SHARED SERVICE FOCUS

With approximately 100 Shared Service Centres (SSCs) employing 35,000 people in Ireland, *ACCA Ireland* has identified the sector as an important growth area for the economy. *ACCA Ireland* members working in the sector are, in many cases, leading the way within large global organisations.

Of the SSCs operating in Ireland, approximately 70% provide finance and accounting services, creating a requirement for high-level financial expertise, which ACCA supports through its flexible, global and accessible qualifications.

ACCA Ireland's dedicated business relationship managers work directly with employers in the SSC sector, forging closer relationships through a range of value-added services. Through this focus on shared services, we hope to share our commitment to working with employers and ACCA members in this exciting and evolving field.

EMPLOYER RELATIONSHIP TEAM

SSC LEAD CONTACT

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Business relationship manager
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KEY TEAM CONTACTS

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Head of employer relationships
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Shared services

(Left to right) Liz Hughes, head of ACCA Ireland; Peter Fagan FCCA; Tom Rushe FCCA; Laura Coughlan, business relationship manager, ACCA Ireland; Colm D'Arcy FCCA; Julie Spillane FCCA; Jack Gogarty FCCA; Caroline Curtis FCCA; and Richard Lundon FCCA

SHARED SERVICES ROUNDTABLE

The first *ACCA Ireland* Shared Services Roundtable, held on 6 May 2011, brought together high-level FCCAs within the sector in Ireland, sharing perspectives on an area recognised as being of strategic importance to Ireland's high-value services-driven economy. The participants included:

- Caroline Curtis FCCA, senior director, Controllership Accounting & Reporting, EMEA, Yahoo;
- Colm D'Arcy FCCA, director of financial operations, Hertz;
- Peter Fagan FCCA, European financial controller, CIT;
- Jack Gogarty FCCA, director, Regional Finance Centre Europe and Eurasia, Coca-Cola;
- Richard Lundon FCCA, chief financial officer, IBM Ireland;
- Tom Rushe FCCA, director of finance, eSSC, Baxter; and,
- Julie Spillane FCCA, director, European Service Centre, Accenture.

The roundtable was chaired by Donal Nugent, editor of *AB Ireland*.

Shared principles

A common theme emerging from the roundtable was the progression of the shared service centre (SSC) from a back-office function to an enabler of growth and product development. Key drivers of this process, as identified by the roundtable, included:

- A culture of innovation in Irish SSCs, focused on building relationships and moving up the value chain;
- The availability of graduates with internationally recognised accountancy qualifications, such as ACCA;
- The flexibility of the Irish workforce and the attractiveness of Ireland as a place to locate; and,
- A critical mass of SSCs in Ireland, supported by a pool of expertise of international calibre.

*THEMES FROM THE DAY

THE IRISH SSC AS AN ENABLER OF GROWTH...

Julie Spillane, Accenture
I would see SSCs as being enablers in two ways. There is growth enabling whereby, as the company expands, it doesn't have to keep adding back-office functions and can do things in a more streamlined and efficient way. But there is also the enabling that comes from working with the business – not seeing your role as strictly back-office. For me, this is the major step up that SSCs have to make.

Caroline Curtis, Yahoo!
Six or seven years ago, the idea of an SSC was as an off-shore location that pushed units. We use the term 'centre of excellence' in Yahoo! to challenge the idea that shared services is down the value chain. We see ourselves very much as a core business support.

Colm D'Arcy, Hertz
The Hertz finance division in Dublin created its own mission statement and part of this is to be a revenue generator. There were some eyebrows raised, initially, as the SSC was seen as a cost. We highlighted all the financial products and services we have helped to develop, and we are now recognised as having a distinct identity and a strategic importance within the corporate structure.

MOVING UP THE VALUE CHAIN...

Tom Rushe, Baxter
We have found that, with any business acquisitions or divestitures over the last five-to-six years, that the SSC has been at the centre of the integration project from the start. We know the processes and we can get access to all the information. There isn't another function within the company as well placed as finance to take advantage of shared services to support such critical transactions.

Colm D'Arcy, Hertz
In an SSC environment, evolving a service is often a question of how well you can mobilise a team to effect change and make it happen faster than it would have otherwise. The more projects you deliver on successfully, the more opportunities that come to you.

Richard Lundon, IBM
To play the role of trusted business adviser, SSCs need to build up relationships with the sales team and be there when they first engage with customers. In this way, you can really help to generate revenue and get deals across the table much quicker.

Shared services

THE APPEAL OF IRELAND AS A LOCATION...

Caroline Curtis, Yahoo!
The workforce in Ireland is very flexible. Having a workforce that is willing to be on calls at 7pm at night is hugely valuable but not recognised as a selling point. One thing I also feel we undersell is how geographically well placed we are. In the morning you can call Asia and, in the evening, the west coast of the US.

Jack Gogarty, Coca-Cola
There is a natural curiosity in the Irish workforce that leads them to challenge things and drive change. The quality of the people, the mindset, the desire to continuously improve and standardise things, on top of a business-friendly environment, were all part of the decision-making process for Coca-Cola.

Richard Lundon, IBM
The multi-national sector looks at Ireland and they see a well-educated labour pool and a controls-focused environment. It is, arguably, not the most cost-effective place to do business, but we saw, in a recent IBM report, that, despite the economic challenges, Ireland was ranked as the number one destination, globally, for jobs by inward investment per capita. We have huge structural strengths and assets in things like education, people and ease of doing business.

Tom Rushe, Baxter
Looking to the future, we are focusing, like every company, on drives for efficiency and cost reduction, while, at the same time, enhancing the services that we provide. There are lots of opportunities to bring more work to the Irish team and, as that happens, we'll see the role of the SSC develop further.

Julie Spillane, Accenture
Accenture did the first ever survey on Irish SSCs, comparing them to global SSCs. One of the key things it talked about was talent management, making sure good people are coming through. You find that, in other countries, people aren't as flexible about developing a more rounded skillset as here.

Peter Fagan, CIT
In the case of CIT, it's taken us a long time to get to where we are today, given the complexity within our organisation and the increasing demands of the regulatory environment in Europe. To 'lift and shift' elements of that to, for example, an Eastern European location would require a lot of justification. While Ireland may not be the cheapest place to do business, the skillset and the pool of talent you can draw on here is very significant.

THE VALUE OF INTERNATIONALLY RECOGNISED QUALIFICATIONS...

Caroline Curtis, Yahoo!
To me, there is an integrity to the ACCA qualification. If you start some one in one role and want to move them to another, with ACCA you can do that, because it will not be completely unfamiliar territory to them.

Richard Lundon, IBM
Ireland, initially, was a cost play when it came to SSCs. Now, we have gone to a quality play. By having the ACCA qualification, you know you are getting quality. You are also getting the benchmark to measure other qualifications against.

Tom Rushe, Baxter
By focusing on staff training and development and encouraging the pursuit of a professional accounting qualification, such as ACCA, we have demonstrated that SSCs do need real accountants with serious career aspirations.

SELLING THE OPPORTUNITY OF SHARED SERVICES AS A CAREER...

Caroline Curtis, Yahoo!
We probably need to work harder to get across the message that working in shared services offers an incredible opportunity – you get multiple exposure to different jurisdictions; you get in on really interesting projects; and you get to work with the front end of the business from the start.

Tom Rushe, Baxter
We have an alumni of almost 20 people who used to work in the Baxter SSC, who now work elsewhere within the company. Showing this to interviewees is an important selling point.

Peter Fagan, CIT
Our head office function is in Blackrock and it looks after everything from payroll, treasury tax, accounts payable, mergers and acquisitions, reconciliations, tax and VAT. There can also be a lot of travel involved. That creates a lot of opportunities for your CV.

SKILLSETS OF A SHARED SERVICES ACCOUNTANT...

Richard Lundon, IBM
A shared services accountant is a well-rounded individual who has flexibility and communication skills. It is someone who can work with the business and with other accountants, who can stand in front of the guys in head office and make a

(Left to right) Jack Gogarty FCCA; Caroline Curtis FCCA; Colm D'Arcy FCCA; Julie Spillane FCCA; Tom Rushe FCCA; Peter Fagan FCCA; and Richard Lundon FCCA

presentation,and, finally, one who is willing and able to move comfortably from division to division.

Colm D'Arcy, Hertz
For me, it's about getting a person who has accountancy skills but also the ability to manage people in a performance-based environment, often across a wide spectrum of cultural differences. We find one of the most important things is getting the job description right in the public domain. Until you do that, you find people may not consider the role.

Caroline Curtis, Yahoo!
You need accountants who know when it is appropriate for them to make a decision, who are not looking for someone to tell them what to do all the time.

FACING THE CHALLENGE… …OF IFRS

Julie Spillane, Accenture
IFRS is one of those areas that we in shared services have to get out in front of – we can't wait for it to happen. We have the academic qualifications and we need to build those skills and push them up the corporate ladder.

Caroline Curtis, Yahoo!
One of the challenges of IFRS is that it is purported to cost a lot more in audit hours and, therefore, costs. From a corporate perspective, the message that needs to be communicated, globally, is that it's not that Dublin has become more expensive, it's that increased audit costs across non-US entities have come about because IFRS has changed the disclosure requirements.

…OF IRELAND'S CURRENT STANDING

Julie Spillane, Accenture
I think it's about managing the communication channels. If all people know is what they read in the papers then you will have a problem but we would, from a shared services perspective and a local manager level, manage those relationships with the US and give them the other side of the story and I think that's extremely important. You can't deny the things that are happening but you've got to balance it out.

Caroline Curtis, Yahoo!
For a lot of people I talk to socially, the tax rate is an important thing. I don't think we should underplay it. It is a critical issue for Ireland Inc. What corporates don't like is uncertainty and the one thing about the 12.5% rate is that it is certain. If you open that box once then credibility is risked and, in my opinion, once that happens it's over.

Richard Lundon, IBM
We need to stand firm. We have an educated, flexible, English-speaking workforce and we have the low corporation tax and the time zone advantage. We have to spell out all of those advantages clearly.

CLOSING THOUGHTS…

Peter Fagan, CIT
In an SSC, you can gain a huge amount of experience in many areas in a relatively short period of time, rather than hopping from company to company.

Julie Spillane, Accenture
We have to understand that we can't be cost competitive in some things in Ireland and we need to let that go. That's our only way to be credible about moving up the value chain.

Colm D'Arcy, Hertz
Enabling is a growth process. It comes back to project management and the ability to deliver. The more projects you deliver on successfully the more opportunities will come to you.

Tom Rushe, Baxter
Whether you decide to remain in shared services or to use it as a gateway to another role, the experience and respect that you attain from working in a highly-performing SSC, with other professional accountants, cannot be overestimated.

Caroline Curtis, Yahoo!
We are at an inflection point as a country with regard to negativity. We need to start getting the good news stories out there. We have talent and ability and willingness, so let's praise the positive.

Jack Gogarty, Coca-Cola
There is no recession in shared services.

A share of the action

Flexibility is the hallmark of the successful shared services accountant and the career rewards are considerable for those with an aptitude for diversity

Is the shared services accountant a breed apart? The consensus view at the recent *ACCA Ireland* Shared Services Roundtable was that personal characteristics are crucial to success in this field. The ideal shared services accountant was seen to be an individual with good communication skills and flexibility in their approach to work; who can move comfortably from division to division within the finance function; and has the ability to manage diverse groups of people.

This rounded skillset means there is no single defining attribute of a good shared services accountant. 'Strong technical accounting expertise is a given but strong leadership, programme management, business process re-engineering and relationship management skills are also critical,' EMEA director for shared services and Ireland finance director at Accenture Ireland, Julie Spillane, says.

Opportunities to grow

David O'Brien, EMEA software accounting projects manager, IBM Ireland, believes that, by playing an integral role in shaping and influencing how deals are constructed with clients, the shared services accountant gains invaluable opportunities as they progress their careers into more senior roles. 'Accountants develop strong technical skills coupled with an ability to prioritise to a degree that they most likely have not experienced in their career to date,' he says. Spillane agrees, and sees building a talent base as a two-way street between employer and employee. 'We employ ambitious people looking to build their skills and experience. That means we have a responsibility to constantly innovate to retain the best and brightest by keeping them engaged with their work and our company.'

Past experience

When recruiting for the sector, certain previous experience outside the field can make a potential candidate attractive to employers. 'Where a shared services centre supports EMEA, an ability to communicate in the language of the country you support is critical. This, along with an ability to remain technically flexible, allows a successful candidate to quickly acclimatise to a shared services environment and marks them out as a potential top talent,' O'Brien says.

For potential candidates, 'staying ahead of what is important to the industry is key,' Spillane adds. 'Right now, IFRS skills are very important and we are actively investing in building these skills in our teams to help lead the conversion to IFRS. Operational Excellence and Six Sigma skills are always very useful, particularly when a centre has a global remit.'

Pathways

The dynamic career path that accountants can hope to follow is one of the attractions of the shared services route. 'In IBM, the Accounting Shared Services Centre has proven to be a fabulous launching pad for furthering careers,' O'Brien explains. 'People have progressed into team lead and management roles and moved on to areas such as finance and planning, pricing, tax, treasury and business controls, as well as business operations.' Spillane highlights her own CV as an example of what is possible. 'I now lead more than 1,000 employees, from Argentina to the Philippines and six countries in between. This role means I now work alongside our global vice presidents of finance on business strategy, delivering substantial savings to our bottom line every year. There are multiple career options in shared services open to people who take a flexible approach and have a desire to continually build new skills.'

Ireland to the fore

Ireland is the location of choice for some of the most innovative global companies in ICT, digital media, life sciences, engineering, business and financial services, as **Emmanuel Dowdall**, IDA Ireland, explains

Ireland is home to many well-respected global shared services centres. The shared services sector in Ireland is a key strategic component of our economy with over 100 centres employing 35,000 people. Ireland not only offers an educated, skilled and flexible workforce, it offers an excellent track record of reputable service centres and a favourable business environment.

Ireland also facilitates industry collaboration to ensure we continue to perform well and remain an attractive location for further investment in the global shared services sector. Additionally, Ireland allows companies adapt their business models, with many examples of traditional shared services companies transforming their operations to take on a more complex range of shared service activities. The country provides a flexible environment allowing this transformation to happen. Today, shared service centres (SSCs) here design, own and run activities on behalf of their parent corporations, predominantly on a global basis.

The future

Ireland is viewed as an extremely attractive location for shared services, with over 25% of SSCs judged to be shared service masters, compared to just 8% of SSCs globally. SSCs reported satisfaction in Ireland and immediate ambition to expand and improve. In order to realise a high-value shared service proposition, Ireland needs to focus on talent management.

Integrated business services will enable Ireland to attract new business, and remain an attractive location for organisations to develop their SCCs. As a gateway to the EU, Ireland has the potential to carve out a niche in knowledge-intensive activities such as fraud, analytics, executive compensation and risk.

Forum

The Shared Services Centre Forum was established in 1998 with the aim of getting all shared services organisations to work together addressing common issues encountered at an operational level embraced by both private and public sector organisations. In the wake of a global recession that has seen organisations across the board taking a closer look at their back-office processes, the SSC is an increasingly attractive option for those looking to enhance the efficiency of corporate support functions. As the industry grows in Ireland, the forum is increasingly important in bringing these organisations together to address a wide range of issues with the focus on sharing experiences without compromising the values or sensitivities unique to each member.

Run exclusively by the members, for the members, with an elected steering committee, the group comprises of senior executives from the member organisations. Its existence is now considered a competitive advantage for IDA in enticing new shared services investment into Ireland. The forum shares the knowledge and experiences of member organisations by maximising synergies generated from the combined interests of the group and organisations they represent.

Enabling our future

It is essential that shared services continue to be promoted at a national level as a progressive career choice for graduates. Irish SSCs focusing on talent management and collaborating with higher education institutions to develop a pipeline of talent to perform 'value add' services is the way forward. Finally, Irish SSCs are capitalising on globalisation by adopting greater off-shoring capabilities for knowledge-intensive support functions. Ireland continues to promote itself as a desirable location for multinational organisations and economic competitiveness. The following are some of the key marketing messages directed at those choosing Ireland as a base for foreign direct investment:

- Competitiveness improving significantly – business costs have all become more competitive.
- Exports continue to perform very strongly (+9.4% in 2010).
- Our 12.5% corporation tax rate remains – and will continue to remain – at the heart of our strategy to attract foreign direct investment.
- Government is committed to public finance and structural reform.
- The current global economic situation hasn't had any negative impact on the flow of companies investing in Ireland.
- Ireland's key strengths still remain.

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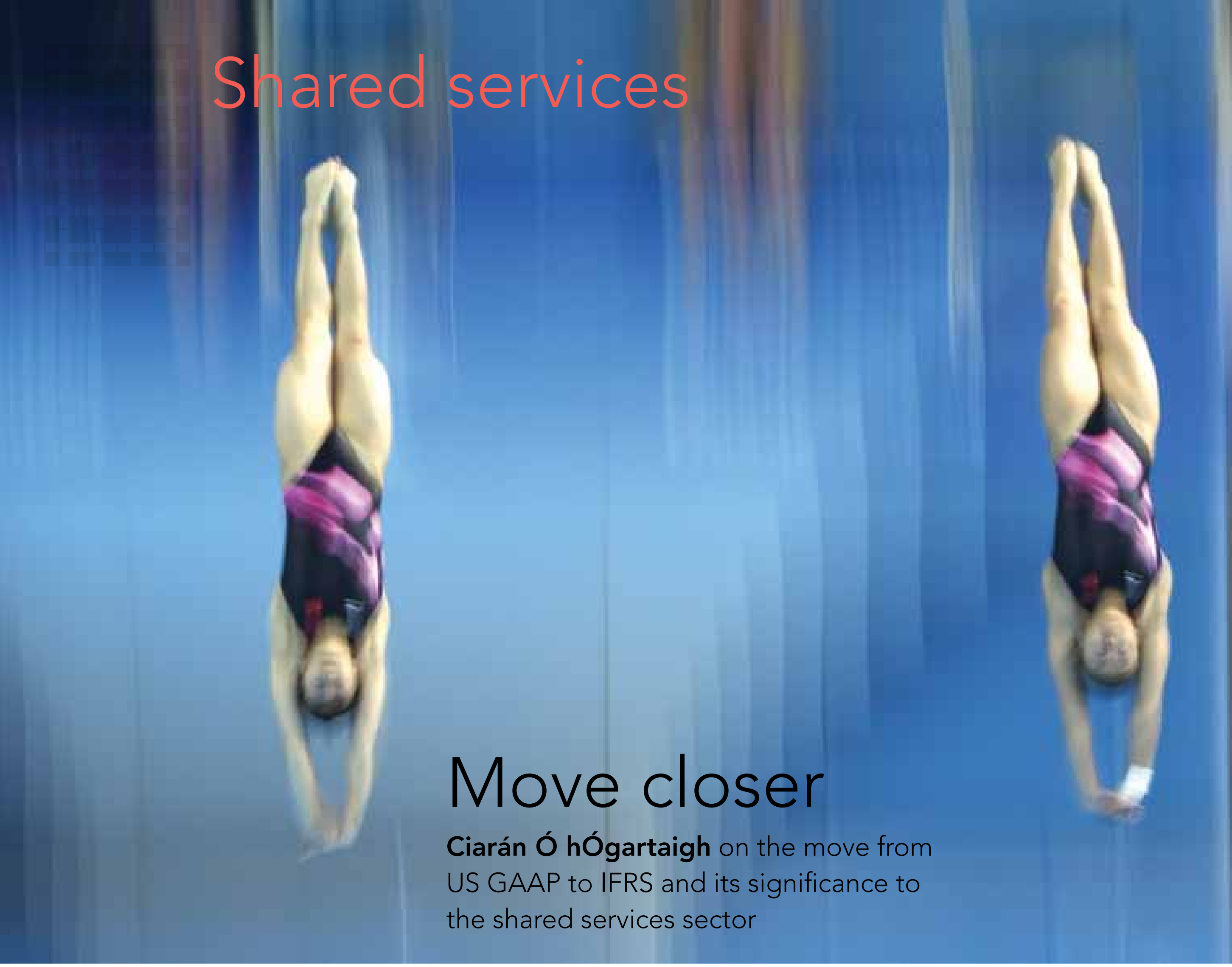

Move closer

Ciarán Ó hÓgartaigh on the move from US GAAP to IFRS and its significance to the shared services sector

An increasing number of international companies are preparing their financial statements under International Financial Reporting Standards (IFRS) rather than US GAAP. Since 15 November 2007, foreign registrants on US securities exchanges may prepare their financial statements under International GAAP (as defined by the IFRSs issued by the IASB) without providing 20-F reconciliations. Further, in May 2008, the AICPA's governing council approved amendments to their code of professional conduct, which recognised the IASB as an international accounting standard setter.

That removed a potential barrier to the use of IFRS by US private companies and not-for-profit organisations, who now can choose whether to follow IFRS (although the numbers of such entities availing of this choice is very limited). Conversion to IFRS is not without cost, in particular IT and staff training costs. The Securities and Exchange Commission has estimated that the average US company adopting IFRS would incur costs of approximately 0.13% of revenue. The operational efficiencies offered by shared service centres may serve to mitigate some of these costs.

Differences in approach

Sometimes the difference between IFRS and US GAAP is called a 'principles-based' approach (IFRS) versus a 'rules-based approach' (US GAAP). This characterisation is somewhat simplistic as there are some principles under US GAAP and some rules under IFRS. It is fairer to say that international accounting standards, in general, provide less detailed guidance than US accounting standards. This is particularly visible in the case of revenue recognition, where US GAAP provides detailed guidance notes based on different types of revenue transactions. US GAAP also provides more extensive industry-specific instructions in sectors such as oil and gas, insurance, financial institutions and not-for-profits.

As regards more specific differences between IFRS and US GAAP, the IASB and the FASB have been working on 'converging' their accounting standards for over a decade. As a consequence, the convergence of several standards has already been completed, including ones on business combinations and fair value measurement. However, some substantive differences remain. These include the valuation of non-current assets, leasing, revenue recognition, and other comprehensive income. This is not an exhaustive list and preparers of financial statements for entities moving from IFRS to US GAAP should consult with their professional advisers as regards the details of particular transactions.

Measurement

The discussion that follows focuses briefly on differences between IFRS and US GAAP requiring a change in

measurement rather than those that simply require a change in classification. Changes in classification are less problematic than measurement differences. An example of these include extraordinary items which are not separately classified in the income statement under IFRS while, under US GAAP, they are shown below the net income. Measurement differences are, potentially, more costly as they may require additional costing systems which recalculate the cost of, for example, inventory or other assets.

When measuring inventory under IFRS, the use of 'last in, first out' (LIFO) is specifically prohibited. Under US GAAP, companies have the choice between LIFO and 'first in, first out' (FIFO). While some discussion has taken place in the US with regard to the use of LIFO, it is likely to continue as an option under US GAAP, primarily for tax reasons. Therefore, entities who may have complied with US GAAP by using LIFO would be required to adopt FIFO or average cost under IFRS. Fortunately, US GAAP requires that entities using LIFO disclose the FIFO inventory value. Therefore, sufficient information will generally be available to adjust the LIFO inventory values in US GAAP financial statements to the FIFO values allowed by IFRS.

Impairment is another area of difference in the measurement of assets: IFRS uses a single-step method for impairment write-downs which requires that impairment testing is performed if the impairment indicators specified by *IAS 36 Impairment of Assets* exist. US GAAP has a two-step approach which requires that a recoverability test is performed first. Impairment testing is only performed under US GAAP when it is determined that the asset is not recoverable. This makes impairment testing and write-downs more likely under IFRS.

Re-measurement

Development costs may also require re-measurement under IFRS. Some development costs must be capitalised under IFRS if specific criteria are met as set out by *IAS 38 Intangible Assets*. Under US GAAP, with the exception of specified software development costs which are required to be capitalised under *FAS 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed*, all development costs are expensed. This results in a clear conflict between IFRS, which requires capitalisation in specified circumstances, and US GAAP, which prohibits capitalisation except in specified, limited circumstances.

There are, however, some differences between IFRS and US GAAP which, while fundamental, do not necessarily require a change in measurement. This is where IFRS is more promiscuous than US GAAP and, therefore, what is required under US GAAP is permitted under IFRS. The valuation of non-current assets is a good example of this. US GAAP requires the use of the historical cost model and does not permit the revaluation of non-current assets. IFRS allows the valuation of non-current assets under the historical cost model or at a revalued amount. This is unlikely to change in the context of convergence between US GAAP and IFRS as US policy makers are wedded to the reliability of historical cost in the valuation of non-current assets. However, given the choices allowed under IFRS, entities moving from US GAAP to IFRS may continue to value non-current assets under the historical cost model (as required under US GAAP) and still comply with IFRS (which permits the use of historical cost). Readers are advised to keep an eye on the project through the www.ifrs.org and www.iasplUS.com websites.

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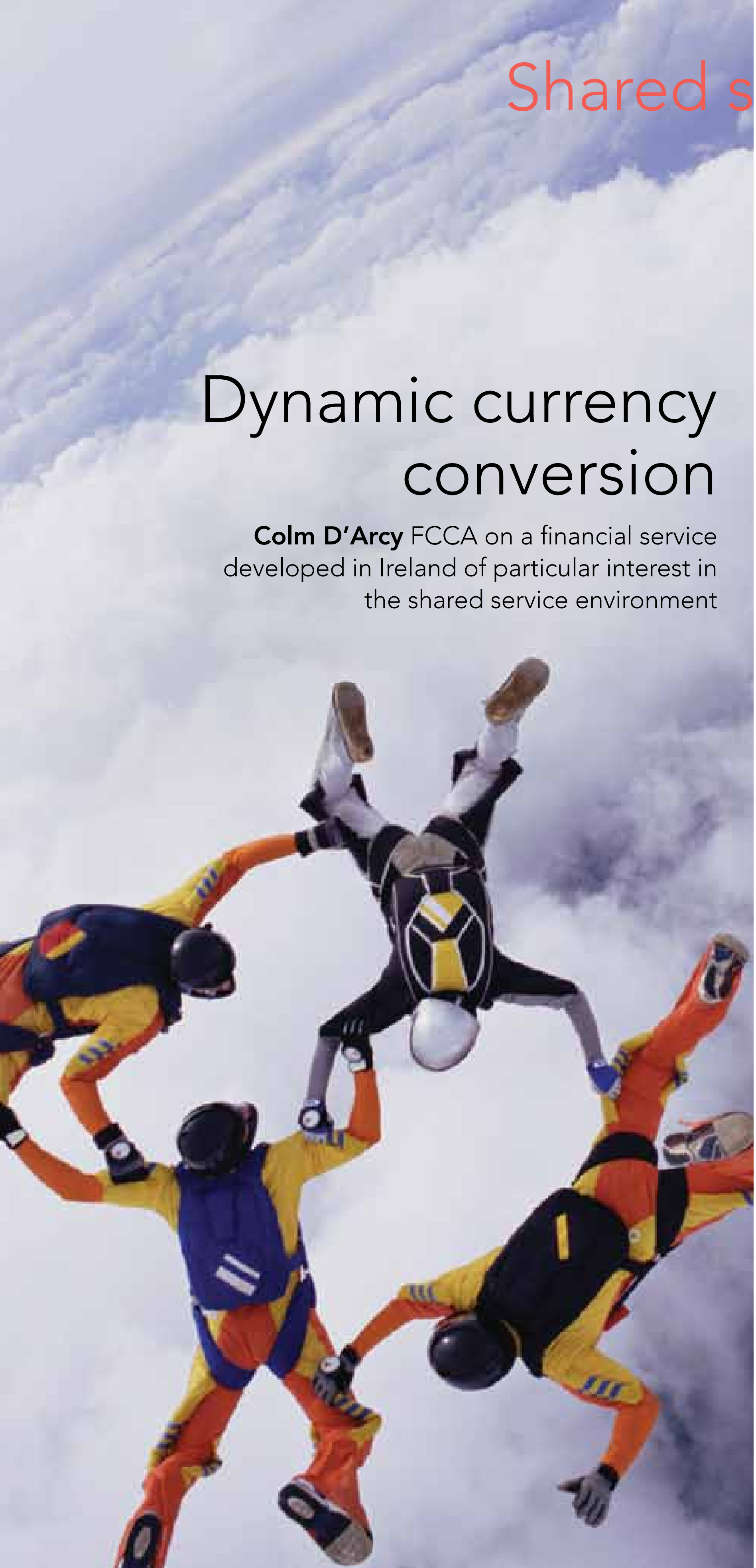
*ACCA ADVISORY SERVICES

Unsure of the accounting for a particular transaction? ACCA provides a free technical advisory service available to all members, covering practical issues that they may encounter in their work in the areas of accounting, auditing, company law, reporting obligations and investment business.

Advice for Irish ACCA members on any area of accounting is available from Aidan Clifford by e-mail aidan.clifford@accaglobal.com or 01 498 8907. Advice can also be obtained from ACCA UK on 00 44 207 059 5920 or from any of the ACCA technical advisers located worldwide. We will tell you where the latest standards are located, where you can view worked examples and can talk you through particular aspects of the requirement. All queries are confidential.



Dynamic currency conversion

Colm D'Arcy FCCA on a financial service developed in Ireland of particular interest in the shared service environment

Dynamic currency conversion (DCC) has its origins firmly rooted in Ireland, where the concept was developed in the 1990s in a small town in Kerry. It has grown to become a significant business, which merchants have sought to maximise and which the credic card companies (VISA and MasterCard primarily) have tried to minimise and standardise, with varying degrees of success. The concept is also presented under the guise of 'customer-preferred currency' (CPC), as merchants have moved to make the idea more palatable to their customers.

DCC is only available where there is a difference between the denominated currency of your credit card and the currency in which you are transacting. So, if you have a credit card issued by an Irish bank, DCC will only be possible where you travel outside of the eurozone.

How it works

In the past, merchants would simply send their accumulated daily transactions to an acquirer who would, in turn, settle the next day in the transacting currency. The acquirer would then convert this transaction into the card holders' currency and send this to the issuing bank for settlement. Herein lies the opportunity: the exchange applied includes an uplift/administration fee, which is built into the exchange rate. The rate of the uplift applied differs, depending on the issuing bank, but can vary from 1% to 4% worldwide.

Merchants have become much more active now in performing this conversion for the customer and, thereby, removing the need for the banks to undertake this task. Of course, the merchants will also charge for this and they can set their own rate.

The rules

This may appear very easy but there are certain rules which the credit card companies have put in place to try and

help protect their revenue streams and also the customer. For example:
1. DCC can no longer be passive, i.e., the customer must opt in, and this must be verifiable;
2. There must be a conversation with the customer, where he or she is asked if they wish to pay in their home currency;
3. The final bill or statement of charges must also show the exchange rate applied; and,
4. The merchant must disclose the administration fees applied.

Compliance
The credit card companies have also become much more active in conducting audits to ensure compliance with these rules. The penalties for non-compliance are high, with fines of over €20,000 per incident. Merchants with multiple points of sales need to ensure that the process is kept as simple as possible and training is effective to ensure maximum uptake of DCC, while complying with the rules. Merchants and DCC solution providers are also required to register with the credit card companies. All this can be considered good practice, although it is arguable that the credit card companies and banks are not as transparent and upfront about where their own charges are applied.

Advantages to customers
There are a number of benefits to accepting DCC by customers:
1. There is comfort in knowing the charge in your own currency;
2. There is certainty about the charge which will be passed through to your credit card;
3. Business travellers can submit expenses without having to wait for their statement arrives;
4. It offers choice, transparency and the provision for dispute resolution.

Disadvantages to customers
There can be pitfalls to DCC, meaning customers need to be aware of who they are dealing with.
1. Some merchants apply excessive conversion fees, which are not in the interest of their customer;
2. Smaller merchants may not always be able to get the best wholesale rates available;
3. Not all merchants have a provision for dispute resolution with respect to foreign currency rates applied; and,
4. The rules may not always be applied and DCC can be applied passively.

Advantages to merchants
While banks are losing a revenue stream, which had been uncontested for many decades, for the merchants the advantages of DCC are:
1. The revenue stream for any merchant with a high volume of customer fitting the DCC profile can be significant and adds an extra 100 to 300 basis points to the transaction value;
2. The merchant owns the conversation with the customer;
3. If managed well, the merchant can drive down disputes and chargebacks;
4. It allows settlement in multiple currencies; and,
5. It enhances cashflow management.

What's next?
The next generation in DCC is now coming upon us, with merchants requesting their acquirers to process multi-currency files for settlement in a number of core currencies. This allows the merchant to convert the currencies themselves and benefit from natural hedging and more competitive exchange rates than those offered by the banks. There is a level of expertise required, although a good DCC provider will offer this as an add-on service. DCC is here to stay, which makes it essential that all of us start to understand how the credit card process works and what our merchants are selling. With this knowledge, consumers will be able to make an informed decision about what suits them best.

Benefits for SSCs
For our own shared service centre, the DCC offering allowed us to move further up the value chain. We moved from being solely a service provider to a revenue generator. We have established an excellent and collaborative relationship with Monex Financial Services in Killarney, Co. Kerry, which has helped us manage the process and ensure compliance with the rules for our benefit and the benefit and protection of our customers. DCC has helped create a new dynamic as the Hertz European Service Centre is now an enabler for most of the new global and regional products, services and brands being rolled out.

Colm D'Arcy is director of financial operations, Hertz European Service Centre. Email cdarcy@hertz.com

Interview

YAHOO! GETS SERIOUS

Caroline Curtis FCCA on the global internet company that has made Ireland central to its plans for growth. **Donal Nugent**

As the worldwide web approaches its twentieth birthday, it can be a surprise to some that many of its biggest players are, in contrast, barely out of short pants. LinkedIn, Facebook and YouTube are obvious examples, launched in 2003, 2004 and 2005 respectively, while the world's powerhouse search engine Google did not gain its unassailable position until well into the 2000s.

There are, however, some exceptions to this rule and largest among them is, arguably, the website created by engineering students David Filo and Jerry Yang, back in 1994. Unpromisingly titled 'David and Jerry's Guide to the World Wide Web', it was conceived as a directory for users to gain quicker access to websites. Renamed Yahoo! in 1995, the company would grow rapidly through the rest of the decade and see its share price shoot through the roof at the climax of the dotcom bubble. Unlike most others caught up in the hype, however, Yahoo! survived to tell the tale and, over the last decade, has become the solid performer of the major internet players. Its track record of growth, acquisition and, most significantly, profitability, has been built on global dominance in the area of display advertising. In 2010, the company reported pre-tax profits of $1bn while, in the first quarter of 2011, GAAP revenue was $1.2bn.

Irish operations

The space carved out by Yahoo! is less easy to define than most of its major competitors on the internet. 'Yahoo! is about online digital media,' Caroline Curtis FCCA, finance director EMEA for Yahoo!, says. 'To my mind, Microsoft is a technology company that develops and licences software and Google is a web-based search engine. Yahoo! is a digital media and technology company. When I explain it to new joiners, I ask them to think of traditional media with a front page and an index leading to the content they want. Yahoo! front page, to me, is a personal window to where I want to be and what I want to know.'

In 2004, the company set up its EMEA controllership headquarters at East Point Business Park, Dublin. It was not a complete step into the unknown, as its subsidiary, Overture, had set up its own European headquarters in the same premises two years before. To complicate matters, Overture and a further acquisition made by Yahoo!, Kelkoo, each ran their own offices across Europe at this point. 'Although they were, from a US GAAP perspective, one company, they were all running completely separately,' Curtis recalls. 'We used to say everything was done to the power of three. When you went to say, Paris or Milan, you were dealing with three legal entities and you had an Overture office, a Kelkoo office and a Yahoo! office. So there were lots of challenges involved in centralising the controllership activities into Dublin and streamlining them into one operation.'

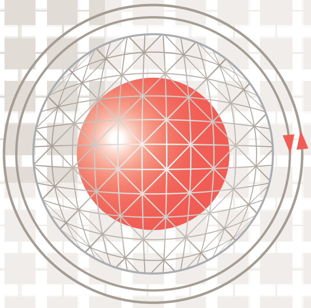
Values

Moving the Irish shared services centre up the value chain has been a priority for the finance leadership team, and Curtis, ever since. The process is ongoing. 'We have just finished working with the corporate applications group on a global project to systemise and operationalise a systemic transfer-pricing calculation, invoicing and settlements system. We provide the global team accounting support by ensuring that all intercompany accounting is aligned to the global model,' she explains.

Part of the challenge of moving up the value chain is recognising when processes need to be outsourced. 'From a services point of view, you always have to ask: "How can I do more? How can I simplify it? How can I make it more efficient?" When I joined, we were performing mainly transactional processes. However, over time, most of the finance transactional processes have moved to a business processing outsourcer in India and Romania.'

Revenue streams

Curtis admits to having had only a vague idea of how the company made its money when she first joined Yahoo!, Experience has since taught her she was not alone in this. 'I don't think that understanding how you monetise a website like Yahoo! is a generational issue – I see guys who are 24 and 25 coming in and they don't get it at first either. It is easier to understand the media side of things first. You could compare it to the newspaper, where you'll pay more for being on the front page than the inside, for example. The search engine is probably a harder concept to get and now there is the whole new area of media exchange,



The CV

1981

Joins Office of the Collector General as a clerical officer.

1991

Appointed executive officer (procurement) with the Department of Defence.

1998

First role outside civil service as manager, Warrants Strategic Development Unit with Citibank in London.

2000

Admitted to membership of ACCA.

2001

Appointed financial controller with GE Capital Woodchester.

2006

Joins Yahoo! promoted to senior finance director accounting and reporting EMEA in May 2010.

where people buy and sell each other's spare and remnant media. What I've learned over the years is, if you want to understand something, you can't be afraid to ask a stupid question. You usually find a lot of people don't understand it either but were afraid to say so.'

Since the dotcom crash, the financial community has learned the hard way about establishing the true value of internet companies. In spite of this, Curtis says she is sometimes surprised at the level of hype that can still colour marketplace sentiment.

'There are brands that have come and gone and there are those that are still evolving and changing. I like LinkedIn, for example, but I'm not sure it has really harnessed the recruitment space, which it needs to. With Facebook, I think, if I was to invest in it, my question would be: "What's to stop someone else becoming the next Facebook?"'

Expansion

From its earliest days, Yahoo! has driven growth through acquisition and a myriad of smaller internet companies have helped reshape and diversify its profile over the years. Perhaps the most interesting in recent times has been the Middle Eastern portal site Maktoob, which was acquired by the company in November 2009 and for which Curtis partook in the accounting due diligence review. 'Maktoob is essentially the Yahoo! of the Middle East. What's exciting is that you've got an entire population in North Africa and the Middle East for whom the internet is really only taking off. It's a completely dynamic region that no one has gone into before.'

From an accounting perspective, entering these markets also means entering a completely different trading environment, a challenge Curtis relishes. 'When we started statutory accounting for Jordan, which is done under IFRS, we discovered they had no concept of stock options because there aren't any multinationals out there. So that poses a question: how do you account for stock options in an area that's never had them? When we set up an entity to do sales into Egypt, we found that they are not set up for transfer pricing. So we find we are actually at the cutting edge, trying to figure a lot of things out for the first time and that makes it really exciting.'

Civil service

Significant roles with Citibank, GE Capital and one of Europe's first internet banks First-e, paved the way for Curtis's current position, but perhaps the most surprising facet of her CV is that that her first role in the private sector did not come about until she was 33. Joining Revenue fresh from school at the age of 17, Curtis worked in the civil service until 1997.

'Revenue really does move to the beat of a different drum compared to the rest of the civil service. It has really smart people and has always been a very progressive organisation. It had mainframe computers back in 1981 when no one else had them.' Persuaded, first, to take the Institute of Taxation exams, she also began studying to become an accounting technician before, finally, between 1994 and 1997, studying ACCA. 'I chose ACCA because of the breadth and integrity of the qualification. It is broad-based, so you get tax, legal, fiscal accounting and audit. You could also do it without going into practice and at night time, which was a huge advantage.'

ACCA would ultimately provide a passport to entering the private sector but not before a seven-year stint with the Department of Defence, which came about through the quirks of the civil service promotional system rather than personal choice. 'People ask me what I did and I explain I counted uniforms and guns and bullets. It sounds funny now but this was the early 1990s. The threat to the security of the State, at that point, was huge. If uniforms, or the material that made them, were stolen, there could be very serious implications.' The experience also came in useful as she prepared for her theoretical audit papers. 'I learned that, when you're auditing, you have to think: what is the business about, what are the risks and opportunities? So that was very valuable.'

Ignoring the warnings of friends that her career in the civil service had made her unemployable outside it, Curtis – emboldened by her ACCA qualification – made the decision to leave in 1998 and was soon offered a position with Citibank, working in equity derivatives and warrants in London. Two things worked in her favour in making the transition a success. 'I had just studied Paper 13 on swaps and derivatives, so most of it was fresh in my mind but, also, I like horse racing. I used to help out a friend's father, who was a bookie, on Grand National day and I quickly realised that, if you could do the multiples and the accumulators, then you could do derivatives. It was just a different form of the same thing.'

Innovative

With her talent for operations recognised, Curtis found herself back in Dublin as Citibank began to set up operations in the IFSC in 1999. A random phone call from a head-hunter recruiting for an internet bank, also setting up in Dublin, would see her career take an unexpected turn. 'No banks in Europe had online banking at the time so this was something totally innovative. It's hard to believe now but a lot of people thought it would never catch on.' Though it was a 'brilliant project' and far ahead of its time, she quickly saw the writing on the wall for a business that was rampantly overspending and didn't have a sound financial base to work off. 'It was a phenomenal experience but I knew that, unless someone came in and bought it out, it wasn't going to last. You are not a very good finance person if you can't read the signs and I knew it was time to move on.'

Her next role, as financial controller with GE Capital Woodchester, offered a marked contrast. 'With GE, you absolutely had to make your number through integrity and compliance. The Irish business was small and we were to the pin of our collar every year to make double digit growth but we did it. We developed a lot of new products and I was lucky to work with some phenomenal people there.'

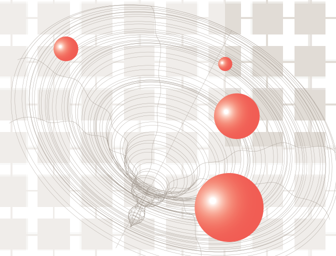
It was while returning from maternity leave at GE that the opportunity with Yahoo! emerged. Curtis initially went for the position more with a view to brushing up her rusty interview skills than anything else. Five years later, as EMEA finance director, she heads up a team of 55 and is a director of nine Yahoo Group companies in Ireland, the UK and the Netherlands.

Raising the bar

Though proud to be Irish and always happy to promote the values that make the country an attractive place to work and invest, Curtis saw a worrying perception gap emerging in the country which the recession, for all its downsides, has, at least, corrected. 'In the years up to 2008, I felt we were very much in danger of becoming the L'Oreal generation with a "because I'm worth it" attitude. What we had to recognise was that we are not the global hub of things. That's somewhere else and what we have to do is be better than anyone else if we want to keep working for them. There are no barriers to entry for anyone else to say "we've got the best accountants in the world".'

One significant structural advantage that Ireland has for international business, and one she feels is consistently underestimated, is the time zone. 'We are just about at the right edge of Europe to be able to talk to the west coast of the US in the evening and Asia in the morning. So if you want to focus on something Ireland has that's a unique advantage, I would say that's it.'

Having worked with many different kinds of people, in many different situations, Curtis has identified one singular constant that she believes applies across the board. 'Whether you are in the civil service, or practice or have a corporate role, change is something that most people find very difficult to deal with. The ability to be able to change is the thing that will most define you in your career. Most people don't think long-term or strategically and, of course, it's impossible to plan for what you've never seen, but, to me the only constant is change. The world we live in is now moving so fast that if you don't have the ability to be flexible and change fast, you actually can't survive.'



The basics:

YAHOO!

1995

The company is incorporated in California.

2000

At the height of the dot-com bubble, Yahoo! stocks trade at $118.75.

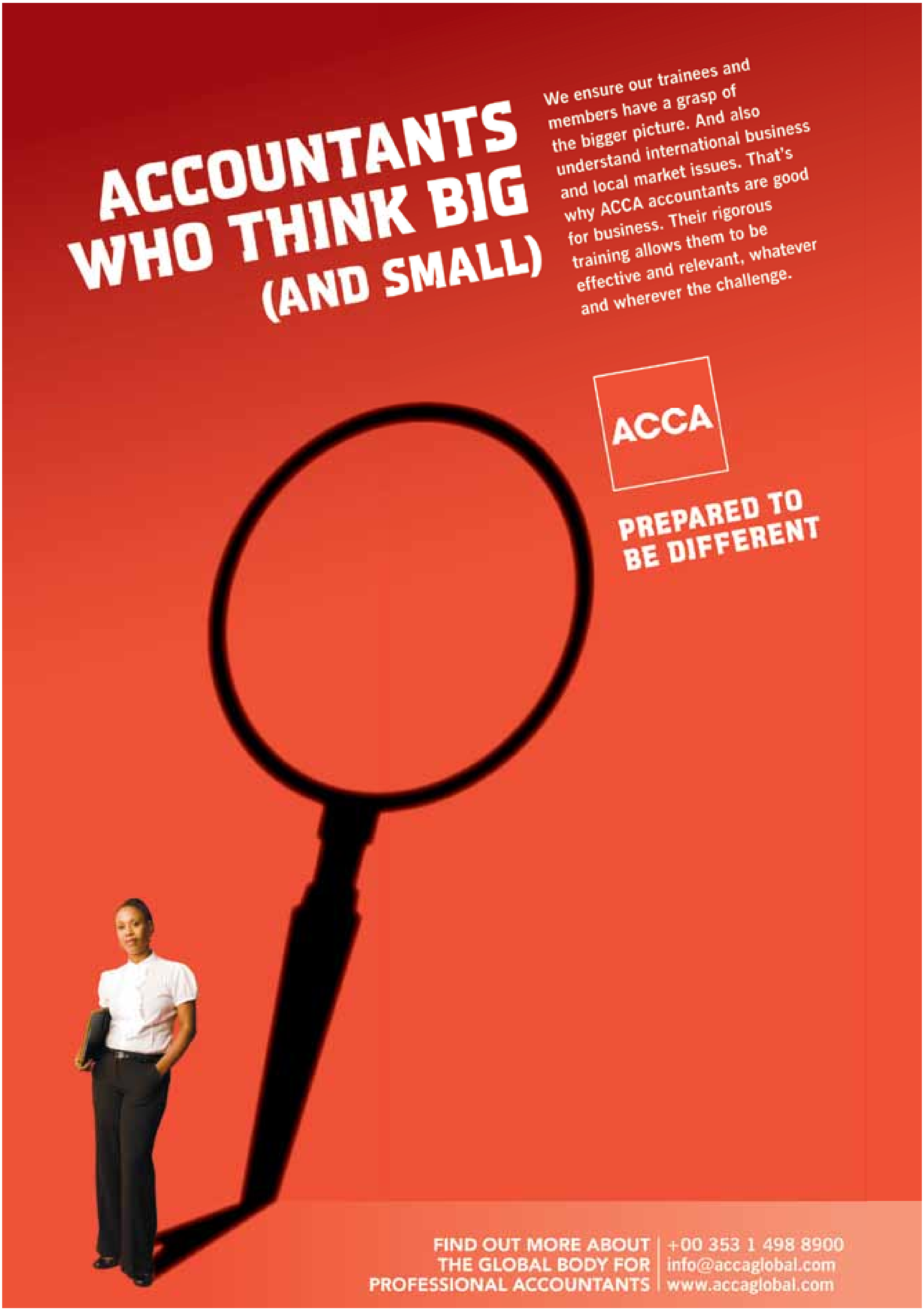
2005

Yahoo! opens its European headquarters in Dublin.

APRIL 2011

Yahoo! is the number one site in the US, reaching 187m unique users.

The Royal Wedding is the largest one-day event in Yahoo!'s history, with 26m video streams globally.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