



IBM Global Business Services

Financial Management

Strategy & Change

Supply Chain Management

Human Capital Management

Application Managed Services

Tabcorp bets on shared services with IBM





Tabcorp is Australia's premier gambling and entertainment company operating a diverse collection of wagering, gaming, gambling, hospitality and media businesses.

Listed on the Australian Stock Exchange in 1994, Tabcorp now employs some 11,000 people and serves millions of customers every day through its leading customer brands including the Star City and Jupiters casinos, TAB, Tabaret, Keno and TAB Sportsbet.

Tabcorp offers a first-class entertainment experience for its customers, great opportunities for employees and value for its shareholders. The company is also well recognised throughout Australia for its contribution to local communities.

Overview

Problem

Over the last decade, Tabcorp has grown significantly through acquisitions to total revenues of around A\$4 billion. As a result of these acquisitions, Tabcorp had inherited a wide range of disparate finance, human resources (HR) and procurement processes and systems. For example, by 2004 there were six general ledger systems in use. This duplication had created complexity and inefficiencies across the Tabcorp organisation.

Tabcorp's initial response to this situation in 2005 was to implement a comprehensive, integrated ERP solution to support HR, Procurement, and Finance activities. The project was successfully completed on time and on budget. It also succeeded in reducing the complexity of the systems environment. However Tabcorp did not gain the efficiencies it had hoped for. This led to a benchmarking study and review of processes.

Solution

Three key reasons were identified for the remaining inefficiencies: the organisational structure had not been changed, process differences had been retained, and processes had not been reengineered.

Tabcorp's management concluded the efficiency challenges would best be addressed by a shared services model. In 2006 Tabcorp commenced work with IBM Global Business Services to develop the business case, then design and implement Finance, HR and Procurement shared services based in Melbourne to support all business units. The implementation of Tabcorp's shared services centre was successfully completed in October 2007. Tabcorp will now embark on a second phase of exploiting the shared services model by driving further consolidation, standardisation, and process efficiency. This will occur over the next two years.

Benefits

The company has reduced its operating costs by 15% and is delivering general improvements in the quality of its core business processing just six months after the implementation. The savings were achieved through:

- Increased productivity of staff through the creation of pure roles, drawing on staff experience and specialisation more effectively.
- Standardisation and consolidation of core processes through selective re-engineering of business functions. For example, the HR team reduced the number of Tabcorp's internal forms from 145 to 72 and web-enabled them.

Other benefits which are often overlooked have been the softer benefits that shared services can create in the longer term: the reduction of risks and error rates; 2nd order efficiencies in procurement, accounting and administration; and freeing up the finance and HR functions to engage in more high value activities.



Betting on shared services

Tabcorp started the journey to a shared services model in 2006 following a period of significant growth through acquisitions. The acquisitions meant that Tabcorp had inherited a wide range of disparate financial and administrative systems and processes. As an example, by 2004 it had six general ledger systems in use.

To address this, Tabcorp initially implemented an integrated enterprise resource planning system from Oracle. The project was successfully completed on time and on budget. It also succeeded in reducing the complexity of the systems environment. However Tabcorp did not gain the efficiencies it had hoped for. This led to a benchmarking study and review of processes.

Tabcorp's objectives for the shared services project were two-fold. The first was to enhance the effectiveness of both the HR, Procurement, and Finance functions, while the second was to reduce costs. With IBM's assistance, Tabcorp designed and implemented a Finance, HR and Procurement shared services, which are all based in Melbourne.

Processes migrated to the shared services organisation include: purchasing, accounts payable, accounts receivable, fixed assets, payroll, general accounting, treasury operations, HR administration, remuneration and benefits, recruitment, performance management, leave management and organisational information.

By moving to a shared services model, Tabcorp ultimately aims to achieve superior business outcomes by:

- Providing insightful perspectives and thought partnership to business leaders
- Providing objective, fact-based and balanced opinions
- Ensuring greater performance transparency
- Running error-free core processes



Immediate cost savings, long term value

The company has reduced its operating costs by 15% and is delivering general improvements in the quality of its core business processing just six months after the implementation. The savings were achieved through:

- Increased productivity of staff through the creation of pure roles, drawing on staff experience and specialisation more effectively.
- Standardisation and consolidation of core processes through selective re-engineering of business functions. For example, the HR team reduced the number of Tabcorp's internal forms from 145 to 72 and web-enabled them.

While these cost savings alone are compelling, Russell Flack, Group General Manager, Tabcorp Business Services, believes the value to be created in the longer term is even greater. "We see benefits emerging in three key areas: firstly, the reduction of operational and financial risk followed by a second round of efficiencies through the process of continuous improvement.

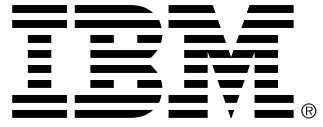
"Thirdly, by freeing up their time, the shared services model has enabled our business-facing finance and HR team members to engage more with the business and focus on true decision support and other higher value activities," he said.

Tabcorp's Chief Financial Officer Matt Bekier said; "The successful implementation of shared services is a key element of our strategy. Not only has it created the opportunity for ongoing savings, but we also believe this will enable Tabcorp to integrate any future acquisitions more smoothly in the years to come."

Ian Ball, Managing Partner, IBM Global Business Services Australia and New Zealand, said, "IBM is delighted to have supported Tabcorp on its path to a shared services model. Our research continues to show that companies can gain substantial benefits from business model innovation and Tabcorp's success is proof of this."

For more information

For further information on this case study please contact IBM on **1800 557 343** (within Australia) **0800 443 760** (within New Zealand) or **mrc@au1.ibm.com**



G510-6604-00

© Copyright IBM Corporation 2007

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
04-07
All Rights Reserved

IBM and the IBM logo are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both.

Other company, product and service names may be trademarks or service marks of others.