

SHARED SERVICES – A TOOL FOR THE TIMES? >>

Written by Philip King

Starting up Shared Services is an enormous challenge at the best of times and an uncertain 2009 makes it even harder. On the other hand, the drivers for Shared Services – and doing it right – are stronger and more valid.

The challenge for 'start-ups' is getting approval for a business case in challenging economic times, when every investment will be scrutinised in detail for payback and Return on Investment (ROI) by any board and/or executive team, and risky projects will be avoided. So for those presenting a business case, it has been, and continues to be, important to look for value-added benefits. Headcount savings and efficiency benefits are necessary, but the best cases have also stressed improved controls, working capital benefits and support for wider transformation of support functions such as Finance, HR and IT.

As well as a strong benefits case, approvers will also be looking for a tightly run project with well documented and managed risks. Over the years there have been many Shared Services lessons learned, and in tough times it will be even more important for start-ups to take heed.

As organisations have to cope with the pressures of a global recession, 'Mature Shared Services' will come under the spotlight to ensure they are accountable for delivering promised cost savings, enhanced controls, and improved customer service and performance efficiencies.

Existing Shared Services organisations should make sure they are getting the basics right. However, there is a silver lining with every cloud and for the proactive there is surely an opportunity to 'sell' additional shared services to key stakeholders. It may be the time to be ambitious and look to add more value to your organisation by extending the scope to activities which were formerly the preserve of staff left close to the business.

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David O'Sullivan, former VP of Finance for Newell Rubbermaid

WHAT SHOULD BE THE FOCUS FOR SHARED SERVICES NOW?

THE DEMANDS FROM SHARED SERVICES ARE INTENSIFYING

In our view the key drivers for Shared Services have never been as intense since the concept was founded in the mid 1980's. The core rationale is the achievement of economies of scale combined with a more focused support organisation. For example, in Finance and HR, letting those professionals close to the business get on with adding value, as a full member of the management team, by removing the burdens of routine processing. Who doesn't want the benefits of cost reduction and improved service now?

BUT HAVE YOU DONE ENOUGH?

In the good times many Shared Services projects were left half-finished. Often for reasons of internal politics the business customers of Shared Services have retained some routine transaction processing. For example in Finance perhaps monthly close activities 'requiring business judgment', standard management reports, or those activities such as credit collections which 'impacted customer relationships' or in HR letting business partners retain the case management and escalation of routine employee relations issues. Value has been left on the table. Now is the time to challenge this.

Business cases for new start-ups must encompass as wide a process scope as possible and Mature Shared Services organisations must sell the benefits of expanding their services.

DELIVERING REAL VALUE

Cost and service are critical but now Shared Services must also look to deliver real business value. In hard economic times business risks increase, for example more cases of fraud will occur. Shared Services provides the opportunity to focus on critical transactional controls with the provision of wider segregation of duties. Cash is king again and Shared Services can enhance the focus on working capital management. Payables can be more closely controlled to achieve optimum cash flow and secure the realisation of payment discounts where appropriate. Receivables can be reduced through the application of more concentrated expertise than individual business units can muster.

APPLY STRONG PROJECT MANAGEMENT DISCIPLINE

If you are just starting your Shared Services project, or mid-way through, pay attention to ensuring that your project stays on track. The last thing the Board wants to see at this time is project delays or the non-delivery of promised benefits. So attending to the critical success factors – strong sponsorship, the right quantity and quality of project team members, attention to process and systems design, a focus on change management and communications, professional project management and recruiting the right quality of Shared Services staff – is even more important now. Furthermore, look for ways of accelerating the project, consider adding more external resources to speed up design or implementation phases.

ENSURE SOUND AND VISIBLE GOVERNANCE

As organisations have to cope with the pressures of a global recession, Shared Services will come under the spotlight to ensure they are accountable for delivering promised cost savings, enhanced controls, and improved customer service and performance efficiencies. New start-ups will need to ensure their governance practices are sound, including how performance is measured and communicated. For example, KPIs need to be relevant, up-to-date and focused on continuous improvement.

OPTIMISING SHARED SERVICES

For mature Shared Services organisations now is the time to ask yourself if you are getting maximum value from your investment. Do you have issues and challenges? Do you want to understand what best practices are appropriate for you, and develop focused action plans to move forward?

For those Shared Services organisations that have not yet managed to get the basics in place, focus needs to be on finding the solutions to these challenges, and quickly.

SOLUTIONS FOR OPTIMISING EXISTING SHARED SERVICES

Customer service improvement

This is a common problem with Shared Services. If the right customer service ethos is not in place then it is unlikely that maximum cost savings have been achieved as business units will be duplicating effort to compensate.

Process scope extension

Now is the time to consider moving beyond basic processes to include more customer-facing processes. In Finance this could include additional reporting, or even analytical services. In HR this could cover volume based recruitment or talent management activities previously retained by Centres of Expertise. Consider extending the concept to other support services such as Procurement, IT or Facilities. Organisations with mature but separate functional Shared Services teams could also consider creating a single integrated organisation.

Process improvement and Six Sigma/Lean

Shared Services provides the focal point for continuous improvement of end to end processes and can build up expertise in formal techniques such as Lean which can provide a benefit to the whole organisation.

Process automation/technology deployment

Selective updating of technology enablers can provide a big payback if done correctly. For example automation of payables processing through scanning, Optical Character Recognition and workflow will produce cost reductions of over 50%.

Consideration of outsourcing options

This is the ultimate benchmark for Shared Services and should be considered as an option for all mature Shared Service Centres. For some it may also be worth considering at start-up. Selection of the right partner is paramount and significant value can be obtained by using an intermediary with experience of all aspects of business process outsourcing, from scoping through to partner selection, transition and governance.

Retain and motivate your people

In challenging times opportunities for promotion, development and reward may be limited. However, Shared Service teams need their people fully focused. Opportunities to provide advancement and recognition should be integrated with optimisation initiatives. Career development can be encouraged by contributions to service improvement projects. Recognition programmes should still be used to acknowledge achievements. To maintain involvement have shorter regular 'buzz' sessions to enhance energy levels and achieve on the job problem solving.

The challenge for Shared Services leaders and sponsors is how to assess what is possible and make the optimal decisions for your own organisation from the myriad of options available. What should the next step be; more of the same or evolution? How will you understand what the options are, evaluate them, and decide what is right for you? Furthermore, in today's challenging economic times, which will give the best return? And how will you present the business case?

Using an external expert can help you to hold a mirror up to your existing organisation, find out how you are doing and prioritise improvements to add more value. This has to be the focus for Shared Service in 2009.



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Contact us

4 Triton Square
Regent's Place
London
NW1 3HG
United Kingdom
Tel: 020 7830 1944
Email: ukconsulting@atosorigin.com
www.atosconsulting.co.uk