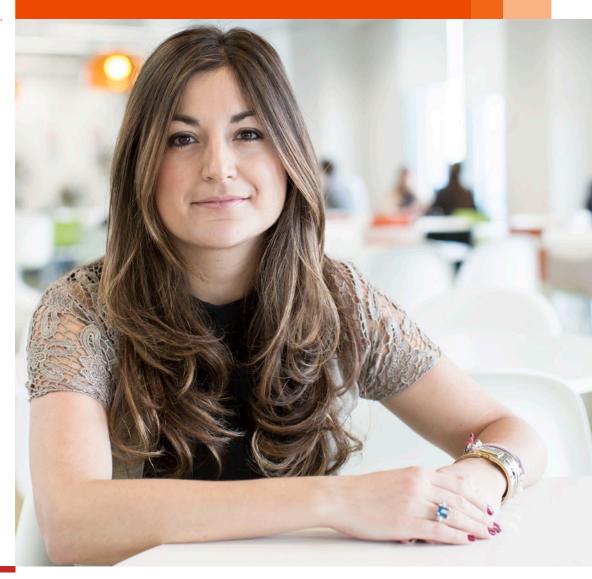
# Transforming finance services delivery

Building a first class global finance services function

Industry case study: Entertainment & media – Helping our clients' support functions deliver







### Industry

Entertainment & media

Geography

#### PwC Services

Business partner selection

#### Benefits of using PwC

Structured approach to partner selection Insight and experience in transforming business services



## **Business background**

Elsevier's roots are in journal and book publishing, where they have fostered the peer-review process for more than 130 years. Now as the world's leading provider of science and health information, Elsevier serves more than 30 million scientists, students and health and information professionals worldwide. This is a business that understands the value of collaboration, working with a global community of 7,000 journal editors, 70,000 editorial board members, 300,000 reviewers and 600,000 authors.

Four years ago, Elsevier decided to take the next step in its shared services journey and supported by PwC, selected an offshore outsourcing partner to become an integral part of its global finance services function, Michelle Luck is the Finance Director of Elsevier Global Financial Services. Michelle recently presented at a PwC breakfast briefing. She explained how her Global Financial Services team worked with the rest of the organisation and its chosen outsourcing partner, to effectively manage the transition from a completely captive service to a split shared service and outsourced model.

Michelle explained how Elsevier has benefited from the investment. Measuring their performance against industry benchmarks. Elsevier have evolved from a finance services function operating at third quartile performance levels located in three locations operating under the banner of shared services. They were operating with inconsistent processes, limited operational metrics and varied service levels. They are now a highperforming group operating at the top of the second quartile in terms of effectiveness and efficiency (external benchmarking) and offering high quality transaction processing services. For Elsevier, this is an ongoing journey to a target of first quartile in the near term.

"These projects are not for the faint hearted but would I do it again – yes, yes and yes. I strongly believe that finding and working with the right partners on the outsourced shared services journey makes a real difference to success."

Michelle Luck, Finance Director, Elsevier Global Financial Services

## Sharing the outsourcing journey is the ticket to success



## Building the commitment to change

Michelle was recruited in 2008 by the Elsevier CFO. She joined with a proven track record in business process outsourcing (BPO) having worked for one of the major BPO specialists on a range of successful shared and outsourced services initiatives. She had also worked with the CFO before in a previous role. As well as the confidence that comes from working together, Michelle and the Elsevier CFO shared a vision and practical experience of what it is possible to achieve with BPO describing herself as 'poacher turned gamekeeper'. Having seen BPO projects from both sides, Michelle emphasised the importance of securing senior level support, both in selling the change to the business and for when the going gets tough – as it is bound to do in any complex project.

She also explained to the audience how, when she was making the business case for outsourcing, the programme's objectives and deliverables were completely in line with the business and finance function strategy.

"Our benefits case included much more than cost reduction. We were aiming for a cultural change which would refocus "The global financial services model that we wanted to create was a split BPO and shared services model. We wanted to maintain management control and keep an internal regional presence in the US, Europe and Asia-Pacific. We were looking for a business partner, not a supplier – and that is exactly what we have found."

**Michelle Luck** 

financial services on our internal and external customers, would include investment in our retained people and would improve our effectiveness against independent industry benchmarks."

## Moving at the speed of the business

Having identified the areas that could be improved within the captive function (such as a lack of standard processes, job roles and service standards) why introduce outsourcing rather than just improve the captive shared services function? The answer is simple – speed. Having agreed the benefits of a global platform for transactional processes,

there was not sufficient internal expertise to deliver the project fast enough for the business. She knew that by tapping into the capabilities and insight of an outsourcing partner, they could make the journey to world class processing more rapidly.

From the initial beauty parades with potential partners in February 2008, the first outsourced services went live by January 2009. Michelle was clear that this would not have been possible without finding exactly the right outsourcing partner.

## Finding the right partner for the outsourcing journey

PwC was engaged by Elsevier to support the selection of the right BPO partner. Elsevier wanted to retain management control and create a virtual captive model with someone who would work in partnership with Elsevier to deliver best practise processes. This would demand a high level of day-to-day interaction and so the approach and cultural fit of the supplier with the Elsevier team was as important as the capabilities.

"We work together to review performance and seek improvements. If something in India is not working it is 'our' collective problem not just 'their' problem. I don't have time for blame and there is no them and us. We even play a role in the recruitment of senior individuals. This partnership model requires serious management commitment, but that is how we like it."

Michelle Luck



"PwC provided a very structured approach to our partner selection. We were looking for a strong offshore partner but, as we eliminated organisations against our defined, weighted criteria and got down to the final two, it then became more about how we would work together. Would it be 'how do we make this better together?' or 'that's not in the contract'...", explained Michelle.

The collaborative relationship between Elsevier and their BPO provider is so strong that over the last four years they have never had to refer to the contract. Within the retained organisation, each service has a global internal owner whose pay is linked to the performance of the BPO team. In some cases such as the P2P service, this means daily interaction with the virtual captive BPO team in India. The 'Indian Team' as they are called internally, have individual Elsevier email addresses and everyone works through a single finance portal.

The BPO provider was also seen to be more focused on understanding and refining processes than bolting on more technology. Michelle had a strong view on this difference in approach:

"With some outsourcing providers, there is a danger that if solutions are too reliant on pieces of technology for which you don't own the IP, you could be in a difficult situation if you ever need to change providers."

## Balancing strategy and action

Getting process improvement is an obvious goal of this type of programme, but Michelle knew that every project needs a balance of strategy and action. With this in mind and the desire to make quick labour arbitrage wins, Elsevier decided to adopt a 'ship and fix' approach to moving services into the outsourced environment.

Elsevier started with global P2P, as this was a high volume, low complexity process. The BPO partner deployed significant resources to learn the process and then trained the team in India. This approach was very successful and despite people understanding that they may lose their jobs, their pride in their work meant that they co-operated fully.

O2C was the second process, which again went well; but when they came to work together on R2R, a much more complex process, this was less successful. Although there were only around 40 people in Elsevier performing this role, they were all working in different ways and the partner did not send enough people on shore to fully capture and understand this diversity.

## Investing in people as well as process

Managing people openly through the change was very important to Elsevier. They agreed appropriate incentives for those people they wished to retain during the transition, but Michelle was clear that you have to stick to your head count reduction commitments if you want to deliver on your business case.

Elsevier also understood the need to invest in the retained organisation – recruiting resources in key positions that have a proven track record in working with BPO providers. As a result, there is still plenty of opportunity for finance people to advance within shared services and move into business facing finance roles. One benefit of this transformation is that the organisation now has a common finance language and maintains this through a Finance Training Academy.

Michelle also warned the audience to anticipate people issues. Patience and sensitivity, both in the process of getting visas for travel to and from India, and to the challenges of language and shift cover around the world, would be needed.

#### Global Financial Services – what's in a name?

The name Global Financial Services was adopted just ahead of the BPO launch. This re-branding exercise was done very deliberately to cement the change. Not only was this intended to show the organisation that this was something new – aligned with the business strategy and priorities – but it also set a high bar around service and quality. The rebrand was supported by an extensive communications programme that completely changed the language and presentation of finance services.

"It is very important to focus on the positives of offshoring and how this will support the business with its strategy and long-term success," Michelle explained.

### Continuing the journey

Shared services and outsourcing is not a finite project and Elsevier continues to improve services around its business priorities. Michelle explained that technology investment, from the implementation of new versions of its Oracle ERP and Hyperion systems; revisions to the chart of accounts; and smart use of business intelligence software to improve information, planning and statuatory reporting tools will all contribute to even greater efficiency. There is also discussion about the benefits of pulling more functions into the shared services and BPO environment and opportunities to share best practises across the group. So however Elsevier's business evolves, it's now confident that it has a global finance function that can adapt and respond.

#### Why it worked

• Belief and knowledge of what is possible: Even with a strong and clearly-defined business case, without a belief in what it is possible to achieve, transformation programmes can fail. This can be difficult for those

who have never been involved in business services transformation. Elsevier's investment in the right people, at all levels of the retained finance services organisation, with experience of BPO, gave them the advantage of understanding the opportunities and the risks.

- Senior level understanding and support: Elsevier understood that this was a cultural change for their business. So when questions are asked which may be the precursor to resistance, such as 'why are we doing this?' and 'why now?' having the support and commitment of the CFO can help make things happen.
- Getting the right operating model for your business: There is no best practice operating model to deliver maximum value. Every organisation must decide what will work best for them. Elsevier's hybrid model evolved out of a desire to improve existing shared services and has proven to be a very successful investment; but as with most companies that have reaped the rewards of such programmes, this is not seen as the end of their business services transformation.





## Transforming business services

We've worked with clients across many industries and locations and of various sizes, to consider how transforming business services can bring them both cost reductions and performance improvement: improvement in the support they give, and improvement in the wider business as a result of that support.

Transformation can vary in both structure and scope. It may involve outsourcing, shared service centres, offshoring, or combinations of the three. And it may involve one business function, such as finance, or look at transforming several functions to bring consistency to the operating model and technology across the organisation.

Our approach is to help our clients really understand their current situation and identify the value and set the scope, vision and strategies for what they could achieve from business services transformation.

We help them plan their implementation, and support them as they deliver and implement the change, so it is properly and permanently embedded in the organisation. Our aim is to enable our clients to deliver high quality work for their organisation, generate real efficiencies and free up time to support better business decisions.

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