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Outsourcing • Shared Services • Benchmarking

White Paper

Shared Services The Next Step

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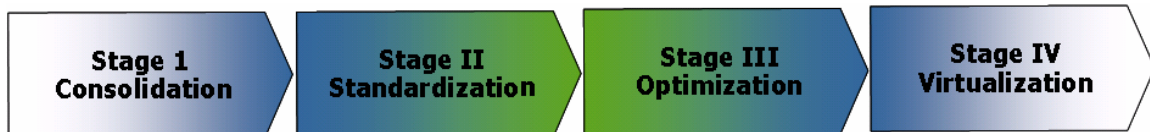
Shared Services: The Next Step

Introduction

Shared services organizations (SSOs) are measured based on the perceived or derived value from the output of their operations. SSOs believed to be on the forefront of providing maximum value to their customers exhibit many common characteristics during their evolution to maturity that others seeking to improve their current organizations can learn and use to their benefit. This white paper will discuss the “typical” evolutionary path seen in these valuable organizations, discuss techniques and best practices they are employing, and describe some of the organizational models being utilized. It will also offer tips for your SSO regardless of where it currently stands in terms of level of maturity and adoption of best practices. The astute SSO should learn from these discussions to maximize the value that they are bringing to their constituents.

The “Typical” Evolutionary Path of Shared Services

SSOs have been evolving since the early 1990s. The practice of moving transactional functions into a single delivery model and physical location was taking hold at this point and many of the world’s best companies were realizing the multitude of benefits that this service delivery model could enable. A common evolutionary path became evident over this time frame and it is shown in the graphic below:



Stage 1: Consolidation is the physical consolidation of the chosen processes into one physical location. Multiple ways of doing a particular process may still exist with multiple log-ins into the process, but some economies of scale can be garnered due to elimination of middle management layers and enhanced spans of control. It also becomes easier to train on new and improved processes that will be coming in the future.

Stage 2: Standardization consists of making the business decisions necessary to begin to execute one standardized way of doing a particular process. Benefits include the reduction of process errors and sunsetting of various technical applications as they are no longer needed.

Stage 3: Optimization is adopting best practices and advanced technologies to make standardized processes more and more efficient through a continuous process of refinement, elimination of non-value added steps, and reduction of cycle time.

Stage 4: Virtualization involves expanding the scope of processes executed by your shared service organization or potentially moving some of the standardized, optimized processes to even more cost-efficient, third-party providers (creating a “virtual” SSO team that is managed by your company).

Improvement Techniques and Best Practices

There are many mature SSOs in place today around the world and in every industry. As they developed, many moved the ball forward with respect to improvement techniques and best practices in every phase of their development. The graphic shown below illustrates many of these ideas that have been observed along the evolutionary life cycle of shared service organizations.

Best practices are being implemented across each of the stages...

Stage I Consolidation	Stage II Standardization	Stage III Optimization	Stage IV Virtualization
<ul style="list-style-type: none"> • Focused on bringing processes and systems under one roof • Located near Corporate or major customer • Viewed as part of Corporate • Centralization rather than true shared services • Disparate IT systems • Relationship with customers characterized by anger and conflict • Silo based organization • Cost Focused - clerical skills and processing efficiency • Scope restricted to Finance functions • Funded by Corporate 	<ul style="list-style-type: none"> • Focused on standardization of policies, procedures and technology • Outsourcing of non-core activities • Informal Governance Board • Multiple systems in use by customers • Customer relationship managers identified • Contact embedded in functions, some use of Contact Centers in selected functions • Team based organization around process, sub-functions, or applications • Functional experts • Some performance reporting • Service offerings defined; charge backs established 	<ul style="list-style-type: none"> • Integration of optimized processes, technology and organization • Move to optimal location(s) • Greater outsourcing • SSC leader selected from Business Units • Standardized enterprise system • Use of imaging, workflow & other enabling IT tools • Customer focused; self-directed teams • Integrated Contact Center • Balanced Scorecards • Detailed SLAs • Variable pricing • Formal Governance Board 	<ul style="list-style-type: none"> • Leverage advanced technologies • Physical location(s) less important • Contact Centers established to support stakeholder inquiries • Continuous re-invention • Expansion of services / scope including expertise services • Open for competition with external providers; Outsource where not best-in-class; External profit center approach • Balanced scorecards integrated to customer strategy • Market pricing • SLAs / strong customer focus • Governance Board stresses expansion of SSC model • Growth oriented business model to leverage scale <ul style="list-style-type: none"> • Marketing & Business Development team • R&D: new service offering development • Optimal organizational structure

Many of these ideas simply require appropriate management commitment and business unit buy-in, however, several are much more complicated in terms of appropriate implementation and extraction of maximum value. The implementation times required vary from a few weeks to several months, but each idea shown above brings added value to the shared service organization. No matter where you stand in your evolutionary path, several of these ideas will be applicable to you. Learning from other organizations that have already been down the path,

as well as from objective outside service providers, will expedite your implementation timeframes and recognition of applicable savings.

Shared service centers continue to represent a significant force in the movement to reduce costs through consolidation of operational areas, particularly where low-cost labor is easy to recruit.

Organizational Models

Organization models can take various forms, from functional/process models to matrix models and market/customer models. For shared services, the design is usually based on a functional model. Organizations entering shared services operations emphasize both organizational design and operating model stability. Organizational design focuses on the structure, job descriptions, staffing skills requirements, and clarity of boundaries between these organizational groups. Though the operating model does not contain reporting lines or resource descriptions, it does describe, in broad terms, how the organization works with external and internal customers, and business units.

The functional model optimizes services by discipline. This concentrates depth and breadth of knowledge in the particular disciplines and is typically the easiest model to start with because the feeder organizations into the SSO are organized this way. By aggregating the groups in one place, redundancy of roles can be eliminated, which provides for initial savings. As the organization stabilizes and process improvements begin to be implemented, there is often an evolution to an organization based on segmentation.

The segmentation model is where the SSO combines services based on service characteristics. For example, the high volume, transactional type of work would be separated from non-transactional. A corporate center for governance services or a center of expertise around a particular type of service would be examples of a segmentation model. Transactional services may then span the various segments horizontally, based on the type of service being provided. This type of model provides additional returns to the business and typically reduces costs even further. However, a segmented model is still only a step in the continuous improvement model. Once this type of organization is stabilized and process improvements start running out of steam, high performing SSOs have further evolved to models that focus on business contribution.

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About the Author

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