

RESEARCH INSIGHT REPORT

The Hidden Costs of Intercompany Inefficiency



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Intercompany Inefficiencies

“WASTE”

a Month a Year

There is not enough discussion on the topic of intercompany. In fact, in the context of SSO/GBS there is very little intercompany-related research to be found. Considering that our recent survey indicated one month’s worth of work is “wasted” every year on intercompany process inefficiencies, this topic certainly deserves more attention.

Many SSO/GBS already perform intercompany work as part of accounting and the closing cycle. In the context of the overall trend towards integrating end-to-end processing, almost half the companies surveyed plan to move more work into SSO/GBS and approximately 20% have a dedicated Global Process Owner (GPO) responsible for these activities. For SSO/GBS, intercompany (as part of the Record-to-Report

end-to-end process) is, therefore, a growth area with significant optimization potential.

One of the main challenges in intercompany is the dispersed ownership between accounting, controlling, Shared Services and tax. It can be hard, our research confirms, to find an “owner” or responsible party to act as a *project leader* or *buying center* to drive improvements. This is why an SSO/GBS-driven approach leveraging a GPO can help.

Apart from proper governance (ownership and policies) technology plays a key role in solving the intercompany issues at the root of lost time and lost money. Intercompany experts understand this: 85% of them expect artificial intelligence (AI) to be part of the solution.



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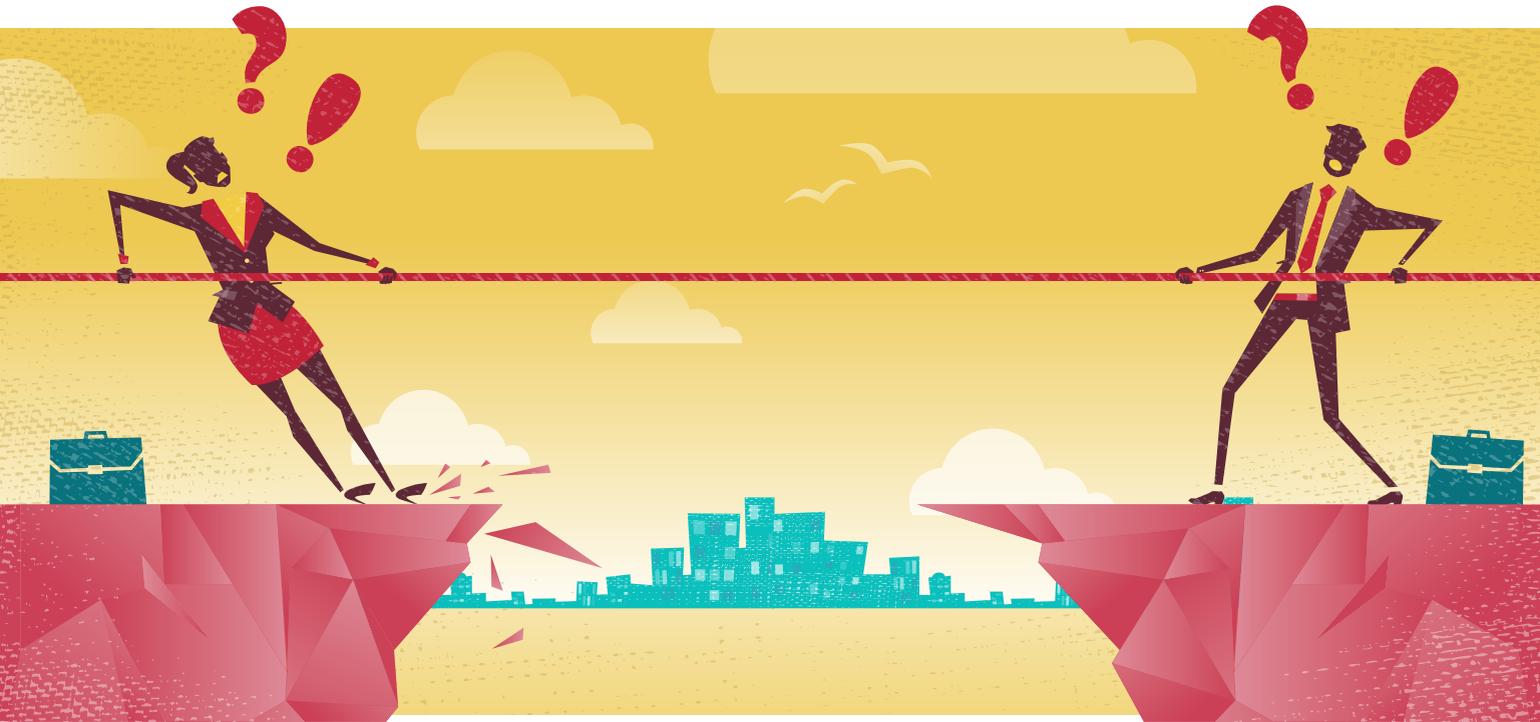


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This report is part of SSON Research & Analytics' Research Insight Report series – detailed and insightful reports based on survey data that highlight not just the current market status, but offer candid insights from experienced practitioners, and actionable solutions.

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Introduction

Over the past decade, intercompany processes have been brought into the spotlight through a combination of new governmental mandates around e-invoicing, a focus on transfer pricing by regulatory authorities and the growing complexities of global supply lines. This has caused technology vendors to follow, offering solutions that solve the root cause of inefficiencies: the disparate systems and lack of standardized data that characterize large-scale multinationals. And yet, the challenge of getting all these complex and often wide-ranging activities under control is enormous. While the benefits of stemming leakage and saving time are significant, each company has different priorities or pain thresholds – which means some can live with *sticky* processes for a while, while others are galvanized into action.

The regulations that emerged in the 2000s drove transparency across many

operational activities that otherwise flew under the radar. But while Sarbanes-Oxley forced compliance upon enterprises, intercompany is still an eight-headed Medusa that is difficult to contain – made more complex by legacy data platforms, inconsistent processes, and incompatible technologies. Many of these problems require fixing first before integrations can yield results.

Certain industries have significantly more activity to manage (or worry about) than others when it comes to transfer pricing. Pharmaceuticals, for example, or automotive, where materials are made in one place, transferred to another, and assembled elsewhere. Such organizations are under pressure to get their house in order and comply with increasingly strict regulations.

This report draws on a survey of finance practitioners to identify common hurdles to more effective and efficient intercompany activity – but also to

highlight opportunities to improve the intercompany process. The benefits of doing so extend far beyond cost, into streamlined accounting, tax synergies, closing books on time, and greater transparency over intercompany transactions.

For an organization to truly succeed with intercompany requires good processes and the right technology. In addition, enterprises must make efforts to integrate accounting with its “distant cousin” taxation, to create a more synergistic environment.

At a time where *insights* equal *power*, and *digitization* is *flattening* the playing field for multinationals, it’s time for activities like intercompany, which still lag behind the wave of optimization sweeping through finance, to catch up. The drag on overall performance is simply no longer acceptable.



The Size of the Challenge: Intercompany Inefficiencies Scale with Growth

Intercompany is a simple word that encompasses a highly complex topic. Most enterprises are still far from successful in this area, attributable perhaps to the vast amounts of data required to transact, the often large numbers of entities incorporated in modern multinationals, and the lack of an internal champion with both ownership and influence. The degree of internal collaboration required to address intercompany is reflective of any large-scale transformation. And while there has been significant discussion around optimization, few organizations are brave enough to tackle it head on, faced with so many internal hurdles.

Fact is, while accounting lies at the heart of intercompany transfers the tax dimension is significant, with most organizations having too little liaison between the two. And approaching intercompany from an accounting perspective is simply not enough: what's needed is an equivalent *taxation* perspective. Nothing short of revolutionary change will shift this. And *that* only gets the green light if (and when) intercompany is out of control. Control, in fact, is becoming a determining factor. The pandemic created enough upset to place "risk minimization" center stage. Intercompany can position itself as today's hero in *de-risking the supply chain*.

The survey data confirms the current perception of intercompany as being in need of a fix, but also highlights why this is so often not on top of executive agendas – but it should be. It also clearly points to the fact that while intercompany may start as a small problem that can be overlooked, as businesses grow – and they all grow! – this problem grows with it, affecting core performance indicators around closing the books, imbalances, and tax owed.

This research identifies the challenges that are adding cost and time to intercompany processes, where to focus your attention to drive improvements, and why intercompany might be best served from within a Shared Services/GBS model.

The following pages will dive into each of these.

The Demographics **UNDERPINNING** this Report

This report is based on a Q1 2024 survey of intercompany practitioners who serve the office of the CFO. Responses came mainly from Shared Services and Finance and Accounting, but also the Controller's office, Tax, and Treasury – reflecting the gamut of CFO-supporting functions.

Most (60%) responses came from enterprises with US\$2BN+ annual revenue but the data also reflects Small and Medium-Sized Enterprises, confirming the fact that irrespective of size most entities are struggling with the same challenges. Many respondents have large numbers of legal entities (70% have more than 30) reflecting the complexity of their internal ecosystem – the more entities, the more complex the trading relationships become across countries and currencies.

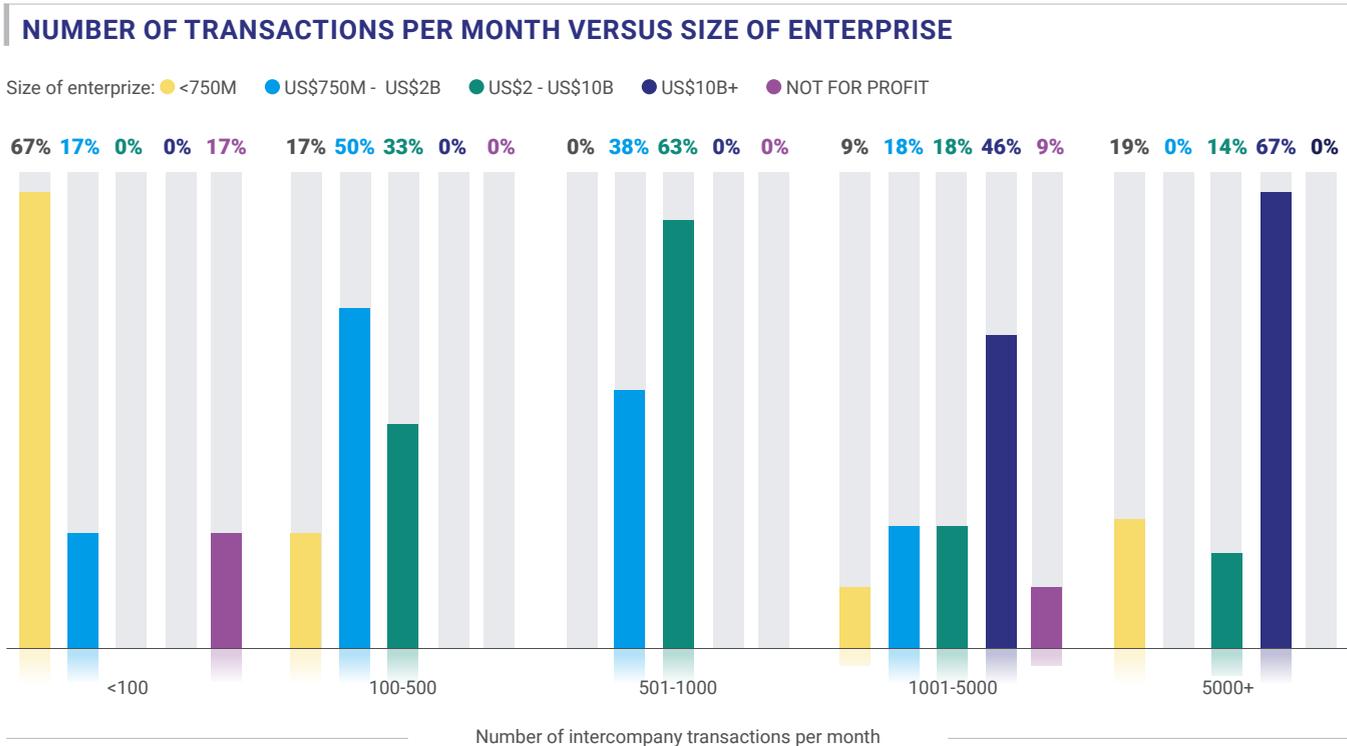
We also found that as companies achieve their goal of revenue growth, the number of legal entities tends to grow as do the number of intercompany transactions dealt with every month. In addition, the bigger the enterprise and the greater the number of intercompany transactions, the more likely these tend to be trade- rather than service-related.

The Shared Services model is proving effective in managing large scale transactions: of organizations managing more than 5,000 intercompany transactions per month (82% of which cover 50+ entities), nearly 70% do so through Shared Services.



Volume of Intercompany Transactions Reflects Scale of Problem

The volume of transactions for any given intercompany activity provides an indication of the potential, or real, scale of the problem. The greater the number of transactions, the greater the opportunity for errors, delays, and a drag on monthly close



As revenue grows intercompany processing requires more resources



Even for companies managing only between 100 and 500 transactions per month, 2/3 believe intercompany is “a growing problem.” Our research indicates that roughly 60% of respondents do more than 1000 transactions a month, and 40% more than 5000. Each of these transactions reflects a granularity of data that can quickly overwhelm a process if there is a requirement to dig deeper, to get to the root of the problem. Such large volumes can create an escalating problem in an environment that is prone to rework. In large organizations the volume of intercompany transactions can easily translate into tens of millions of dollars. And even for smaller organizations that may not believe they have a problem right now, as the business grows and intercompany transactions grow with it, any issues that are not resolved now will only become a bigger headache.

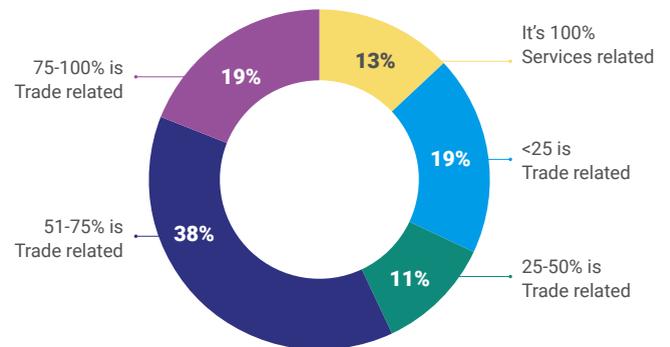


Trade Drives Intercompany, but Services are Significant

For most enterprises surveyed, trade makes up the lion's share of intercompany processing (57% say trade drives more than half of their intercompany work). However, the remaining 43% are largely services-led – e.g., consulting, licensing agreements or Shared Services reimbursements. The data shows, in fact, that services make up a vital component of intercompany work. This is significant as *trade* tends to be fixed to structure (plants, etc.), while services offer some flexibility in terms of point of origin and where they are delivered, and thus provide some space for maneuver.

Another point to note is that the pandemic drove some verticalization of supply chains, where companies whose supply chains had become locked up pivoted to delivering goods and services to themselves, i.e., making their plants their suppliers, and thus impacting intercompany in an unexpected but lucrative way.

WHAT PERCENTAGE OF YOUR INTERCOMPANY IS TRADE (GOODS) VS SERVICES (CHARGEBACKS)?



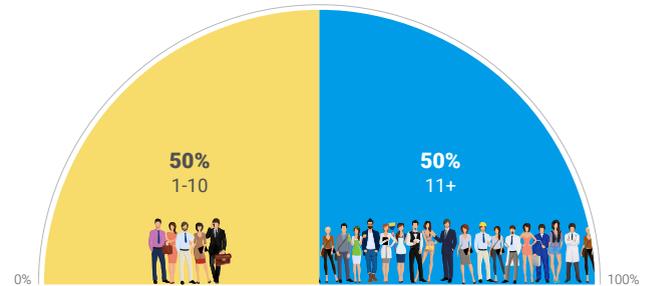
“Trade makes up the lion's share of intercompany processing”

Productivity of Workforce Varies

The data shows a broad distribution of FTEs for intercompany work whereby the number of Full-Time Equivalent FTEs engaged in intercompany work is generally positively correlated with company size, reflecting the current efforts, considering most organizations are still relying on spreadsheets / ERP systems or a combination of both.

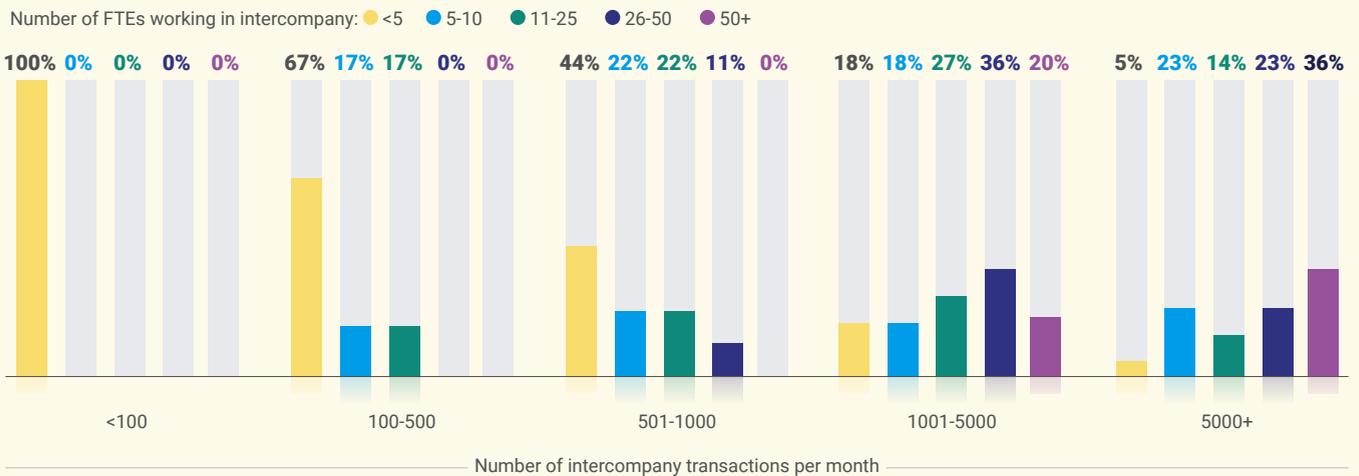
Smaller companies with less than US\$750M in revenue manage their volume with few people, but as company size increases the number of resources required can quickly spiral, especially when we consider the requirement on finance, tax, Shared Services etc. In our research, 15% of organizations confirm at least 50 FTEs working on intercompany.

HOW MANY FTEs WORK IN/DEAL WITH INTERCOMPANY?



It's also interesting to compare *efficiency* given that varying numbers of FTEs appear to support large scale transactions of 5000+: 41% manage with fewer than 25 FTEs, and 59% with more. This highlights varying levels of productivity based on technologies, internal synergies, and processes.

NUMBER OF FTEs WORKING IN INTERCOMPANY VERSUS NUMBER OF INTERCOMPANY TRANSACTIONS PER MONTH



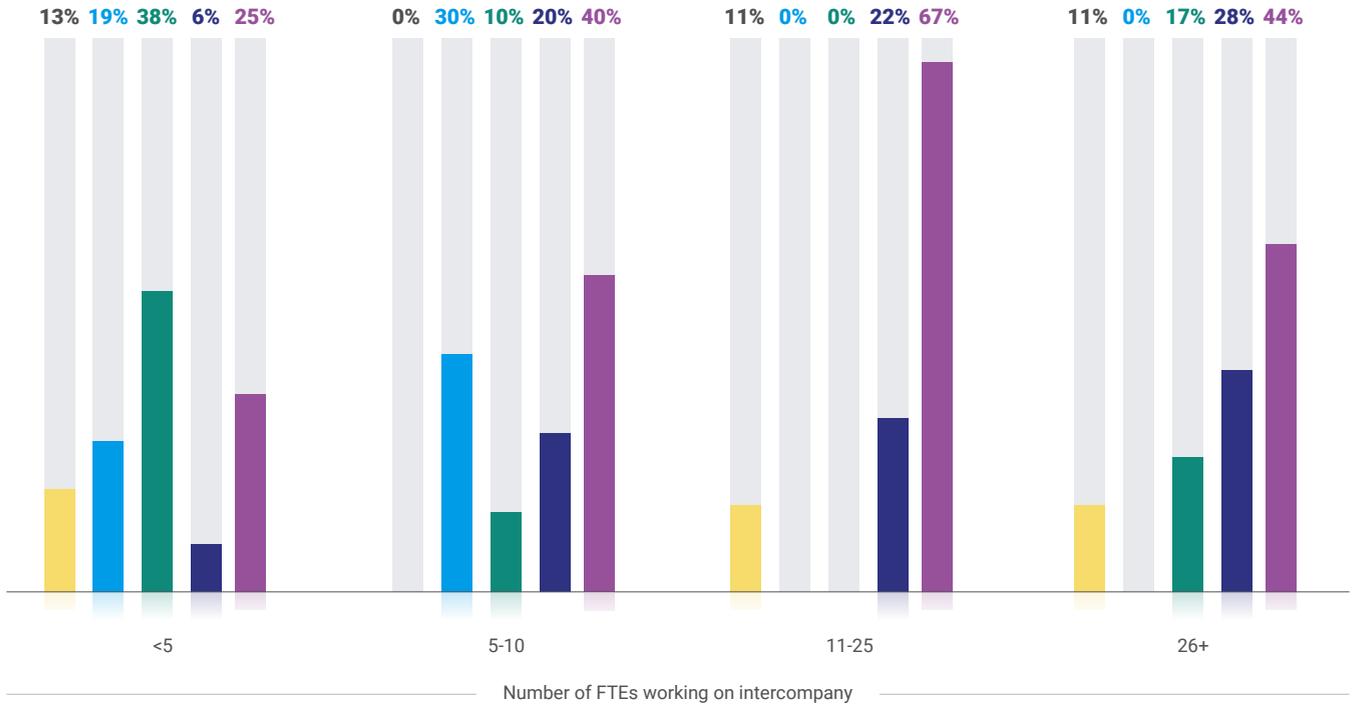
Given the scale of volume in the 5000+ segment, it's interesting to note that 5% are still managing their processes through spreadsheets primarily, while 36% are relying on ERP. The rest use a combination of systems. As volume increases, manual tools are not sustainable.

The data also points to more than 11 FTEs involved with intercompany translating to more time spent on the close. **Nearly 70% of those employing between 11 and 25 FTEs for intercompany work spend more than two days a month on this activity.**

TIME SPENT ON INTERCOMPANY DURING CLOSE VERSUS NUMBER OF FTEs WORKING ON INTERCOMPANY

Time spent on intercompany during close:

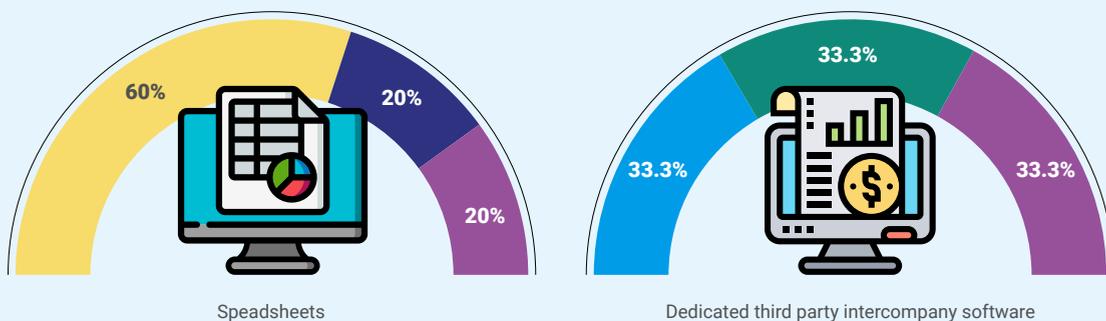
● None, intercompany is not an issue
 ● Less than a day
 ● 1 workday equivalent
 ● 2 workdays equivalent
 ● More than 2 workdays equivalent



As revenue increases, we see a necessary shift from spreadsheet/manual activity towards dedicated software to accommodate volume. The data shows more organizations managing 5000+ transactions through third-party software than through spreadsheets.

TECHNOLOGY USED TO MANAGE INTERCOMPANY VERSUS NUMBER OF INTERCOMPANY TRANSACTIONS PER MONTH

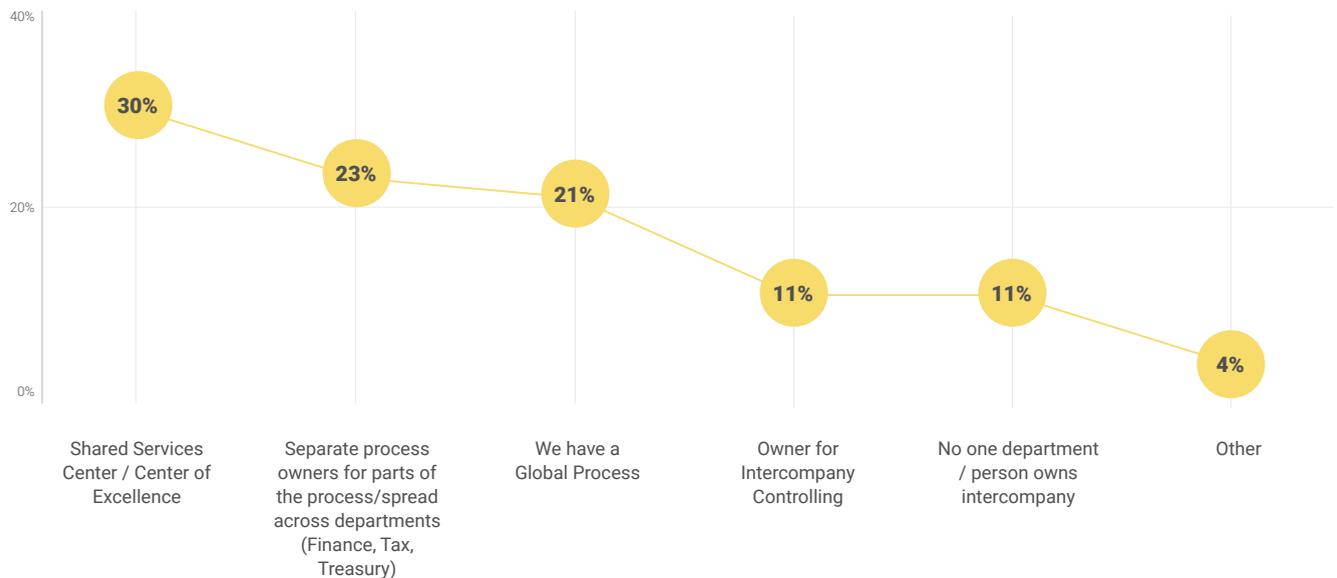
Number of intercompany transactions per month: ● <100 ● 100-500 ● 501-1000 ● 1001-5000 ● 5000+





Lack of Clear Ownership Makes Solving Intercompany Elusive

WHO IS ULTIMATELY RESPONSIBLE FOR INTERCOMPANY AT YOUR ORGANIZATION?



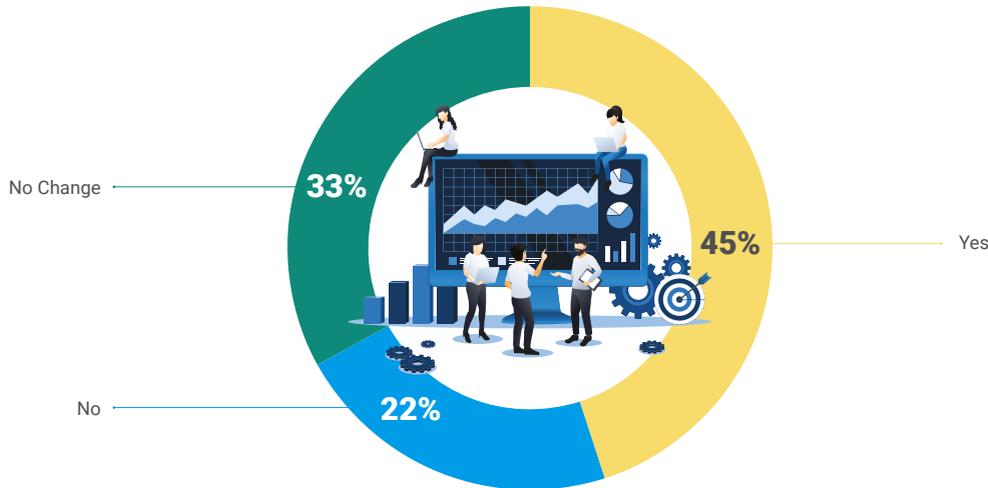
The efficiency of business services depends to a large extent on centralization and standardization. Our research confirms roughly 20% of respondents are leveraging Global Process Owners (GPOs) for intercompany work, and nearly 1/3 are operating through a centralized Shared Services model. This approach works, precisely because it offers a clear line of accountability, control, and decision-making.

What's concerning is the fact that 40% of respondents are missing this clarity and control, with separate process owners for different parts of the process, often spread across different functional departments. Many are operating in silos, with no clear ownership, and clearly very little centralization. This lack of accountability can quickly spiral out of control and solving this becomes difficult given the lack of clear ownership.

The Shared Services model has proven effective in managing large scale transactions: of the organizations managing more than 5000 intercompany transactions per month (82% of which cover 50+ entities), nearly 70% do so through Shared Services.

Nearly 50% Planning to Centralize Intercompany Work

ARE YOU PLANNING TO MOVE MORE INTERCOMPANY WORK INTO SHARED SERVICES IN THE COMING YEARS?



Given the trend already shown in the previous chart, it's no surprise that more companies are moving towards a centralized model for intercompany process execution. This reflects globally recognized best practices in providing business support services through a Shared Services model and indicates that efforts are underway to optimize intercompany through process control and more effective technologies. We see this trend across all organizations, no matter the size.

Nearly half of those surveyed plan to move more intercompany work into Shared Services, and those that already manage this activity through Shared Services have no plans to change this. Given this as the optimal sourcing approach, the more organizations grow (e.g., by revenue or acquisition) the more important process efficiencies and technology become as a means to effectively handle intercompany.

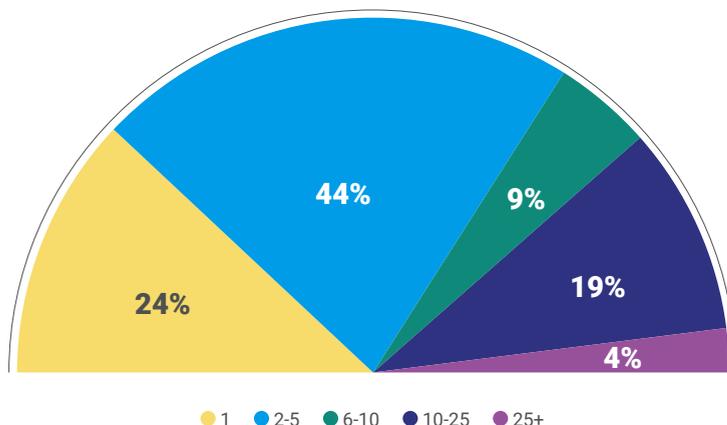
“

More companies are moving towards a centralized model for intercompany process execution”



Reality of Multiple ERPs Requires a Solution

HOW MANY ERP INSTANCES DOES YOUR ORGANIZATION USE?

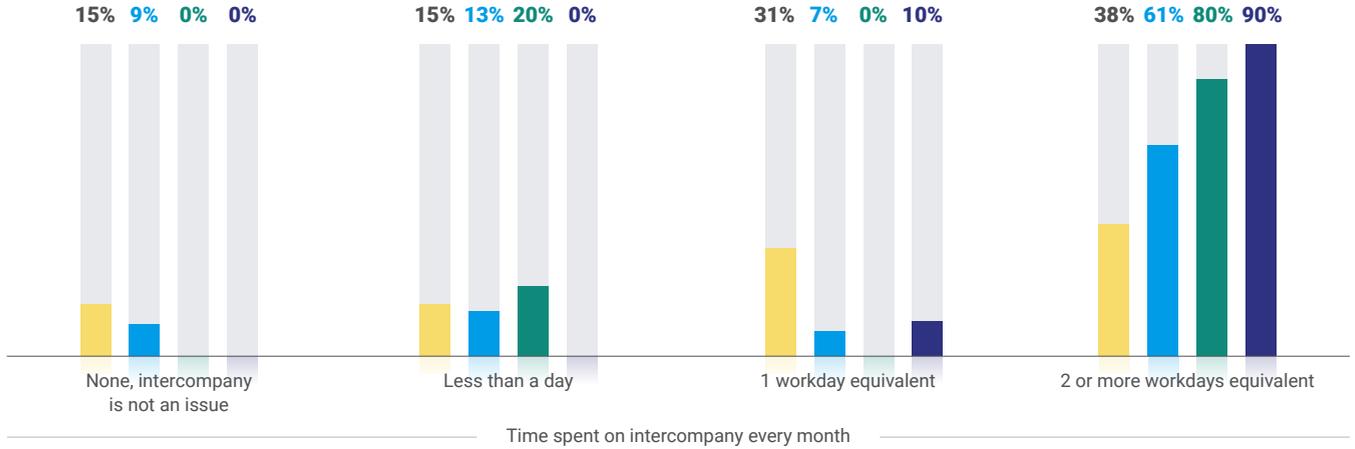


Similar to the overall volume of intercompany transactions, the scale of the problem is also demonstrated by the fact that nearly 80% of organizations are grappling with two or more different ERP systems. As companies grow and expand, often through acquisitions, the number of ERP systems can balloon to dozens. This translates to enormous complexity in the business, with each ERP operating slightly differently to the other, impacting efforts (and time taken) to close the books. However, this problem is not new nor is it specific to intercompany activity. Many specialist technologies have emerged that deal with the *status quo* by bridging the gaps successfully.

We also see the more instances of ERP are in place, the more time is spent on intercompany during the close. And **as the number of ERP systems increases (e.g., through acquisitions), the more frequent the disputes, which impacts close.** In addition, the more ERPs in place (i.e. the bigger companies get), the more time it takes to resolve disputes – up to a week or more – as we see more variability across intercompany processes.

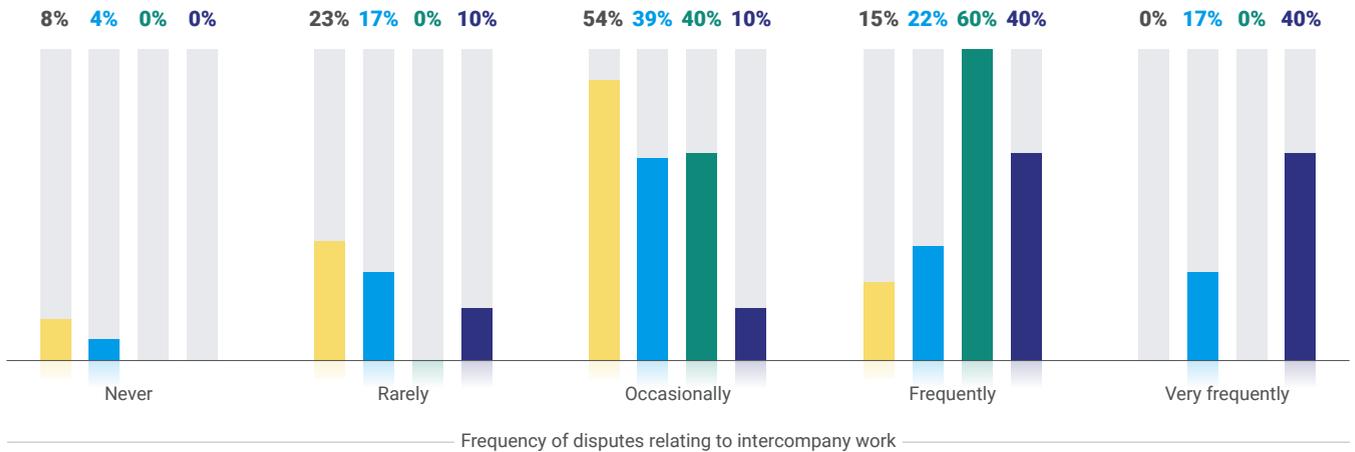
NUMBER OF ERPs VERSUS TIME SPENT ON INTERCOMPANY ACTIVITY EVERY MONTH

Number of ERPs: ● 1 ● 2-5 ● 6-10 ● 11-25



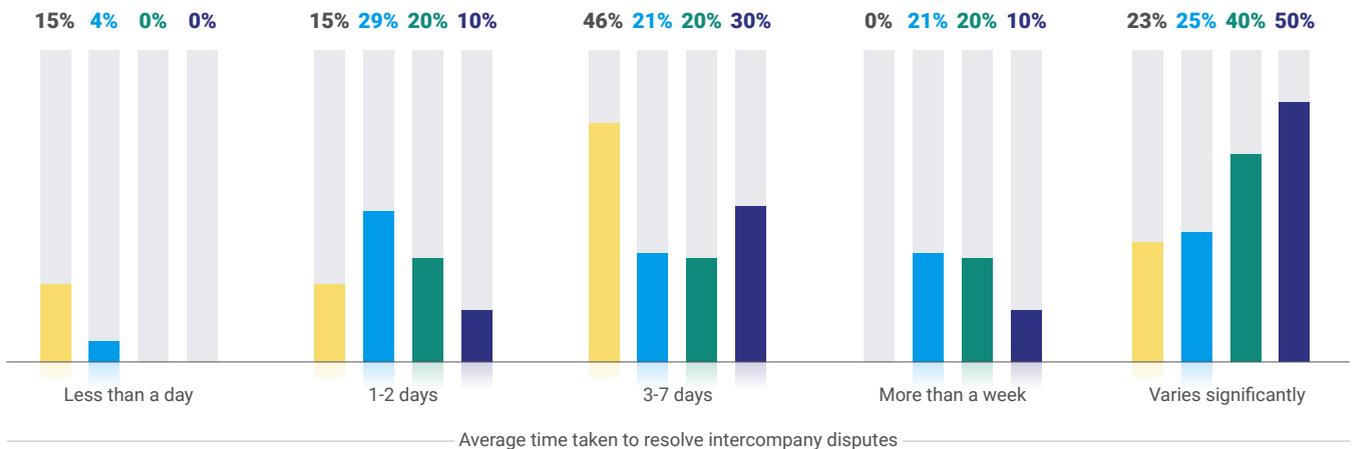
NUMBER OF ERPs VERSUS FREQUENCY OF DISPUTES

Number of ERPs: ● 1 ● 2-5 ● 6-10 ● 10-25



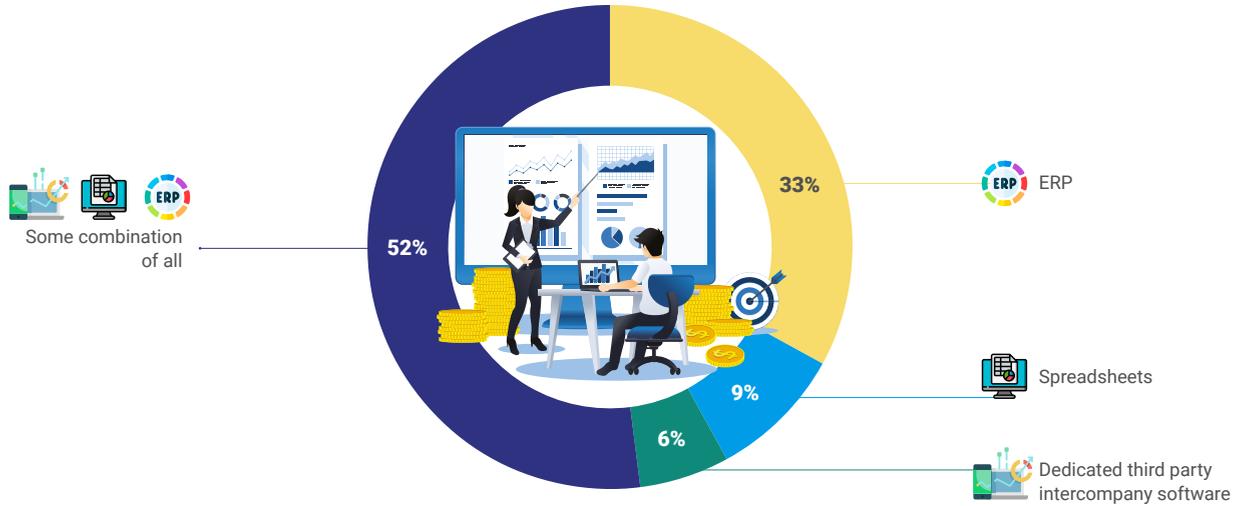
NUMBER OF ERPs VERSUS AVERAGE TIME TAKE TO RESOLVE INTERCOMPANY DISPUTES

Number of ERPs: ● 1 ● 2-5 ● 6-10 ● 10-25



Few Yet Making Use of Dedicated Technology

WHAT TECHNOLOGY ARE YOU USING TODAY TO HANDLE INTERCOMPANY?

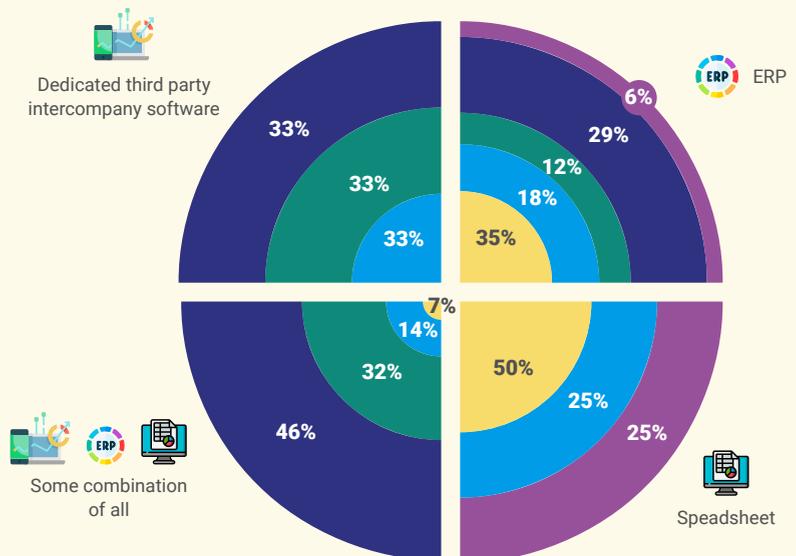


The majority of enterprises are still relying largely on ERP and spreadsheets to manage intercompany. A third are relying on their ERP systems alone. We see little use to date of specialist intercompany technology built to integrate and synergize intercompany processes: Across-the-board, the use of dedicated technology is still relatively low. Smaller organizations tend to use spreadsheets, larger organizations a combination of ERP and dedicated technologies.

The research confirms that as volume increases, more technology is needed to handle this volume effectively, including more dedicated software.

TECHNOLOGY USED TO HANDLE INTERCOMPANY VERSUS SIZE OF ORGANIZATION

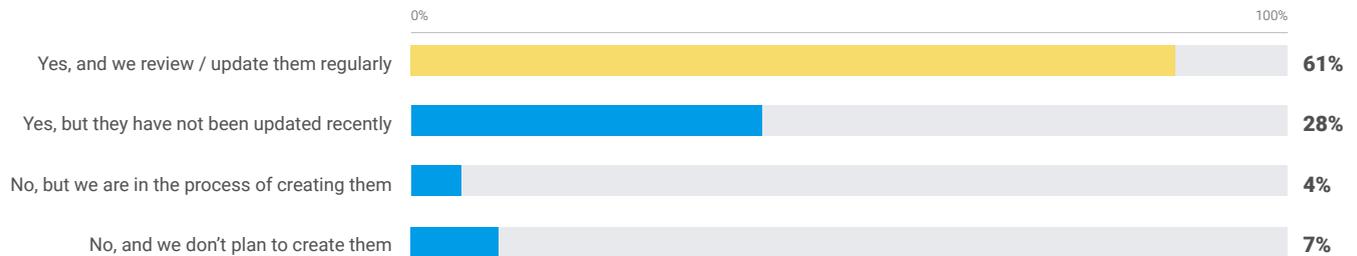
Size of organization
 ● <US\$ 750M
 ● US\$750M < US\$2B
 ● US\$2 - US\$10B
 ● US\$10B+
 ● Not for profit





Governance Lagging for Large Segment of the Market

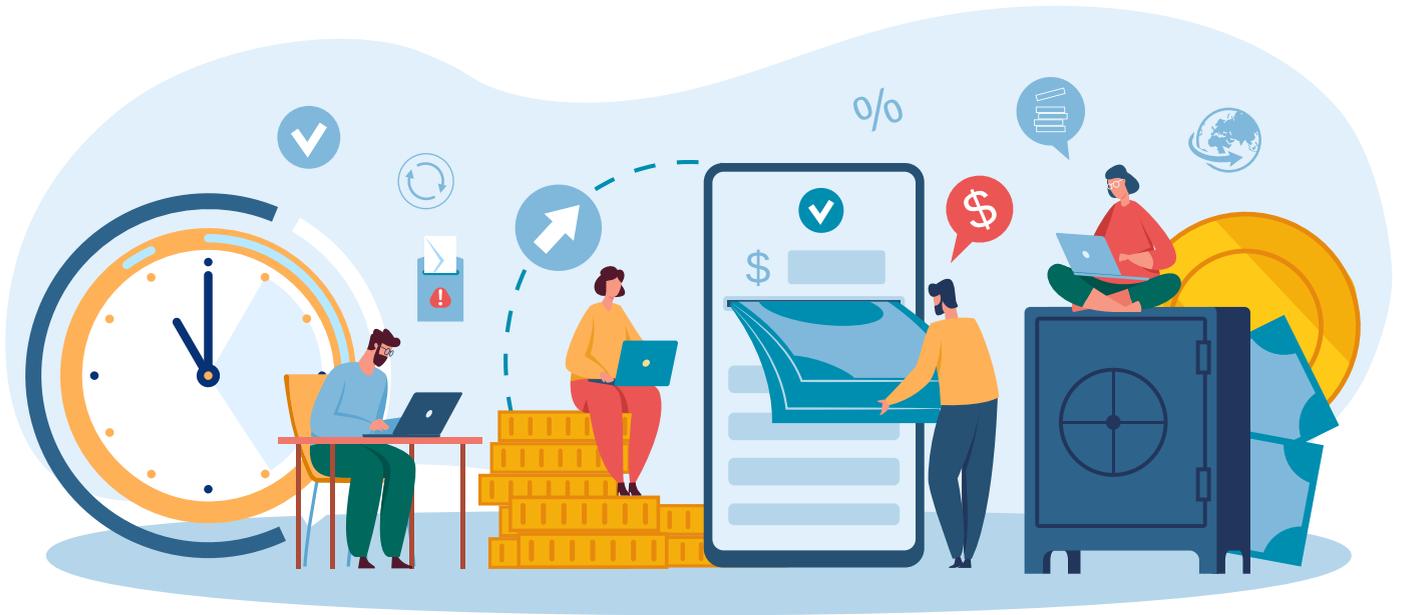
DOES YOUR ORGANIZATION HAVE POLICIES SPECIFIC TO INTERCOMPANY?



Standardized and well-governed processes are instrumental to efficiency. While the data shows the majority of respondents do have policies that guide intercompany and review them regularly – that leaves nearly 40% with sub-par governance processes. Policies that are not regularly reviewed or updated are prone to quickly becoming ineffective. Even more disconcerting: roughly 15% of companies don't have any governance managing intercompany processes. Intercompany is too important to be subject to so little governance. While technology can do a lot, solid performance must be built on solid policies that provide the foundation for success.

Standardized Policies Support Good Governance

Effective intercompany processes require standardized policies. These policies, along with trade and service agreements, lay out clear intercompany roles and responsibilities. Policies should be implemented globally and should outline clear and understandable guidance, define materiality thresholds, have clear processes for follow-up and resolution, and be reviewed and updated periodically.

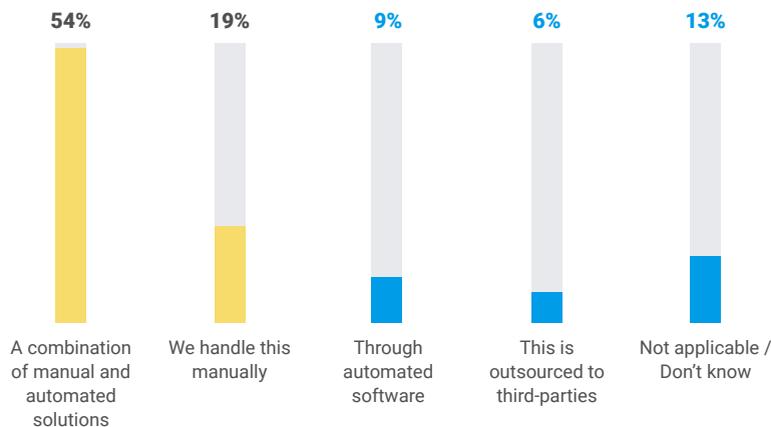


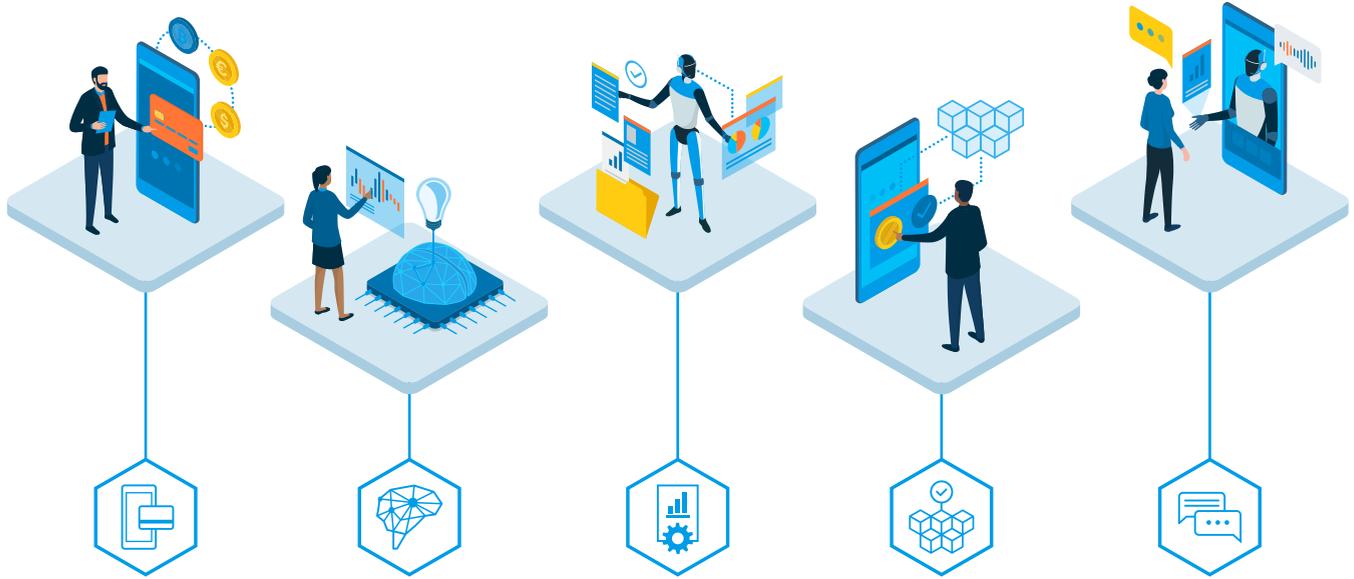
70% Handling Pricing with Manual Component

More than 70% of respondents currently include manual efforts in setting pricing. This activity is not only prone to errors, but updating pricing manually adds to workload and thus time.

When a business effectively trades with *itself*, pricing must be safeguarded through rules and regulations. Doing this through automation is optimal – once it is set up, trading partners are identified, and rates fixed, the automation does the rest. Any manual activity adds time and, potentially, errors. Some organizations choose to outsource this, but this entails premium pricing and adds to cost, while, potentially, also missing out on valuable analytics.

HOW DOES YOUR ORGANIZATION HANDLE INTERCOMPANY PRICING AND TRANSFER PRICING COMPLIANCE?



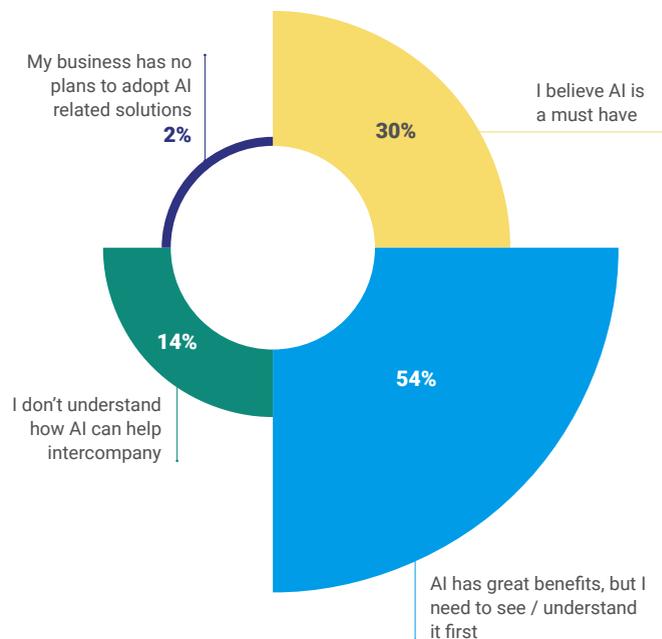


Market Wants AI-based Solutions

Artificial intelligence has created huge waves in business services support as in many other areas. The inclusion of AI in automation-driven technology promises significant improvement to workforce productivity, and therefore frees up resources for more value-adding work. The research shows roughly 85% of respondents *expecting* solutions to have AI built into them, albeit many are waiting to see proof of concepts before making a move. Far from being suspicious, therefore, a third of practitioners see AI as a “must have” in modern technology solutions. They believe in the power of AI for intercompany processing and will expect providers to react accordingly. Education must form part of this transition.

AI is a broad term that spans many technology types. When it comes to intercompany, an application of AI that is essential is Machine Learning. Machine Learning can eliminate errors and minimize variances through detection accuracy. Put simply, it finds mechanical errors within the input data and recommends fixes based on historical transactions. **An example of this is BlackLine’s Predictive Guidance, which provides guidance based on historical data behaviors, before transactions get booked.**

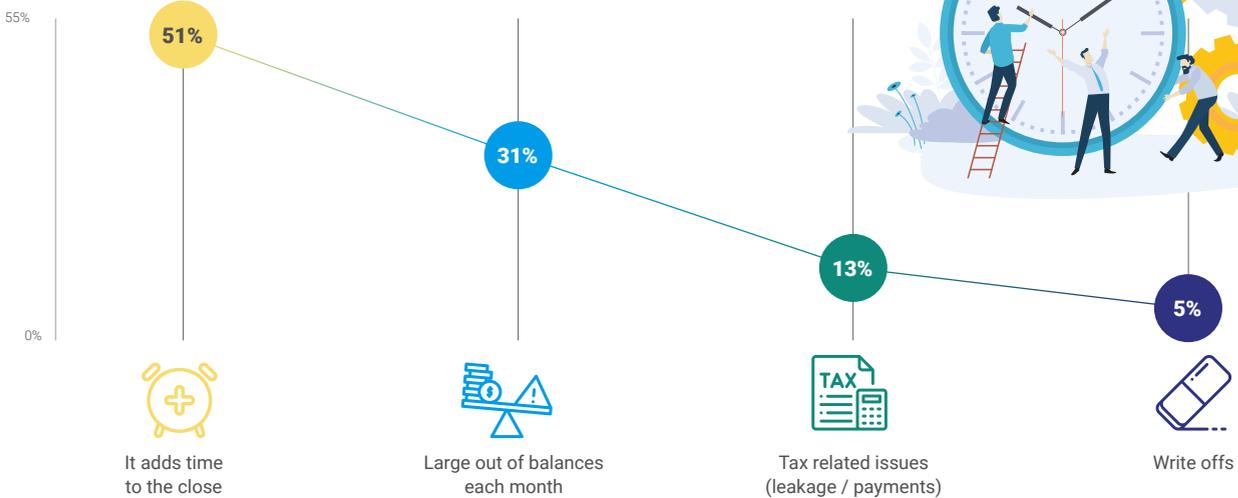
HOW IMPORTANT DO YOU BELIEVE AI WILL BE FOR HANDLING INTERCOMPANY TRANSACTIONS?



Time to Close & Imbalances are Major Concerns



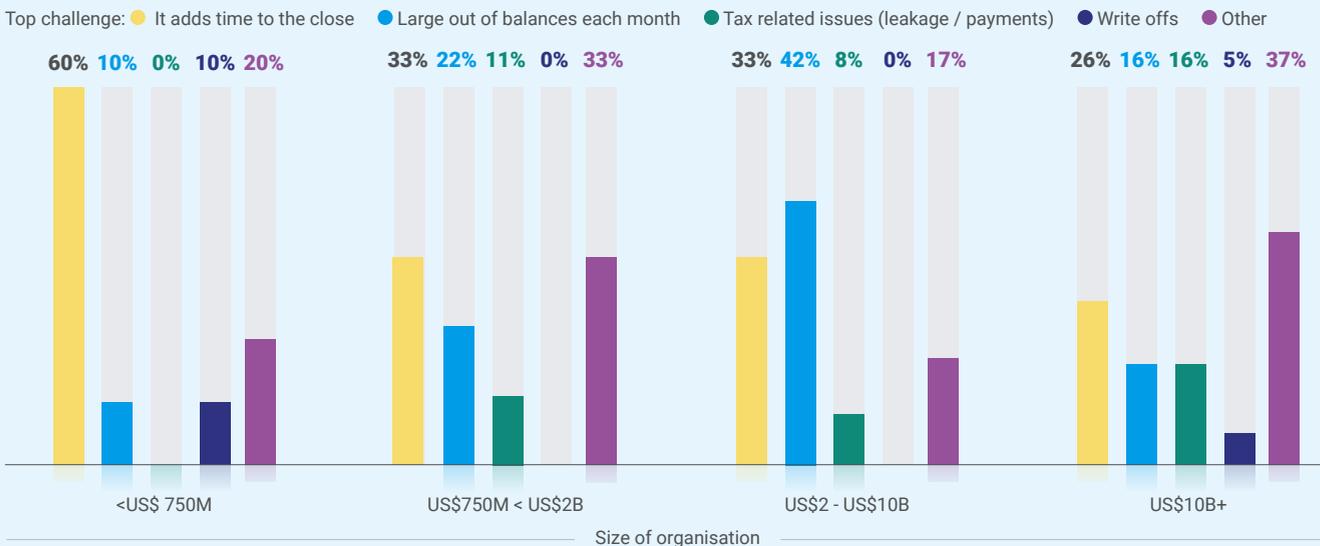
WHAT IS YOUR TOP CHALLENGE WITH INTERCOMPANY?



The biggest challenge for practitioners regarding intercompany is *time* – in terms of time added to close the books. However, other challenges like out of balances, tax and write offs tend to grow as company size increases. Roughly a quarter of the market is concerned about the size of the out of balance every month and a similar segment cite tax related concerns.

The data confirms that the larger the company size (revenue) the more tax becomes an issue. Tax and write offs, for example, are the greatest challenges for organizations above US\$10B+. Smaller organizations tend to be most concerned with time. Once an organization grows beyond US\$2B, the out of balance becomes most prevalent.

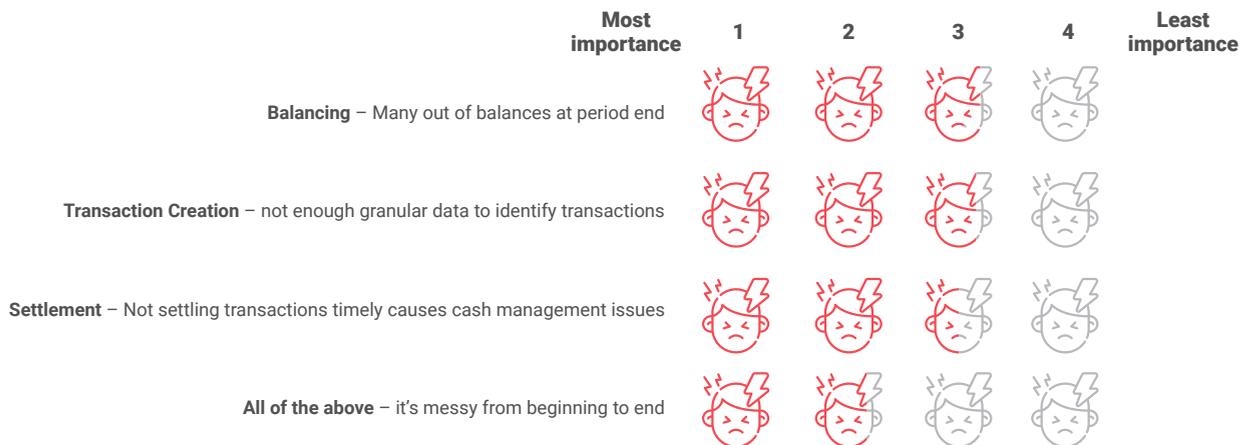
SIZE OF ORGANIZATION VERSUS TOP CHALLENGE WITH INTERCOMPANY





Transactions are the Root of all Problems

WHICH PART OF THE INTERCOMPANY PROCESS DRIVES THE MOST HEADACHES / PROBLEMS?



The part of the process causing the biggest headache, according to our survey, are out of balances and transaction creation. But while balancing may be the largest pain point practitioners focus on, the truth is, all aspects of the process cause problems. At the root of all these pain points are inefficient transactions. If the *foundation* that these transactions are built on is not robust and reliable (or the data not available) then the impact will be felt in the out of balance. Starting with good transactions, therefore, is the solution to intercompany's biggest pain point identified here.

When we analyze these concerns in terms of who owns or manages intercompany, it's notable that *transaction creation* and *balancing* become problematic when there are separate process owners.

In addition, operating across silos, so typical of many operations, tends to magnify balancing issues.

Most importance 1 2 3 4
Least importance

TRANSACTION CREATION AS A HEADACHE VS WHO IS RESPONSIBLE FOR INTERCOMPANY

We have a Global Process Owner for Intercompany					2.5
Shared Services Center / Center of Excellence					2.6
Controlling					3.3
Separate process owners for parts of the process/spread across departments (Finance, Tax, Treasury)					2.9
No one department / person owns intercompany					2.7

BALANCING AS A HEADACHE VS WHO IS RESPONSIBLE FOR INTERCOMPANY

We have a Global Process Owner for Intercompany					3.2
Shared Services Center / Center of Excellence					3.1
Controlling					3.2
Separate process owners for parts of the process/spread across departments (Finance, Tax, Treasury)					2.6
No one department / person owns intercompany					3.3

SETTLEMENT AS A HEADACHE VS WHO IS RESPONSIBLE FOR INTERCOMPANY

We have a Global Process Owner for Intercompany					2.6
Shared Services Center / Center of Excellence					2.8
Controlling					2.5
Separate process owners for parts of the process/spread across departments (Finance, Tax, Treasury)					1.9
No one department / person owns intercompany					2.0

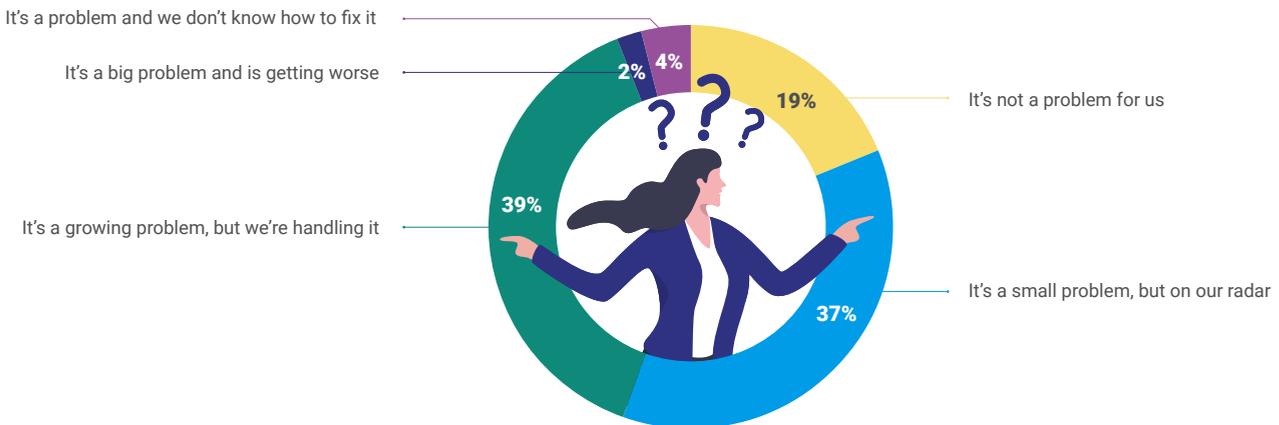
"ALL OF THE ABOVE" VERSUS WHO IS RESPONSIBLE FOR INTERCOMPANY

We have a Global Process Owner for Intercompany					1.7
Shared Services Center / Center of Excellence					1.5
Controlling					1.0
Separate process owners for parts of the process/spread across departments (Finance, Tax, Treasury)					2.6
No one department / person owns intercompany					2.0



A Problem to be Solved

HOW IS INTERCOMPANY PERCEIVED IN YOUR ORGANIZATION?



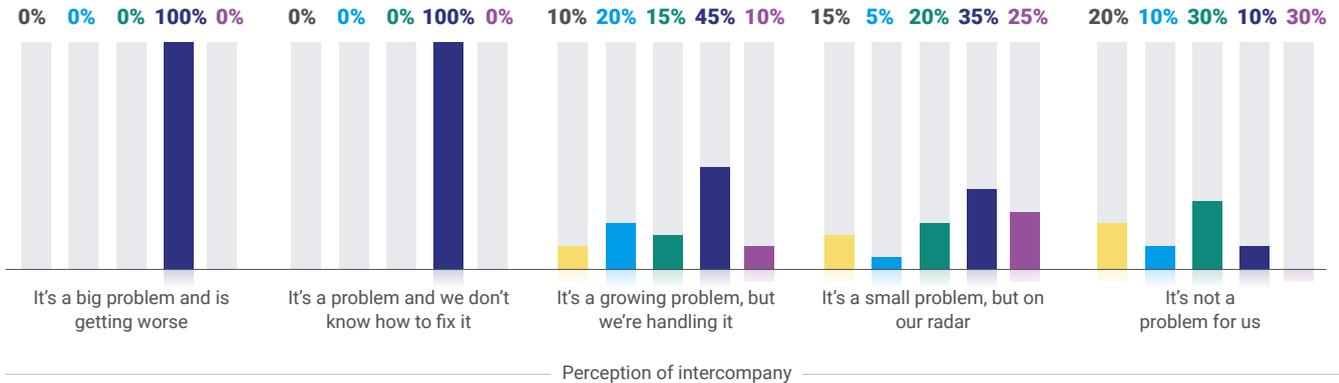
Based on the survey, 81% of organizations recognize intercompany as a problem to be solved. More specifically, **the more intercompany activity is linked to trade, the greater the perception of intercompany as a problem.** In addition, the more time spent on the close process, the greater the recognition of intercompany as a problem in need of a solution. Similarly, the more disputes an organization faces with intercompany, the greater the problem.

If the data teaches one thing it is this: waiting for the problem to balloon is not a solution. It's far easier to address intercompany effectiveness on a smaller scale, thus ensuring that, as business grows, intercompany remains effective. Otherwise, the real potential is for balances to get larger, time to close to increase, and complexity to escalate.

PERCENTAGE OF INTERCOMPANY THAT IS TRADE/SERVICES RELATED VERSUS PERCEPTION OF INTERCOMPANY

Percentage of intercompany trade/service related:

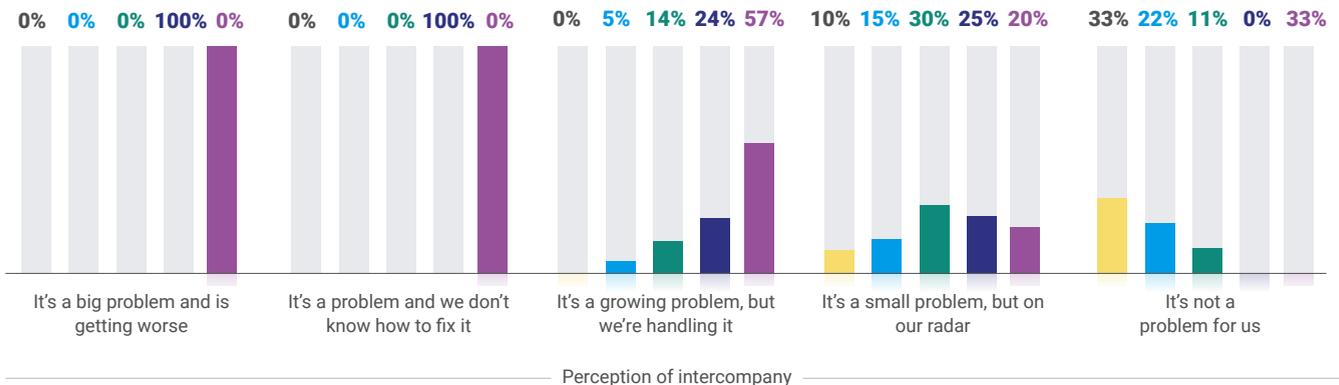
● It's 100% services related ● <25 is trade related ● 25-50% is trade related ● 51-75% is trade related ● 75-100% is trade related



TIME SPENT ON INTERCOMPANY DURING CLOSE VERSUS PERCEPTION OF INTERCOMPANY

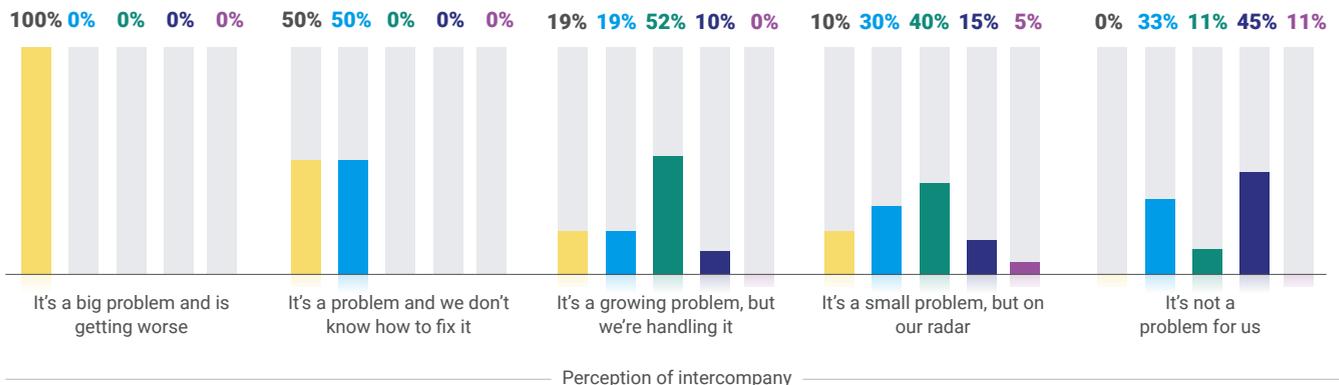
Time spent on intercompany during close:

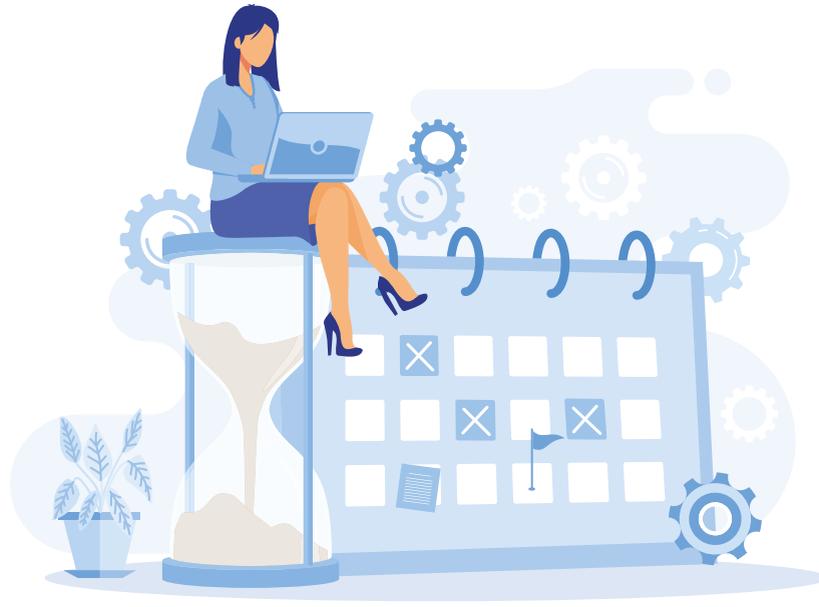
● None, intercompany is not an issue ● less than a day ● 1 workday equivalent ● 2 workdays equivalent ● more than 2 workdays equivalent



FREQUENCY OF DISPUTES VERSUS PERCEPTION OF INTERCOMPANY

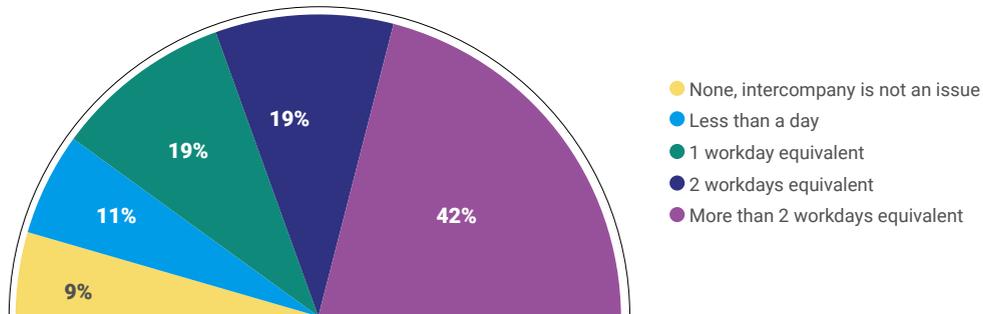
Frequency of disputes: ● Very frequently ● frequently ● occasionally ● rarely ● never





A Month a Year Spent on Intercompany

HOW MUCH TIME DOES YOUR ORGANIZATION SPEND ON INTERCOMPANY DURING THE CLOSE?



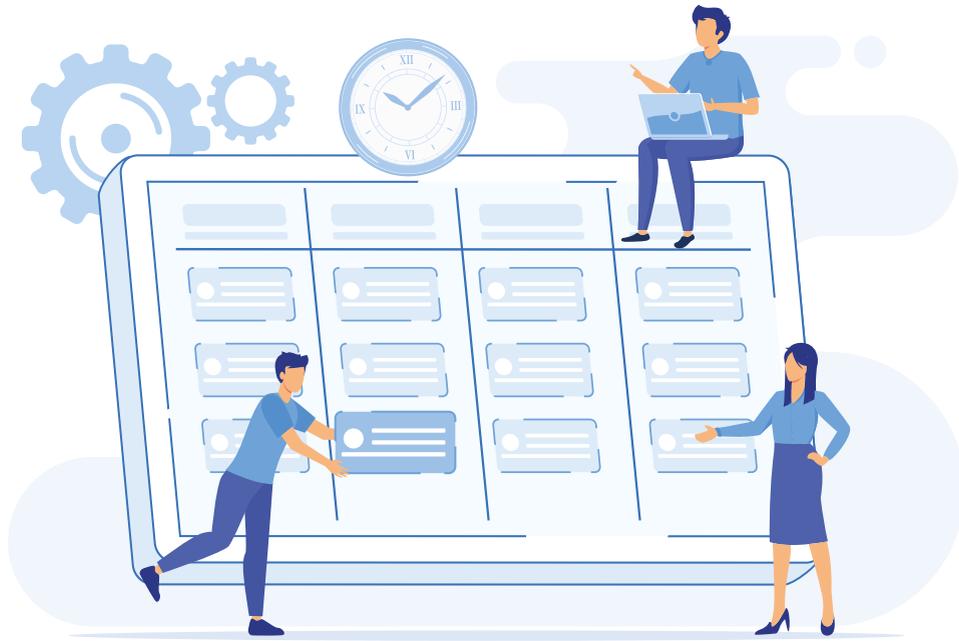
Roughly 60% of respondents are spending two or more workdays a month on intercompany – which translates to a month a year devoted to intercompany activity. There’s a huge opportunity here to leverage automation technology to do away with this altogether and save time and resources.

This trend is reflected across all organizations, regardless of size.

“
Huge
opportunity
here to leverage
automation
technology”

There is a clear correlation between how often disputes arise and the amount of time spent on intercompany. With disputes the result of poor data and/or lack of transparency, both of which require time to research and solve, the solution would be to look to expert technology solutions, which solve these issues at source. The more disputes are faced, the longer the period to close.

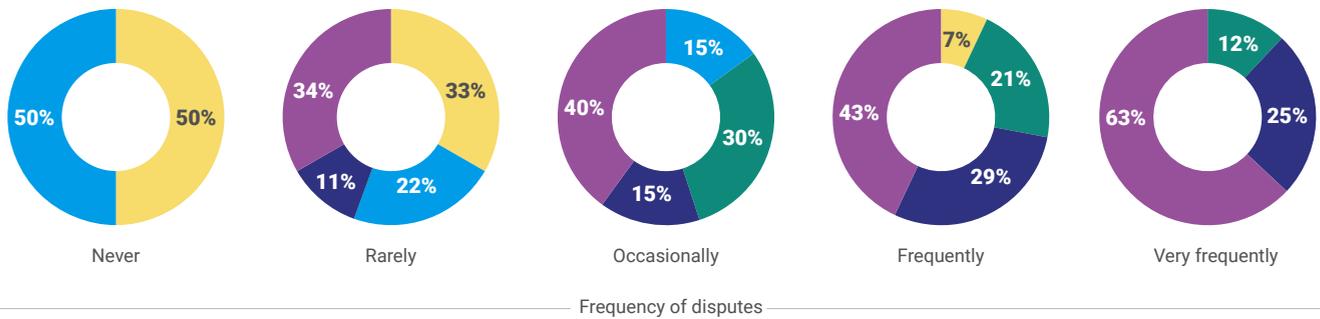
We also see that the greater the impact on close, the more likely intercompany activity will be moved into a Shared Services model.



FREQUENCY OF DISPUTES VERSUS TIME SPENT ON INTERCOMPANY DURING THE CLOSE

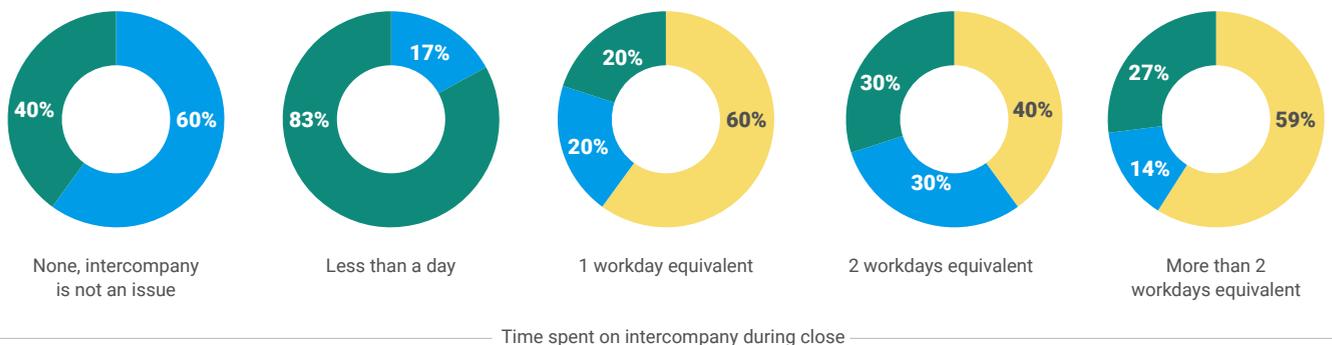
Time spent on intercompany during close:

● None, intercompany is not an issue
 ● Less than a day
 ● 1 workday equivalent
 ● 2 workdays equivalent
 ● More than 2 workdays equivalent



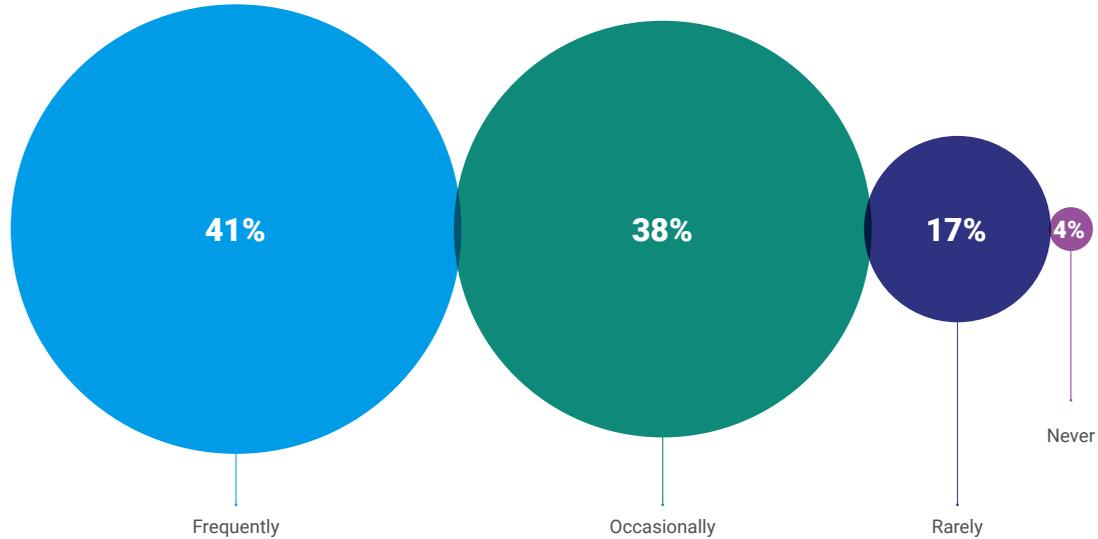
TIME SPENT ON INTERCOMPANY DURING THE CLOSE VERSUS PLANS TO MOVE INTERCOMPANY WORK INTO SHARED SERVICES

Do you plan to move more intercompany work into Shared Services: ● Yes ● No ● No change



Manual Processing Lacks Transparency and Leads to Disputes

HOW OFTEN DO YOU ENCOUNTER DISPUTES IN INTERCOMPANY TRANSACTIONS?

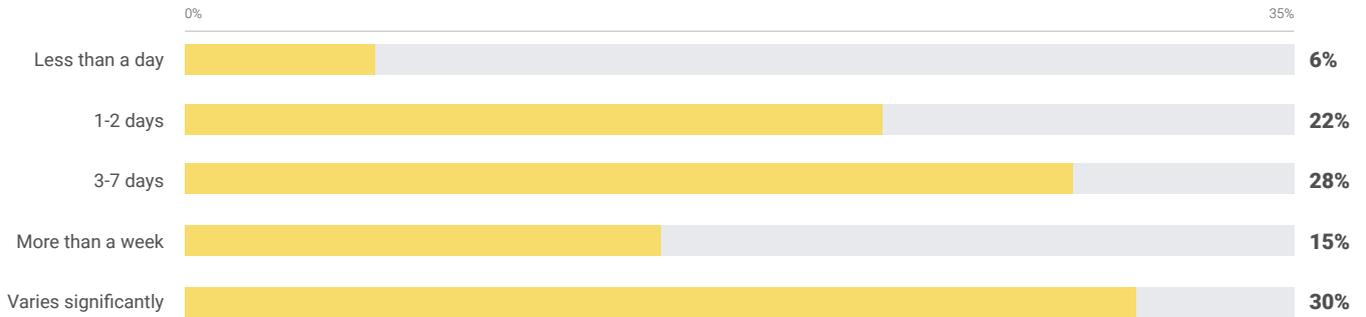


Disputes arise when business units question a given transaction. The issue can be price, quantity, or something else. Disputes add time to close. The data shows disputes are all too common a feature in intercompany work: 80% of respondents deal with disputes, and almost 41% *frequently*! One of the greatest problems when facing disputes is the lack of transparency over what happened. Too rarely is there *one central source of the truth*, so teams dealing with intercompany work find themselves having to reach out to various places to retrieve the data needed to resolve the dispute. Transparency should be a leading factor in determining a solution.



Too Much Time Spent on Resolving Disputes

WHAT IS THE AVERAGE TIME IT TAKES TO RESOLVE INTERCOMPANY DISPUTES?



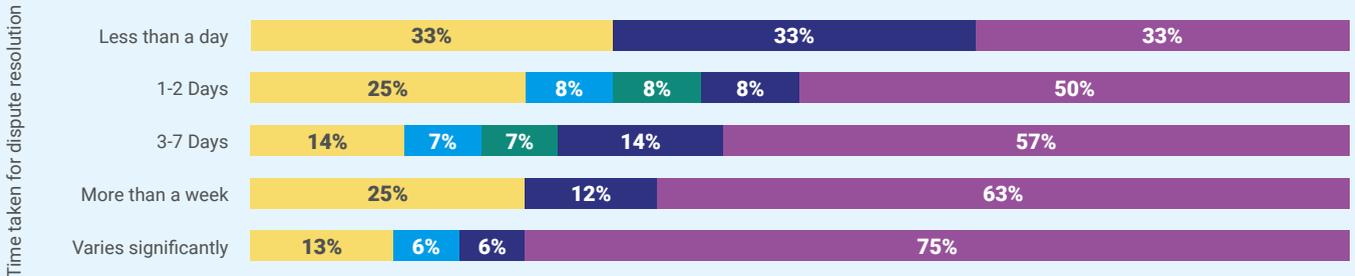
In addition to the disputed price or quantity highlighted above, *the time taken to resolve disputes* weighs heavily into the close period and impacts out of balance. The sweet spot for resolution would ideally be less than a day, if not no time! Anything beyond a couple of days impacts the close period, as your books will be off and post close journal entries become a too common reality.

According to the data, nearly half the respondents are spending more than three days on close. Solving this should be a priority.

In addition, **the more legal entities, the longer the time taken for dispute resolution**. And the longer disputes take to resolve, the more intercompany is recognized as a problem needing to be solved.

NUMBER OF LEGAL ENTITIES VERSUS TIME TAKEN FOR DISPUTE RESOLUTION

Number of legal entities: ● <10 ● 10-20 ● 21-30 ● 31-59 ● 50+



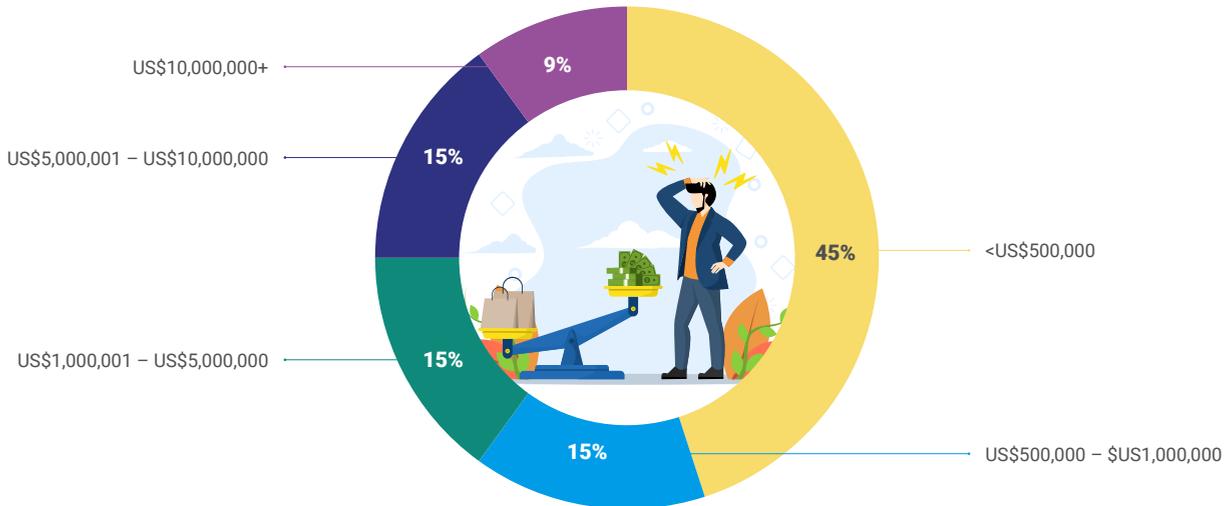
NUMBER OF LEGAL ENTITIES VERSUS HOW INTERCOMPANY IS PERCEIVED

Perception: ● It's a big problem and is getting worse ● It's a problem and we don't know how to fix it ● It's a growing problem, but we're handling it ● It's a small problem, but on our radar ● It's not a problem for us



Address Imbalances Now – It will Only Get Worse as You Grow

HOW LARGE ARE YOUR INTERCOMPANY IMBALANCES EACH MONTH?

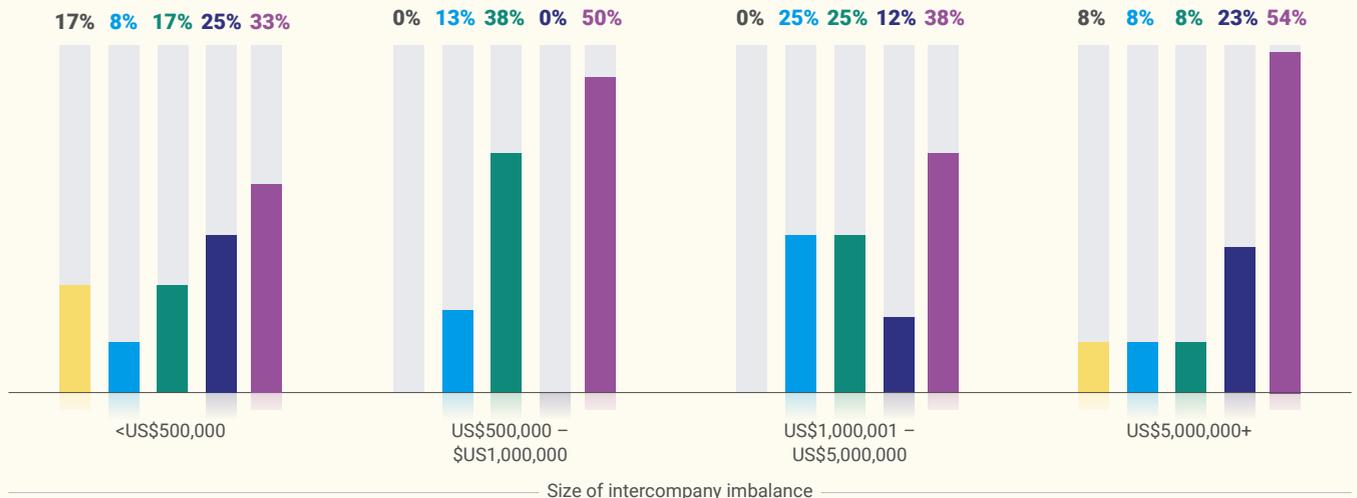


The bigger the imbalance resulting from intercompany inefficiencies, the bigger the problem. And the higher the imbalance, the more time spent on the close process. More than half the respondents confirm monthly imbalances of half a million dollars or greater. The data shows that the bigger the organization, the bigger the size of the monthly imbalance. Companies would be well advised, therefore, to tackle this issue immediately and not wait for the problem to become so desperate that it presents a burning platform.

If the goal is to grow, then these kinds of imbalances need to be addressed at as early a stage as possible.

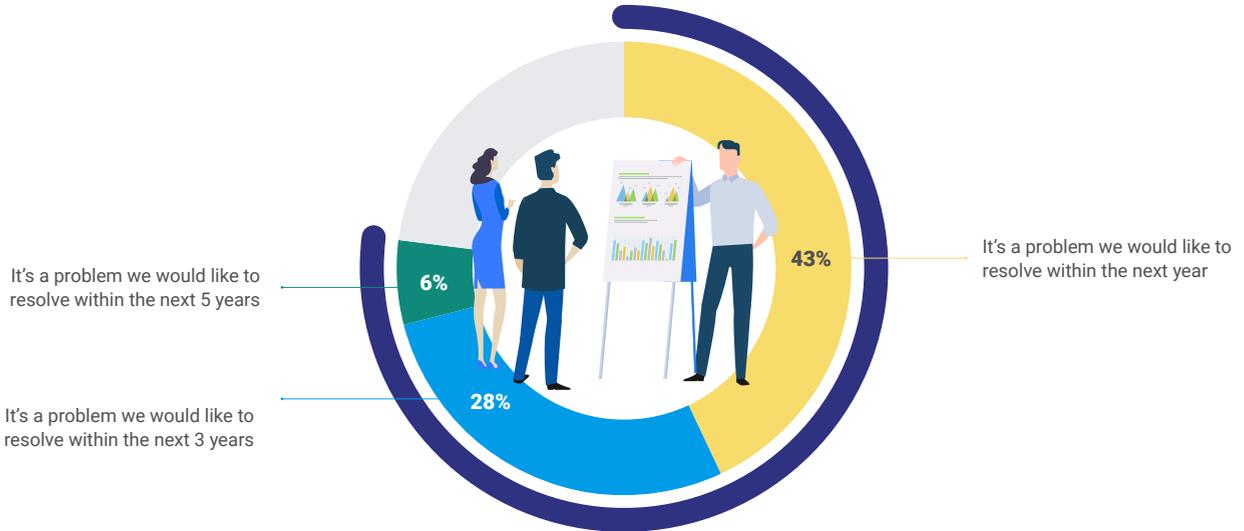
SIZE OF INTERCOMPANY IMBALANCE VERSUS TIME SPENT ON INTERCOMPANY DURING CLOSE

Time spent: ● None, intercompany is not an issue ● Less than a day ● 1 workday equivalent ● 2 workdays equivalent ● More than 2 workdays equivalent



77% Plan to Address Intercompany

WHAT IS THE APPROACH TO IMPROVING INTERCOMPANY AT YOUR ORGANIZATION?

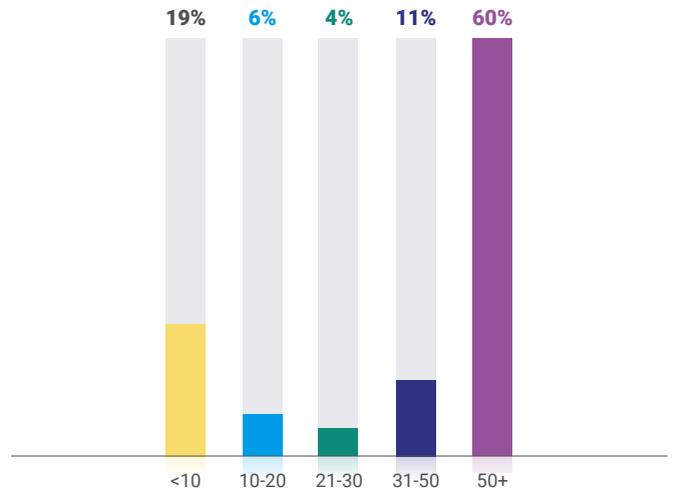


The analysis shows that intercompany is perceived as underperforming and that the vast majority of practitioners – 75% – want to fix it within the next few years.

Considering that when we asked *how intercompany was perceived* (see earlier) roughly 80% said it was seen as a problem, it's curious that here we see a clear determination to address what evidently is, in real life, a business challenge. Those executing the process and dealing with the more granular aspects of intercompany up close see the issues as significantly greater.

In dissecting the data, we find that respondents that confirmed intercompany as “a problem” overwhelmingly had many legal entities, confirming that the bigger a company gets in terms of adding legal entities, the more pressing a problem intercompany becomes.

HOW MANY LEGAL ENTITIES DOES YOUR ORGANIZATION HAVE?



Take the First Step to Improving Intercompany Performance

Elevate intercompany and empower faster, closer, stricter compliance, and deeper visibility for your multinational operations. BlackLine's advanced Intercompany solutions can help you unlock a range of critical benefits:



Reduce Errors, Enhance Accuracy:

Eliminate upstream discrepancies in thousands of transactions, mitigating tax and regulatory risks with proactive error mitigation strategies.



Real-Time Insights and Oversight:

Gain unparalleled control with best-in-class controls, comprehensive data analytics, and interactive dashboards showcasing your entire intercompany picture.



Unified Data Source:

Establish a single source of truth through a global subledger, enabling accurate and holistic reporting regardless of your ERP system.



Streamlined Operations and Policies:

Optimize intercompany processes, ensuring compliance and driving margin improvement.



Automation:

Unleash Potential: Ditch error-prone manual tasks and empower your team to focus on high-value, strategic initiatives.



Future-Proof Your Business:

Prepare for the evolving demands of digital supply chains by investing in robust intercompany solutions.

In today's globalized market, CFOs face a multitude of pressures. Navigating operational, regulatory, and tax complexities across borders intensifies these challenges. Intercompany financial management becomes paramount. As external partnerships and transactions move to secure, agile cloud platforms, so too must internal operations. Don't settle for anything less than efficient, compliant, and de-risked transactions within your network.



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Summary

In today's globalized market, CFOs face a multitude of pressures. Navigating operational, regulatory, and tax complexities across borders intensifies these challenges. Intercompany financial management becomes paramount. As external partnerships and transactions move to secure, agile cloud platforms, so too must internal operations. Enterprise networks should feature efficient, compliant, and de-risked operations across every process, including cross-border intercompany transactions.

Today's enterprise leaders are under pressure to "future proof" their business to ensure it can withstand all manner of challenges. With intercompany growing in volume as the organization grows, it's key to address the wide range of costs, delays, and disputes now – while doing so is still manageable. The objective should be nothing less than a fast, accurate financial close in compliance with regulations, and transparency over all business transfers. Control and visibility are the goal.

The benefits include:

- **Freeing up working capital**
- **Reducing transactional errors that have tax or regulatory implications at source**
- **Improving transparency and real time monitoring via controls**
- **Developing a centralized data platform for real time reporting across all systems**
- **Streamlining processes and process ownership**
- **Optimizing performance and productivity through technology**

As this report confirms, the solution is a combination of expert technology; integrating tax and accounting so that work flows seamlessly between the two; leveraging global process owners to force through efficiencies; and, finally, a focus on supply chain integration.

“
The objective should be nothing less than a fast, accurate financial close

What is SSON Research & Analytics

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"The C-suite expects to see market metrics to evaluate shared services' performance. I have explored various opportunities available in the market. SSON Research & Analytics offers reliable benchmark data, at a highly competitive cost. Given access to this data, by region or industry, I can draw my own conclusions. I don't need to source expensive third-party analysts, as we can interpret the data ourselves."

Edoardo Peniche, Vice President, Global Business Services - Aptiv

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A one-stop platform for all things RPA, cognitive and AI related that allows users to learn about dozens of IA software vendors, compare their product capabilities, understand the differentiators, and see their customer footprint.



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