When it comes to increasing operational efficiency, manual processes are the enemy. Yet many institutions fail to achieve true financial control by taking a fragmented, departmental approach to reconciliation based on multiple systems and frequent manual interventions. To lower hardware, software and staffing costs and reduce compliance risk, forward-looking institutions are implementing enterprise-wide, automated reconciliation solutions based on a shared services delivery model. This approach centralizes the systems, expertise and best practices needed for efficient reconciliation into a single function. In doing so, it helps institutions lower staffing and operating costs, demonstrate regulatory compliance, and quantify returns on investments to stakeholders.

Centralize to Optimize – The Value of a COE or Shared Services Model

CFOs need a single view of the balance sheet based on accurate, real-time data. However, with multiple systems and teams managing different elements of the reconciliation process, that’s difficult – if not impossible – to achieve. The cost of manually researching and solving exceptions is also a major issue for institutions, as is the risk of non-compliance with key regulatory controls.

By centralizing reconciliation based on a COE or shared services delivery model, it becomes possible to strip out legacy systems and automate previously manual administration tasks. As a result, institutions can achieve major reductions in ‘per transaction’ costs and free staff for more value-added work. At the same time, exceptions can be dealt with more quickly and approved by the right people at the right time, every time.

Centralization of reconciliation processes also provides major benefits in terms of increased visibility, releasing information previously held in siloed systems and giving CFOs and other senior managers a current, accurate view of business performance.

A COE Model in Action

- One of the world’s premier media companies has partnered with Fiserv to deploy reconciliation as a shared service, reducing the time required to process end-of-month accounts by four days compared to its previous, manual process
- By deploying a COE in partnership with Fiserv, a major financial group has been able to integrate a new banking business quickly and effectively, without needing to increase the size of its reconciliation team
- A leading bank has implemented a shared services model with Fiserv to standardize reconciliation templates and processes for bank and inter-company reconciliations, achieving best practices across the organization and streamlining regulatory compliance
Getting Started: Building a Successful COE or Shared Services Strategy

To achieve a centralized, automated approach, here are some simple steps you can follow:

**Step 1: Secure Board-Level Buy In**

The shift to a centralized model means bringing multiple reconciliation teams and resources into a single, centralized function. This requires significant re-organization, as well as investments in infrastructure and training, which means you need to get the senior management team on board.

Here, communication is key. A solid business case is needed to demonstrate the benefits. These benefits include the obvious cost-saving potential of shared services through reduction or reallocation of staff, efficiency gains in automation or general efficiencies due to economies of scale. They also include significant benefits in reduction of risk and increased compliance through better tracking and visibility of balance sheet accounts and the exceptions being managed within those accounts. This approach of not just focusing on efficiency gains but also highlighting the risk reduction and compliance improvements typically leads to the best results.

**Step 2: Choose the Right Platform**

Often, specific steps in the reconciliation process are handled by specific systems, such as the general ledger system or trading system. To support a centralized approach, you need a technology solution that can bring all of these elements together and provide a single version of the truth for senior management.

To achieve this, the best reconciliation systems integrate the full range of financial transactions as well as inter-company reconciliations. By bringing all the different reconciliation activities into one system, you can increase efficiency, accuracy and standardization, and streamline regulatory compliance.

Equally importantly, the more advanced reconciliation solutions support a phased migration to shared services that minimizes CAPEX costs and risk. It should be possible to start with basic reconciliation first and build to more advanced features such as complex workflow management or custom reporting in order to support cost effective and low risk deployment.

Finally, reconciliation systems should be scalable enough to accommodate vast increases in transaction volumes, ensuring that the technology underpinning shared services is never a barrier to business growth. It should also be easy to integrate new acquisitions or business lines into the system to support growth objectives.

**Step 3: Write Your Rule Book**

Once you’ve chosen an enterprise-strength reconciliation technology that brings everything together for your business and provides a single version of the truth, you need to establish how things will work in the future. Reconciliation specialists from across the business should work together to establish consistent reconciliation rules and define them using comprehensive process templates.

The same team responsible for standardizing the reconciliation process also needs to decide which elements of the reconciliation process should be included in the shared service. Decisions should be based on a detailed assessment of each element of the process and its value for the business.

**Step 4: Work Together With Your Internal Customers**

One common mistake is to think of the shared services function/COE model as just another siloed department, but this limits its value. By building bridges with all departments, and keeping the lines of communication open, it’s possible to identify new opportunities for process improvements, and collectively agree upon changes that add value for internal customers.

**Step 5: Demonstrate Value**

Whether the shared services function resides inside or outside the organization, a standard charging model should be implemented based on per-transaction billing or billing over a specific time period. This makes it possible to quantify returns on investment, engage new areas of the business, improve SLAs and increase adoption for services. This demonstration of value helps “sell” the solution within the organization and many organizations operating these models evolve into trusted advisors and business partners.
What’s Next?

Before embarking on a shared services or COE strategy, it’s important to look at your current reconciliation systems and processes and define exactly what you want to achieve in the future. At Fiserv, we use this shared services maturity model to establish what the next steps are for our customers (see Figure 1).

When organizations reach the ‘managed’ and ‘optimized’ stages of maturity, the shared services model begins to deliver quantifiable value. Performance measurements can be used to effect major process improvements, and the shared services function is seen as a trusted advisor and partner for all departments and business lines across the company.

About the Author

Andy Mellor is Senior Product Manager for Financial and Risk Management Solutions at Fiserv. In this role, he is responsible for product management of the Financial Control Solutions for the international region and the evolution of the Fiserv reconciliation and control solution, Accurate™ Reconciliation. He also provides specific expertise in the areas of business process management, application integration, business intelligence and enterprise solution architecture. Mellor joined Fiserv in 1996. He was a founding member of the business intelligence consultancy division, Accurate Business Solutions, which was later acquired by CheckFree and then Fiserv.

Prior to joining Fiserv, Mellor served as a principal consultant with RCMS Computing Services. In this role, he led the design, development and implementation of operational and analytical applications for improved retail and corporate banking operations, customer behaviour modelling and business decision-making.

Connect With Us

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