


SHARED SERVICES TEAM

Document Name: Shared Services Beyond Start-Up

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Shared Services Beyond Start-Up

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This Point of View summarizes some of the major learnings from our substantial experience of helping clients move the Shared Service Center beyond start-up to delivering the promise of the original business case. To fulfill the potential that Shared Service Centers undoubtedly offer, members of the newly created center must focus their energies and expertise on achieving an optimal service equilibrium: the management of the scope, volume, cost and quality of the services provided to the organization must be successfully balanced.

Furthermore, Shared Service Center management teams must be visionaries, defining how they will generate value in the future, whether through the addition of new processes, business units, geographies and technologies, or by adopting new service delivery models or vehicles.

Shared Services Beyond Start-Up

The completion of a Shared Service Center's evaluation, design and build journey is rightfully considered a significant achievement and it is not unusual that once the set-up phase is finalized, a loss of momentum occurs. The Shared Service Center is operational, the project team is disbanded and the company has moved on to focus on its next challenges. The journey is perceived to have come to an end.

However, for the members of the newly created center, the journey is

only just beginning. After all, they now have to deliver all the benefits, as defined in the business case, which justified the set-up of the center in the first place! As the center moves beyond the start-up point, its management team must establish and maintain momentum in two main areas:

- The management of operations to meet the targets set in the Shared Service Center's business case
- The definition of the next-generation operation and service model, which will ensure that value is continuously delivered in the longer term.

In this Point of View, we summarize the challenges overcome, the key considerations covered and the knowledge gained by Shared Service Centers that have completed the set-up journey. We draw on Accenture's own experience of helping Shared Service Centers to deliver the service excellence for which they were originally designed.

Shared Services involves the consolidation and redesign of administration and support business processes into major service centers. The objective of these Shared Service Centers is to deliver the optimum in cost-effective, high quality services. The Shared Service model helps to achieve economies of scale in back office processes and eliminates the replication of basic transaction processing capabilities across an organization.

Adopting the Shared Service model has allowed organizations, including many Fortune 500 companies, to rethink how and where work is accomplished. Shared Services can provide a range of organizational solutions that retain responsive customer service without requiring physical proximity to the customer. Global companies are also proving the value of Shared Services in managing international operations in an integrated fashion.

Managing Ongoing Operations to Achieve the Shared Service Center's Business Case Targets: Balancing Scope, Volume, Cost and Quality

Shared Service Center management teams take on the challenge of running their operations while delivering continuous improvement benefits:

- As custodians of processes, they must tackle compliance issues in the organization;
- As service providers, they need to achieve the balance between standardization and flexibility to cater to their customers' requirements;
- As sales people, they must establish effective relationships with their customer base.

Establishing the fundamentals: the service management framework

Some of the key components of the service management framework are essential to give the center its service orientation, as opposed to being merely a 'processing factory'. For the purpose of this Point of View, we focus on:

- The continuous improvement process - identifies, prioritizes, delivers and tracks initiatives, which will improve the service provided to customers.

- The compliance management process - addresses process discipline in the organization and contributes to establishing a fit-for-purpose control environment.
- The change control process - helps manage and maintain the integrity of the service level agreement by introducing a structured mechanism to apply required changes.
- The communication process - establishes effective rapport with the center's customer base through targeted two-way communication.

Significantly, the service management framework also includes service performance reporting, which needs to be 'baselined' at the time the service is taken over by the Shared Service Center. Baselining is essential to create the fact-based and unambiguous picture which will help in identifying opportunities and against which future performance will be measured. Consequently, the development of this reporting capability is a minimum pre-requisite to effectively manage scope, volume, cost and quality from day one.

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The continuous improvement process

Identifying and prioritizing continuous improvement initiatives

To identify continuous improvement opportunities, companies deploy documentation mechanisms during the knowledge transfer phase of their shared services projects. These capture the process and organizational idiosyncrasies that, if not tackled, might affect the efficiency and effectiveness of service delivery. In addition, companies also set up an operational issues log that contains all information related to process and organizational 'dysfunctionalities' encountered by the Shared Service Center's employees in the course of their daily work.

A prioritization process must complement the documentation and issues logging process. Its object is to create a continuous improvement agenda by leveraging the information contained in the process documentation and operational issues logs. This process is composed of a set of criteria and escalation rules which, when applied to the issues, will determine what actions are undertaken. Example criteria often used are:

- Finance - what are the costs and benefits of solving a particular issue?
- Severity - what is the impact of the issue on the company?
- Frequency - how often does an issue occur?
- Scope and extent - is the issue localized or widespread; does it impact one or many processes?

- Urgency - by when does the issue need to be solved?
- Benchmarks - what are others doing in this area?
- Targets - will this contribute to achieving the center's goals?

In addition to leveraging documentation and issues logs, many companies deploy regular continuous improvement workshops to outline and evaluate those initiatives on which the Shared Service Center employees should be focusing to improve performance. Involvement of the center's management team is crucial to give the go-ahead and empower employees to 'run with it'.

Identifying and delivering quick wins early

An additional aim of deploying and effectively leveraging a process documentation mechanism is to identify and evaluate those initiatives that can generate benefits rapidly while using a minimum number of resources. Criteria must be agreed that define the framework in which these initiatives will be identified and delivered. These are typically driven by their expected benefits. Expected quick-win benefits often mentioned are to:

- Streamline a process to facilitate its delivery from the Shared Service Center;
- Establish a partnership spirit with the local business, based on common goals;
- Generate some additional self-funding capability for future continuous improvement projects;

It is crucial to deploy an effective information capture and evaluation mechanism for 'quick wins'...this will help kick-start the continuous improvement process and form the core of the continuous improvement agenda.

- Demonstrate delivery capability and establish an improvement track record following transition;
- Create a sense of ownership among Shared Service Center employees;
- Maintain momentum following transition;
- Achieve specific performance targets.

It is crucial to deploy an effective information capture and evaluation mechanism for 'quick wins' at the 'as is' assessment stage of the shared services project and during the knowledge transfer program prior to transition to the center. This will help kick-start the continuous improvement process and form the core of the continuous improvement agenda.

Resourcing continuous improvement initiatives

A major challenge that shared services management teams face is the staffing of their continuous improvement projects. The problem is made even more acute when the center is facing a multi-year roll-out, where the management team has to lead the ongoing operation for those geographies which have already made the transition, ensure that new

geographies come on board smoothly and deliver early benefits through the continuous improvement process.

In addition to the complexity of managing these three seemingly conflicting work streams, the management team has only very limited staffing resources as these would have been set at a low level to leverage the economies of scale promised by the shared services concept. Shared services leadership teams have experimented with various approaches to solve this conundrum, including:

- Freeing up capacity from the center's existing workforce

This is achieved by delivering the benefits from quick wins as early as possible. These create 'headroom' for the existing staff to devote time to the continuous improvement projects. However, the temptation is often great to assign employees with newly created spare capacity to 'firefight' urgent operational issues rather than to the continuous improvement projects. The management team must avoid this by demonstrating support and perseverance in the pursuit of the continuous improvement benefits.

The rotation approach has the benefit of actively exposing and involving many employees in the continuous improvement process.

- Establishing a dedicated continuous improvement team

Companies will often appoint a small cross-functional core team to lead the continuous improvement drive. Its delivery capacity remains limited given the available permanent resources. To acquire additional resources, employees from the center (and often from the local business units) can rotate into the team on a project or time basis. Though it requires reallocating workloads or backfilling open positions, the rotation approach has the benefit of actively exposing and involving many employees in the continuous improvement process. A robust hand-over process and checklist are typically deployed to minimize the rotation disruption.
- Cross-fertilizing between work streams

This approach consists of identifying those continuous improvement initiatives that can be made part of the rollout approach. Though it can make the transition more complex to manage, it provides the continuous improvement teams with the spare capacity they need to deliver their projects.

Good practice is to identify a limited number of continuous improvement initiatives which, when consistently deployed, have a significant impact on the business across the board.

An example of this cross-fertilization is the deployment of a procurement card program during the transition period to the Shared Service Center. This results in a reduction of vendor invoice volumes to be processed at the center, creating some free capacity that can be used for continuous improvement purposes.

Tracking the benefits of continuous improvement

The tracking of continuous improvement benefits needs to be part of regular and simple performance reporting. It is essential to maintain the visibility on these benefits separately from mainstream performance reporting until such time that the set improvement

targets have been reached and a new performance baseline is created. This is to make clear to customers that a process is in transition, that specific issues are being tackled and that the current situation is not yet 'business as usual'. When linked to individual performance targets and reward schemes, it can also serve as a motivation and incentive tool for the continuous improvement project team.

The responsibility for tracking continuous improvement benefits will often be given to the center's service manager. This avoids the continuous improvement project teams becoming judge and party of their achievements. The manager will use this tracking information to manage customer expectations regarding the successful delivery of the continuous improvement initiatives.

When linked to individual performance targets and reward schemes, tracking of benefits can also serve as a motivation and incentive tool for the continuous improvement project team.

The compliance management process

Achieving the balance between operating as a service provider and as the 'process police'

The operation of the Shared Service Center is often described as a balancing act. One of the challenges a center faces is to establish itself as a service provider, catering for its customer base, while applying the policies and procedures set by corporate management. Customers often perceive enforcing process and procedure compliance as a 'necessary evil' which conflicts with the center's service orientation. In the customers' eyes the role of shared services is to 'mop up' after the business units: process discipline is often not considered part of their core responsibility. This issue is amplified by the physical remoteness of the Shared Service Center and the lack of face-to-face contact with an often large and geographically dispersed customer base.

To address this issue, Shared Service Center management teams need to deploy an agreed compliance management process. This positions the enforcement of process compliance as an integral part of the service provided by the center. The process aims to create a consensus on the mutual requirements to deliver service targets as defined with the customers. It is often linked to the continuous improvement process, though it is characterized by two distinct components:

- The requirement to influence behaviors to enforce compliance;

- The role senior management plays in enforcing compliance.

Influencing behaviors to achieve process and policy compliance

To address the compliance issues, many centers develop and deliver continuous customer training programs. Shared services employees operate as process coaches, pointing out the correct procedures and helping local customers in achieving the compliance targets. This approach can drain the center's resources, as multiple training sessions will need to be delivered to reinforce its messages. Often, as a complementary service, the center's management team will also maintain an internal website containing all the policies, processes and procedures to be followed. In reality though, the number of customers accessing this information usually remains low.

At the other end of the policy enforcement spectrum, Shared Service Centers often put the spotlight on the most offending areas, resorting to 'naming and shaming' tactics. In addition, as part of the service management framework, a penalty scheme for non-compliance is often established. Customers will be made to pay fines for repeatedly offending the agreed processes.

Both these tactics can be very effective, though they need to be used with care. The effect of 'naming and shaming' can often wear off after a while if it is not followed up by decisive action to tackle the root cause of the compliance problem. Furthermore, the Shared Service Center runs the risk of creating animosity from its customer base towards its employees. As far as the penalty scheme is concerned, there is a genuine risk that a cottage industry will be created which focuses on calculating, justifying and negotiating penalties with customers. In one particular case, a center employed 1.5 full-time employees specifically for that purpose. In addition, continuous application of penalties often results in alienating the center's customers, jeopardizing their cooperation in other continuous improvement initiatives. Consequently, penalties ought to be considered only as a means of last resort.

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Whatever the approach chosen, a prerequisite to an effective compliance management program is a fact-based reporting capability. Noteworthy is that in developing the compliance key performance indicators (KPIs), an end-to-end view of the process across the organization must be taken to be effective. The purpose is to identify actions performed at one end of the process, often not under direct shared services ownership, which will negatively impact it elsewhere. To give an example, the absence of a purchase order generated in the local business will make three-way matching at the Shared Service Center impossible.

The role of senior management in enforcing process and policy compliance

Senior management, i.e. C-class executives, division heads, etc, has an interest in ensuring process compliance as this can significantly affect the realization of the business case to which they have signed up. Senior managers need to lead by example and not create self-justified exceptions to the rules they have set. Given the high visibility of all transactions at the Shared Service Center, this might affect its employees' perception of senior

management's commitment to enforcing compliance, as well as affecting their morale and dedication.

The senior management team should also be the forum to share 'naming and shaming' information as well as to decide on the corrective course of action. Furthermore, senior executives can increase their direct involvement by putting pressure on the offending areas to address the compliance issues and openly demonstrating that they are keeping tabs on progress. Finally, some companies choose to include the reaching of compliance targets in some senior managers' performance objectives, as it is their responsibility to protect their company's assets.

The change control process

Maintaining the integrity of the service level agreement

The change control process ensures that the service delivered, as described in the service level agreement, evolves in a consistent and controlled fashion to the benefit of both the Shared Service Center and its customers. To maintain the integrity of the service level agreement, the Shared Service Center's leadership team will also

need to balance full standardization with the delivery of a flexible service, as well as properly involving its customer base in the change control process.

Achieving the balance between standardization and flexibility

Shared services employees face the challenge of maintaining a degree of flexibility within the agreed framework of standard processes, beyond the local statutory, legal and regulatory exceptions allowed. Employees must not blindly apply rules set in the service level agreement, lest they alienate their customers. Some pointers relating to communication and to migration to the center are useful to achieve the balance:

- The link between the knowledge transfer program and the change control process

The time spent on the knowledge program is critical for the change control process. During that time, shared services employees will establish an effective rapport with the local employees and gather detailed knowledge on the workings of their processes. Most importantly, they will gain insights on the local idiosyncrasies regarding both the processes and the running of the business. Based on this knowledge, they can gauge the degree of flexibility that can be allowed in the framework of the service level agreement.

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- Establishing an effective communication flow to identify patterns in required changes

Regular internal updates need to be given to the service management team. These cover the employees' observations of expected changes or small existing modifications to the nature of the work they might have agreed to take on. Ultimately, the degree of deviation from standard agreed processes needs to be discussed during the regular service review meetings as this has a bearing on the center's ability to deliver the envisaged business case benefits. It is critical in this context to adequately involve the business in the change control process.

Involving the business in the change control process

How can the Shared Service Center's leadership effectively and accurately capture changing customer requirements to continuously deliver value? Leveraging the Shared Service Center employees' knowledge has been mentioned above. In addition, companies can appoint a customer representative as part of the shared services governance structure. In that capacity, the representative will:

- Gather information on planned change requirements;
- Liaise with the Shared Service Center to communicate requirements;
- Contribute to maintaining the integrity of the service level agreement on behalf of the business;

- Help manage the delivery of service levels.

In addition to appointing a customer representative, training sessions described above can be leveraged to gather information on changing requirements. These coaching sessions are devoted partly to current processing requirements and further explore how the environment can be improved.

Communications

Communicating effectively: knowing the stakeholder

In establishing itself as a trusted service provider, the Shared Service Center must build effective working relationships with its customer base. In addition, its leadership team needs to inform, mobilize and motivate the center's employees to deliver to the standards set in the service level agreement. An effective communications approach and plan will need to be developed and deployed to achieve these objectives.

As the focus is on the recipients of the communication efforts, an essential prerequisite is to clearly identify and define the stakeholders of communications and their requirements. This will help to calibrate the messages, their format and timing and contribute to aligning the stakeholder behaviors to expectations. Analysis of the stakeholders' communications requirements will cover a number of key questions:

- Who are the stakeholders?

- What do they need to know?
- What is the center's desired outcome of the communications with the stakeholders?
- What will be the impact on the center if communications do not happen or are not effective?
- What is/are the stakeholders' preferred communication format(s)?

Avoiding communication overload

In many organizations, employees complain that they suffer from communications overload. For the Shared Service Center this is significant as the messages it sends out might just be drowned in a sea of other material and overlooked. This is likely to have a negative impact on many aspects of its operation, from routine requests to the management of non-compliance issues and continuous improvement initiatives.

To help in addressing the issue of communications overload, an analysis of the communications stakeholders' requirements is paramount, especially the ascertaining of their preferred format. Depending on the message, the desired outcome and the stakeholder, the format can be adapted so that there is increased chance of it being noticed and, if required, acted upon.

To avoid internal shared services communications overload, some centers deploy a filtering and distribution mechanism. This will entail setting up a limited number of direct contact points with the organization to where all communications will flow in the first

instance. A small number of people are then made responsible for summarizing communication, prioritizing actions and distributing them to the staff. This responsibility would be assigned to a Shared Service Center's helpdesk if it operates one. This approach has the advantage of controlling the incoming communication flow and allows the center's staff to focus on their core responsibilities. A clear escalation and cascading mechanism will need to be established to make this approach effective.

Obtaining and acting on feedback received from customers

For the Shared Service Center to evolve and keep its customer base satisfied, it is essential to deploy a feedback mechanism. It is best practice at many Shared Service Centers to deploy 'voice of the customer' surveys. They will explore the customers' satisfaction with the center's service and will cover the customers' perception of areas for improvement.

The center must also be aware of the effect of its outgoing communications. It needs to monitor whether the communication

outcomes defined in the analysis of stakeholder requirements do happen. If these outcomes do not materialize, the communication approach needs to be re-evaluated so that effective corrective measures can be deployed.

Finally, whatever the feedback mechanism(s) chosen, the center needs to continuously demonstrate its commitment to listening to and acting on the feedback received. There is little point in implementing a suggestions or feedback email address at the center if it does not have the capacity to process the incoming messages! It is often better not to use such mechanisms than to deploy them and not leverage them, as the latter is likely to alienate the customer base and create distrust of the center.

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Defining the Next-Generation Shared Services Operation

Once the Shared Service Center is established, its leadership team and employees will become fully absorbed by the day-to-day running of the operation and the delivery of immediate benefits. However, it is the leadership team's responsibility to look beyond the short term to define how their organization will deliver value in the future, and how their Shared Service Center will stay in business competitively.

A critical anchor point for the development of the Shared Service Center of the future is the company's strategy. Shared services is a means to an end; therefore, this end needs to be clearly defined and what's more, fit neatly with the company's ambitions and objectives as defined in the strategy. Consequently, as the strategy is developed and refined, the center's leadership needs to initiate a fundamental review that will question and define how it will contribute to achieving its objectives in the future.

Fundamental review steps

Our experience shows that a number of steps are followed to perform a fundamental shared services review that will identify new service needs and growth opportunities.

1. Establish a team and mobilize the project

As the decision is made to embark on a fundamental shared services review, a team needs to be appointed to deliver it. Its members should come from both the Shared Service Center and the customer base. This is important to build a balanced

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picture, as perceptions on requirements and performance vary depending on which side of 'the fence' the team members are. Cross-functional representation and participation are critical throughout all steps of the fundamental shared services review to ensure a successful outcome.

A critical consideration is the definition of the project team's brief. It is important to establish a clear set of objectives that everybody understands and buys into. The rationale for the fundamental review must be unambiguous and positive so that both shared services and local employees contribute their knowledge constructively.

2. Appoint a project steering group

This body is an essential part of the fundamental review. It sets its objectives and agenda, is the recipient of its findings and will endorse its conclusions and recommendations. To be effective, the steering group needs to have a clear brief, and be composed of a cross-section of senior executives who have an interest in developing the company's shared services capability. Most importantly, this body needs to have the decision-making power to allow the project

team to proceed with the implementation of its recommendations, or at least have direct access to the decision makers.

3. Review the 'as is' operating model

Reviewing the 'as is' operating model mostly takes the form of one-on-one interviews and surveys. Interview structure templates need to be prepared, leveraging the existing knowledge from the organizational processes and other documentation. It is important to have a clear structure that will be applied by the project team for all interviews. Furthermore, the interviews need to contain both open-ended and closed questions where ratings are given on specific relevant topics. These can then be visually represented.

4. Execute the stakeholder assessment

The stakeholder assessment aims to gather information from senior executives on what their perceptions are of how well the shared services meets their value expectations and what they would expect from future developments. This will create a picture of their buy-in to the shared services concept. This information is typically gathered through one-on-

one interviews run by the project team's leadership.

5. Identify and evaluate improvement opportunities

The identification of improvement opportunities occurs mainly during a series of dedicated workshops. During these workshops the project team will share the findings of the 'as is' review. Based on these, a string of key topics will have emerged which are explored during the workshop. Essentially, the workshop participants are taken through a process that will identify and evaluate specific improvement opportunities, effectively contributing to shaping the future shared services capability.

To ensure success, it is critical that the project team develops and deploys a consistent facilitation process, based on demonstrated best workshop practices. Furthermore, additional material such as draft opportunity outlines and proof of concept future operating models may need to be developed for testing and validation during the workshop.

6. Define and evaluate strategic options

This high-level evaluation links in directly with the strategic planning that occurs at a corporate level. The outcome of the workshop to evaluate improvement opportunities needs to be consolidated and from it will emerge a number of strategic options which define the future shared services capability. A key input in this step is the outcome of the stakeholder requirements assessment during which senior executives would

have pooled insights on their preferred strategic options for the future of shared services. An additional key input here is the gathering of a high-level cost baseline that would allow the project team to make an initial estimated financial projection of the benefits the future shared services organization could deliver.

The steering group has a key role to play in this context. Based on the strategic direction the company is taking, they will need to define and agree on a set of criteria used to evaluate the strategic options. These need to be both financial and non-financial to create a compelling case. The criteria need to be discussed and agreed upon during one of the steering group meetings prior to reaching this stage of the review.

7. Recommend the future operating model

During this last stage, the project team creates a final report containing its recommendation on the preferred future operating model. The document needs to cover what the future operating model will look like, how it will deliver benefits in the framework of the company's overall strategy, the rationale for opting for one of the possible operating models as opposed to the other models and a roadmap outlining the key steps and milestones which will need to be reached to achieve the transformation to the future operating model.

The report will also be accompanied by a presentation made to the steering group. During that ultimate

meeting, the future operating model and roadmap are presented and immediate feedback is sought from the senior executives in attendance. To maintain momentum, it is key that a series of actions are agreed to at the meeting and a high-level timetable is drafted to initiate the deployment of the roadmap.

Scope expansion opportunities

Most Shared Service Centers will be given the opportunity to explore a number of growth opportunities in a variety of areas. Usually, centers will choose a combination of scope expansion opportunities from among the following: process, business unit and geography, technology, service delivery model and service delivery vehicle.

1. Process scope expansion

In deciding which processes will benefit next from being shared in the organization, companies weigh up the perceived risks associated with this and possible benefits, measured in terms of economies of scale and skill achieved. Some risks typically identified are:

- Risk of process breakdown due to remote processing
- Risk of creating disruption to the business during transition
- Risk to customer relations and ensuing revenues
- Risks associated with the process complexity and its impact on future economies of scale

As a proof of concept, companies will initially focus on processes with low perceived risk and higher economies

Usually, centers will choose a combination of scope expansion opportunities from among the following: process, business unit and geography, technology, service delivery model and service delivery vehicle.

of scale potential. Once the Shared Service Center has established its credentials, and experience in transitioning to it has been accumulated, further processes will be considered for inclusion.

Beyond generating additional economies of scale and cost reductions by adding new processes to the center's scope, companies need also consider maximizing the benefits from their existing processes. This means leveraging the process effectiveness they have created to generate 'economies of knowledge' to generate additional qualitative benefits. Once the mechanics of delivering cost-effective and efficient processes are deployed, information created by the processes must be used to contribute to improve decision support. In the purchase-to-pay area, for instance, accounts payable data can be used and shared with the procurement department to

improve the company's bargaining power.

2. Business unit and geography scope expansion

In setting up shared services, companies will often restrict their initial business unit or geographical scope, to establish that the concept actually works for one unit and/or region. Furthermore, they may also decide to leave recently acquired businesses out of the shared services project scope and integrate them later. Two points need to be considered in this context:

- Sharing and transferring project experience

The challenge companies are facing is to ensure that all project experience accumulated during the initial transition is shared and transferred to the next one. To achieve this, key members of the project team are often asked to stay on and join the next business unit's/geography's project team. An alternative approach is to appoint key senior employees of the Shared Service Center as advisors to the other unit's project team at key points in that project's life cycle.

Beyond generating additional economies of scale and cost reductions by adding new processes to the center's scope, companies need also consider maximizing the benefits from their existing processes.

Whatever the option chosen, companies need to develop an 'acquisition integration toolkit' that contains all relevant project information, lessons learnt in the process and explanations on how best to deploy the toolkit. Its purpose is to facilitate and accelerate the transfer of business units and/or geographies into a shared services environment.

- Co-location of Shared Service Centers

As additional business units and/or geographies are considered for addition to the shared services environment, the question of co-location with the existing center arises. While there is the obvious benefit of leveraging the existing experience by proceeding with co-location, senior management will need to answer some key questions:

- › Is the physical environment of the existing Shared Service Center sized to accommodate the additional employees from the new business unit/geography?
- › Does the new business unit/geography run on the same ERP platform?
- › Can the processes to be transferred be standardized to the same degree as in the existing Shared Service Center, or are there different business requirements that need catering to?
- › Assuming that the new geography operates in a different time zone, how will this time difference between

- › geographical units be accommodated?
- › Can a homogeneous shared services culture be created and maintained once the new business unit or geography is added?
- › Will the language skills required to deliver the service to the new geography be available at the existing site?

3. Technology scope expansion

The efficiencies that ERP systems, on which many Shared Service Centers are predicated, can generate are finite. Consequently, companies look to e-enabled tools to reach the next level of performance and drive additional benefits out of their Shared Service Centers. The deployment of such e-enabled tools can generate benefits throughout the shared services model. The e-enablement of processes will further reduce the need for manual processing and increase a company's ability to deliver quality business decision support. Their implementation doesn't necessarily rely on shared services, though the presence of a shared services environment will accelerate the process.

Furthermore, deployment of e-enabled tools out of the Shared Service Center multiplies the benefits that would have otherwise been achieved in a distributed environment. For more information on e-enablement of shared services, please refer to Accenture's Point Of View document 'How Innovative Technology Can Impact the Shared Service Model'.

4. Service delivery model scope expansion

As the Shared Service Center matures, its operations stabilize and service excellence is achieved. The company can start considering whether service delivery to third parties, with the view to generate revenue, is a viable option. This represents a substantial leap for any Shared Service Center, regardless of how well it is operating internally. To make this leap, a center's leadership team needs to consider the following three points.

- Shared Service Center establishment options: cost or profit center

The decision to choose one option over the other is typically made during the initial set-up phase of the Shared Service Center. This will determine the nature of the operation as well as define its longer-term ambitions. However, companies may choose to change their set-up during the life of the center.

A Shared Service Center set up as a cost center will recover only the costs it incurs in a given year. This set-up will require annual amendments to operating budgets to ensure that the Shared Service Center budget balances. In addition, the Shared Service Center is not treated as a separate business and despite being an internal service provider, does not necessarily develop the optimal commercial approach and attitude to service delivery. The fact that customers pay only the cost of the service provided can

sometimes create complacency at the Shared Service Center.

When set up as a profit center, the Shared Service Center is treated as a separate and dedicated business that not only recovers its operating costs, but also charges a premium which reflects the perceived value delivered to business units. This results in the creation of a profit pool that can act as an incentive to shared services employees and to invest in future scope expansion and/or growth opportunities.

This approach requires a high degree of commercial rigor in the way service is delivered, as the possible higher charges applied (compared to the cost center set-up) will drive the behaviors of operating units. If dissatisfied with the service delivered, and given the opportunity, customers might be tempted to buy-in services from other sources. For more information on shared services set-up and charge-back approaches, please refer to Accenture's Point Of View document 'Creating and Operating an Effective and Equitable Shared Services Chargeback Framework'.

- Establishing credibility in the market place

Whatever the set-up option chosen, Shared Service Centers are very much inwardly focused, their service delivery horizon remaining within the company's boundaries. The challenge when wanting to penetrate the external

The challenge when wanting to penetrate the external service delivery market is to establish credibility with potential customers...why should a company give its processing to a service provider whose core business is in a completely different field?

service delivery market is to establish credibility with potential customers. After all, why should a company give its processing to a service provider whose core business is in a completely different field? Even more so, for companies in a similar field the issue of confidentiality can become a critical consideration.

The shared services leadership team will need to develop a unique selling proposition based on their achievements to date, a competitive pricing structure, demonstrated service excellence, partnership approaches and long-term vision. The latter is important for prospective customers as it is unlikely they would agree to hand over their processing to a third party if that company's senior management is not committed to fully exploiting the business opportunity of external service provision.

Many successful Shared Service Centers agree to run site visits for other companies considering the idea. During these visits, the leadership team will share experiences, knowledge and achievements of their center with

the visiting company's team. This kind of activity is a good opportunity to start 'testing the waters' with prospective customers, i.e. companies embarking on the shared services journey.

- Making the right skills available
 - It is likely that most of the skills required to operate as a third-party service provider will be available to some degree in an internal service provider. Some are worth mentioning here:
 - › Entrepreneurship - the ability to spot expansion and growth opportunities and outline and execute a vision to exploit the opportunity while taking calculated risks to deliver.
 - › Customer service excellence - the understanding of customer needs based on experience and the development of business requirements insights, the ability to cater for the customer requirements to the highest standards.
 - › Communication skills - the ability to actively listen, empathize and articulate clear and concise points.

- › Salesmanship - the ability to define a unique value/selling proposition and the persuasion skills required for the potential customer to agree to take it forward.
- › Financial acumen - the understanding of how service delivery impacts potential customers' balance sheet and P&L accounts and the ability to structure a financial deal proposition which will maximize mutual benefits.

5. Service delivery vehicle scope expansion

As Shared Service Centers develop and deliver their continuous improvement programs, the leadership teams often come to realize there is a limit to the cost-

efficiency improvements they can generate on their own. Moreover, as the company's strategy is reviewed, a decision is often made to further focus on core competencies and business. Back-office processes are considered non-core in this context. Consequently, as part of the longer-term continuous improvement drive, this will prompt a debate on whether outsourcing these activities to a third party is an appropriate means of achieving increased core business focus and additional financial benefits.

One of the key considerations in the outsourcing debate, apart from its economic viability, is the service delivery vehicle chosen. This is defined by the kind of contractual relationship a company decides to ice

sign up to for the delivery of its shared services. Aside from the client-retained environment in which the Shared Service Center remains an internal entity fully owned by the client company, there are principally two kinds of service delivery vehicles:

- Joint services company - this option provides for the creation of a service company which is jointly owned and controlled by both the service provider and the client; ownership will vary depending on the client's stated objectives.
- Outsourcing, with dedicated vendor division - this option provides for processes and staff to be transferred to a third-party vendor who takes full ownership and control.

The table below compares the two delivery vehicles with the client-retained environment across ten critical considerations.

Key consideration	Client-retained environment	Joint Services Company (JSC)	Outsourcing with dedicated vendor division
Strategic control	++	+	+
Transparency of costs and operations	++	+	+
Guaranteed operational and business results	--	++	++
Creation of service culture	--	++	++
Clients' corporate feeling of ownership	++	+	-
Ability to take back control	++	+	+
Contractual flexibility	++	+	+
Ability to modify functionality and scope	--	++	++
Ability to leverage vendor's existing skills, methods, technology, and infrastructure	--	+	+
Ability to leverage vendor's ongoing investment in skills, methods, technology, and infrastructure	--	+	+

This Point of View summarizes key considerations for shared service management teams as they move beyond the design and build phases. It draws on Accenture shared service professionals' experience helping Shared Service Centers to deliver the service excellence for which they were originally designed.

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F&PM's Finance & Accounting Operations Solutions focus on the planning and implementation of back office services. F&PM assists clients in achieving dramatic efficiency increases in these areas while at the same time aligning these services better with the needs of the business. Typical programs include shared services, web-enablement, and client specific finance and accounting strategies.

Shared Services involves the consolidation and redesign of administration and support business processes into major service centers. The objective of these Shared Service Centers is to deliver the optimum in cost-effective, high quality services

The Shared Services model helps to achieve economies of scale in back office processes and eliminates the replication of basic transaction processing capabilities across an organization.

Adopting the Shared Services model has allowed organizations, including many Fortune 500 companies, to rethink how and where work is accomplished. Shared Services can provide a range of organizational solutions that retain responsive customer service without requiring physical proximity to the customer. Global companies are also proving the value of Shared Services in managing international operations in an integrated fashion.

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