Sharing the Load
Companies find budgeting relief when they centralize certain divisions.

On the surface, the idea of centralizing certain functions within a media company couldn’t be more appealing. Millions of dollars in savings will spread smiles across the faces of investors and anyone involved in the yearly budgeting process. There’s the opportunity to have a more compact, finely tuned team running the ship. And for financial departments, there’s the added benefit of more easily abiding by the rigorous accounting standards imposed by the Sarbanes-Oxley Act of 2002.

But initiating an effective shared services plan involves some very careful footwork. So there was little wonder that a session on the subject drew a packed crowd at the annual BCFM/BCCA Conference in May.

The fine art of centralizing financial functions was something Turner Broadcasting System delved into several years ago, noted Bill Eddy, vice president and treasurer of the company and one of the session’s panelists. When TBS grew from an initial channel seed – Superstation WTBS – into more than a dozen cable and satellite services, it made sense to consolidate the accounts payable functions for individual networks into one Business Services Group.

Later on, the unit took on the payroll and treasury functions and has most recently encompassed credit and collections, purchasing and corporate risk assessment. Today, Turner’s 60-member Business Services Group handles activities that once required 120 employees, Eddy said.

At the radio and TV station group Fisher Communications, shared services has reduced the ratio of business managers to general managers from three to one, down to two to one, according to Jodi Coligan, Fisher’s vice president of finance. She explained that the company initiated its shared services program in 2005, as part of its Sarbox review. Some financial auditing functions were shifted to Fisher’s corporate offices. And it realized additional savings by using the services of independent accountants to conduct field audits.

Business managers at Fisher’s stations appreciate the importance of sharing the financial load because it made the company-wide forecasting, as required by Sarbanes-Oxley, much simpler, Coligan said.

Fisher Communications’ shared service operations now encompass such functions as capital expenditure planning, accounting, auditing and payroll. And the company is also planning on centralizing its traffic management and master control units as well, according to Coligan.

The importance of shared services really hit home at Gray Television when it consolidated its traffic management functions. It’s saved the company about $1 million in traffic management costs – including the expense of equipment deployed centrally or regionally, rather than locally. “Once we showed how that could happen, the rest easily followed,” said Vance Luke, Gray’s controller. The company, which owns 31 TV stations that multicast over 70 channels, has also consolidated master control functions into regional hubs.

The session’s panelists noted that many departments within a given media company could be ripe for consolidation. Among them are promotions, creative services, interactive media, payroll, fixed asset accounting and human resources.

Yet as enticing as the cost savings can be, shared-service changes can also be extremely disruptive. “It requires hours and hours of hand holding,” noted Trisha Allen, director of broadcast accounting for Gray Television and the session’s moderator. “We’re dealing with people’s lives, and there are major anxiety issues that we need to take into account as part of the transition.”
It’s important to “communicate, communicate, communicate,” the panelists all agreed. Service level agreements (SLAs) and advisory committees that include representatives from each station or channel are essential tools for ensuring effective communications about the process, the panelists found. “We wrote specific and lengthy SLAs at the beginning,” said Turner’s Eddy. He noted this was an effective tool for building teamwork – as well as credibility and accountability.

SLAs also help establish performance indicators. However, as Gray TV’s Luke noted, “it’s a living, breathing document, and it needs to change as the situation changes.”

“This process requires effective change management,” added David Bruce, vice president and controller for the Journal Broadcasting Group. “Don’t underestimate how long it can take, and make sure that you have a team in place that can handle the transition.”

The panelists noted that it pays to involve stations in the decision-making process when new software systems are added for functions such as payroll management. It also pays to recruit experienced staff in the field when hiring positions at headquarters to oversee centralized functions.

“Staff and train the corporate personnel you’ll need so they are ready for what’s coming,” Bruce advised.

Companies also need to ensure that the software and IT support is ready for the transition. And they need to have a disaster recovery plan that will allow them to continue company-wide operations in the event of a catastrophe that takes the corporate office offline.

In the shared-services world, vendors play a crucial role. Technical support becomes very important when new software and networking services are deployed, making critical connections between the corporate office and its business operations, the panelists cautioned.

Without a doubt, migrating to shared services surely isn’t a cakewalk. But as the panelists noted, the results sure are sweet.