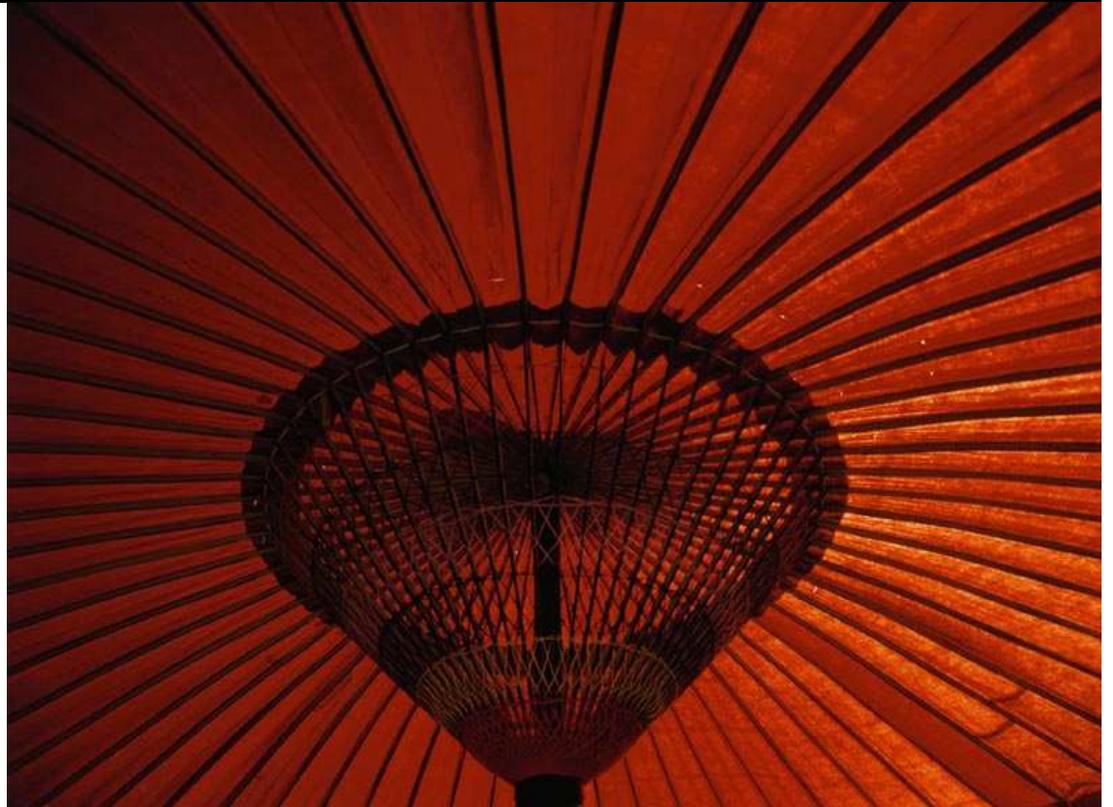


**Shared Services  
Creating Value for  
Your Organization**

**June 2005**



# Contents

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- **What is Shared Services**
- **What's In a Shared Services Solution**
- **Types of Shared Services Centres**
- **Why Shared Services**
- **Key Success Factors**
- **An Approach and Methodology**



# Objectives

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- **The Objective of this presentation is to help the audience better understand for both private and public sector organizations:**
  - What shared services is and what it is not;
  - The benefits of shared services;
  - The challenges in implementing shared services;
  - What a successful implementation would look like; and
  - What it takes to do it well.

# What is Shared Services

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- **A Definition – Shared Services is...**
  - PricewaterhouseCoopers defines shared services as “the Common Management of Resources performing like activities, typically distributed across the organization, in order to service multiple internal partners at lower costs with higher service levels, supported by formal service level agreements between internal customers and suppliers.
  - Common management of resources does not refer to location of delivery staff.
  - Consolidation, or, location of staff is a cost and service level management issue, quite separate.



# What is Shared Services

- **There is no “right” model for shared services – its always a blend**

**Central** – services are delivered from a single, central location

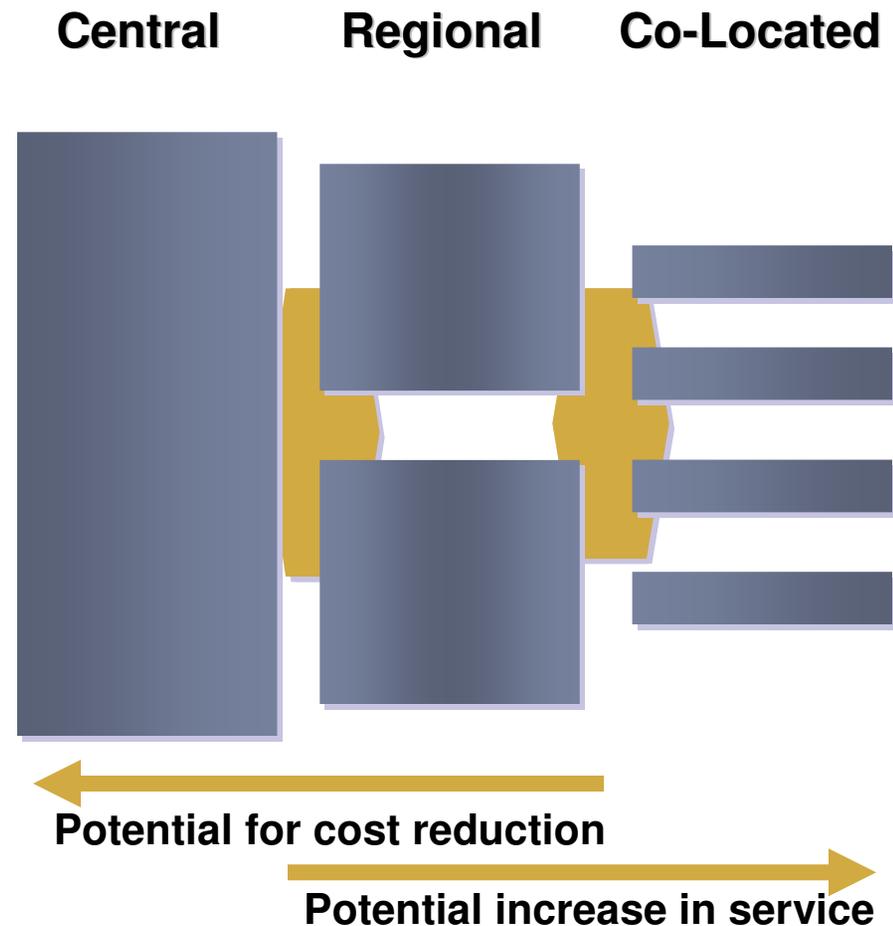
- Generally requires limited client interaction or local area knowledge

**Regional** – services are delivered regionally, from multiple locations

- Generally require some client interaction or local area knowledge, or a large geographic area is covered

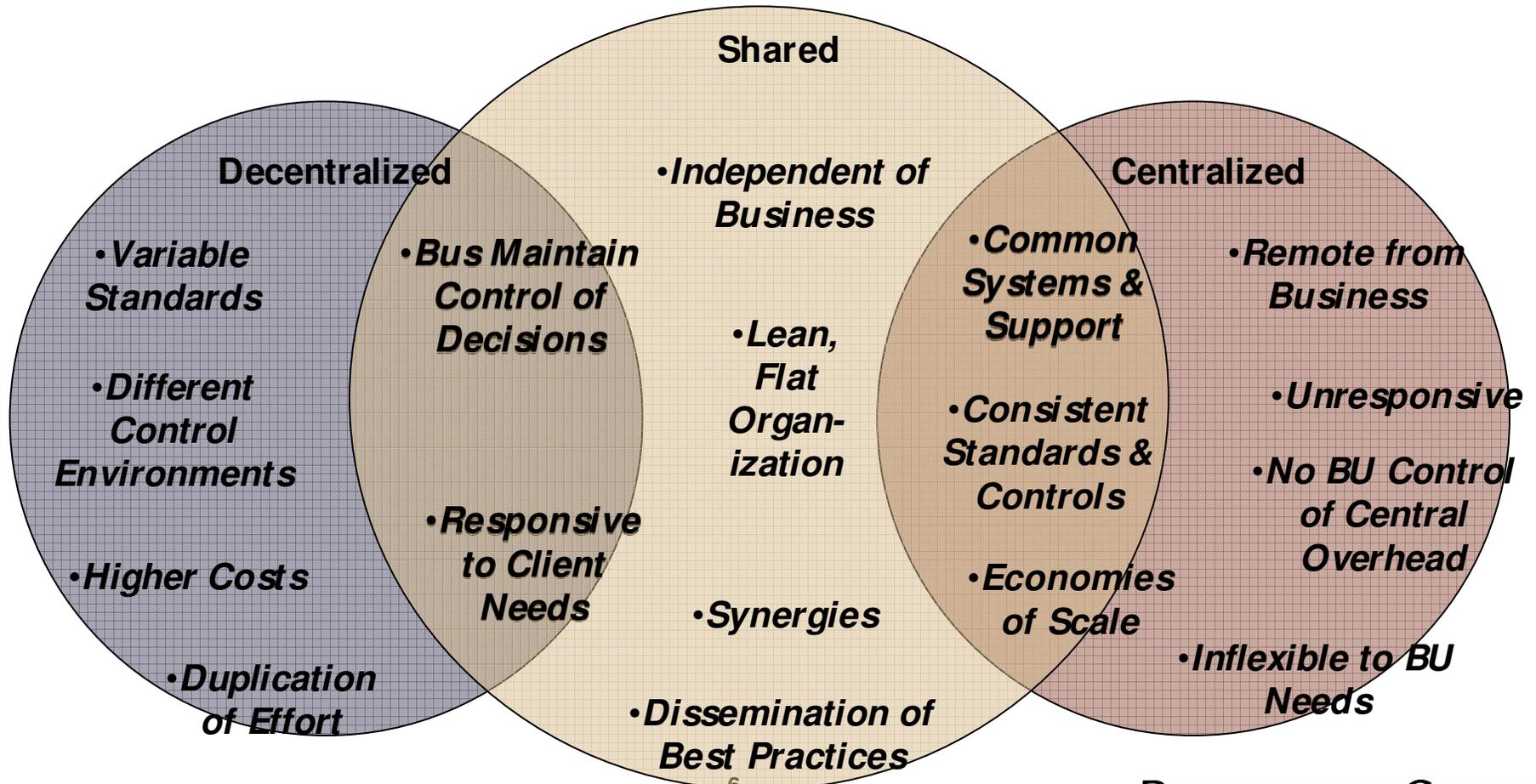
**Co-located** – services are delivered from the business unit site

- Generally requires strong, hands-on client interaction or local area knowledge



# What is Shared Services?

- The Successful shared services project is a hybrid of decentralized and centralized management



# What's In a Shared Services Solution

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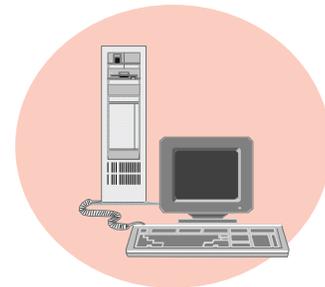
- **Typical functions in the scope of a shared services solution have the following characteristics:**
  - Where transactions are fairly generic in nature and heavily transaction based;
  - Where process knowledge is more critical than knowledge of the local business;
  - Where there is a desire to standardize and leverage processing across the organization;
  - Value is creating by leveraging economies of scale for these functions.



High Volume, Routine Processing



Specialized Skills



Enterprise-wide Information

# What's In a Shared Services Solution

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- **The myth of Economies of Scale**
  - The greatest savings come not from economies of scale but from process reengineering, according to a recent study.
  - The study compared the importance to cost reduction of three factors in using a shared service center (SSC): geographic location, economies of scale, and process reengineering.
  - The greatest potential for cost reduction, 60 percent, came from process reengineering.
  - Only 20 percent could be attributed to economies of scale, and less than that to the savings from conducting business in a region of the country with lower costs than the national average
- **You have to change in order to drive benefits!**



# What's In a Shared Services Solution

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- **Scope**

- The ideal scope for Shared Services is broader, rather than more narrow as it allows for end to end solutions to be established, providing greater value;
- Consider the entire process or cycle, rather than just the activities within the process to create maximum value.

# What's In a Shared Services Solution

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- **Candidate processes for shared services typically include:**

## For Finance:

- General Accounting
- GL Maintenance
- Standard Reporting
- Accounts Payable
- Travel & Expense Payments
- Accounts Receivable
- Fixed Assets

## For Human Resources:

- Training Administration
- Payroll
- Compensation
- Administration
- Benefits
- Pensions Administration
- Grievance Administration
- Administration Recruiting
- Employee Call Centre
- Employee Document Processing

## For Operations:

- Strategic Procurement
- E-Procurement
- Catalogue Management
- Customer Service (Call Centre)
- Warranty Administration

## For IT:

- Help Desk
- ERP Maintenance & Support
- E-business Maintenance & Support
- Facilities Maintenance

# What's In a Shared Services Solution

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- **Current thinking in shared services functionality broadens the definition of scope from transactional functions generating economies of scale to leveraging scarce, skilled functions across multiple business units, creating value through the creation of an internal consulting or professional services unit.**
- **These skilled services are shared across business units providing increased service levels.**
- **This offers staff the opportunity to become professionals in their area.**

# What's In a Shared Services Solution

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- **Candidate functions for shared professional service can include:**

## For Finance:

- Financial Reporting and Analysis;
- Internal control design;
- Financial systems maintenance;
- Taxation;
- Treasury.

## For Human Resources:

- Labour relations
- Compensation program design
- Communications

## For Operations:

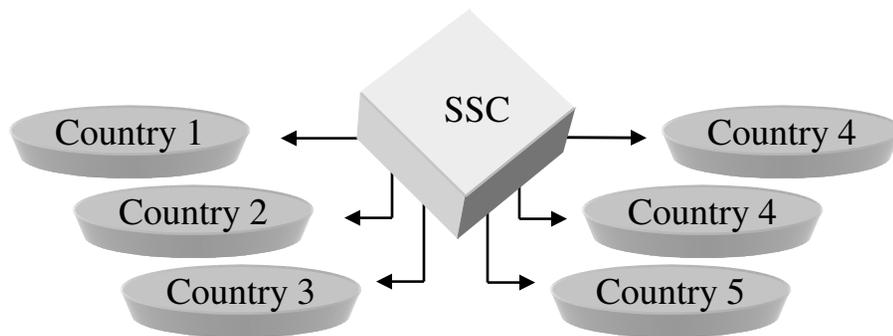
- Contract development and negotiations
- Outsourcing centre of expertise

## For IT:

- Project management services;
- OLAP reporting

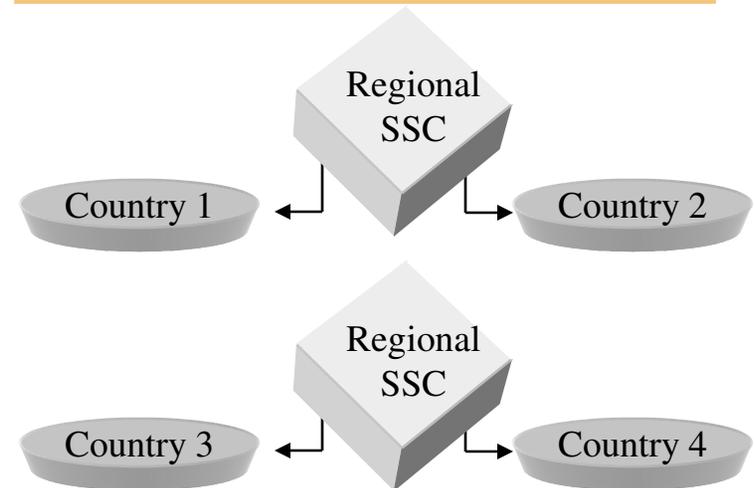
# Types of Shared Service Centers

## Central Model



- single processing point
- greatest degree of standardization
- must accommodate different national requirements
- face complexity of tax and regulatory issues

## Regional Model

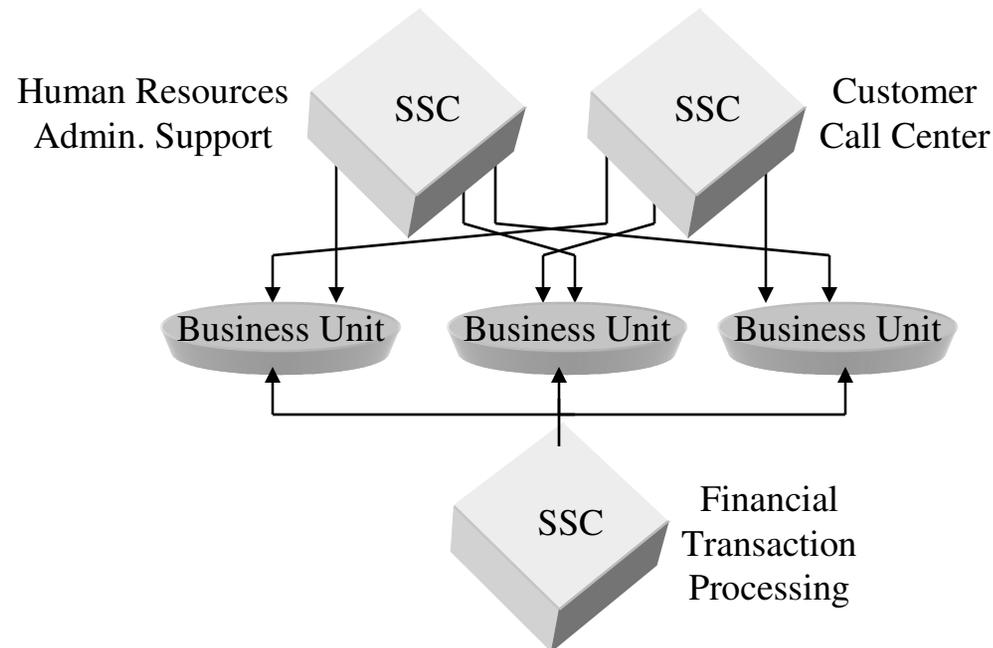


- processing on a regional basis
- more adaptation to tax and regulatory concerns
- still must often integrate at a single level

# Types of Shared Service Centers

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## Centers of Excellence Model



- provided around specific processes
- possibly more efficient due to expertise developed by employees
- can be difficult to integrate with other processes

# Types of Shared Service Centers

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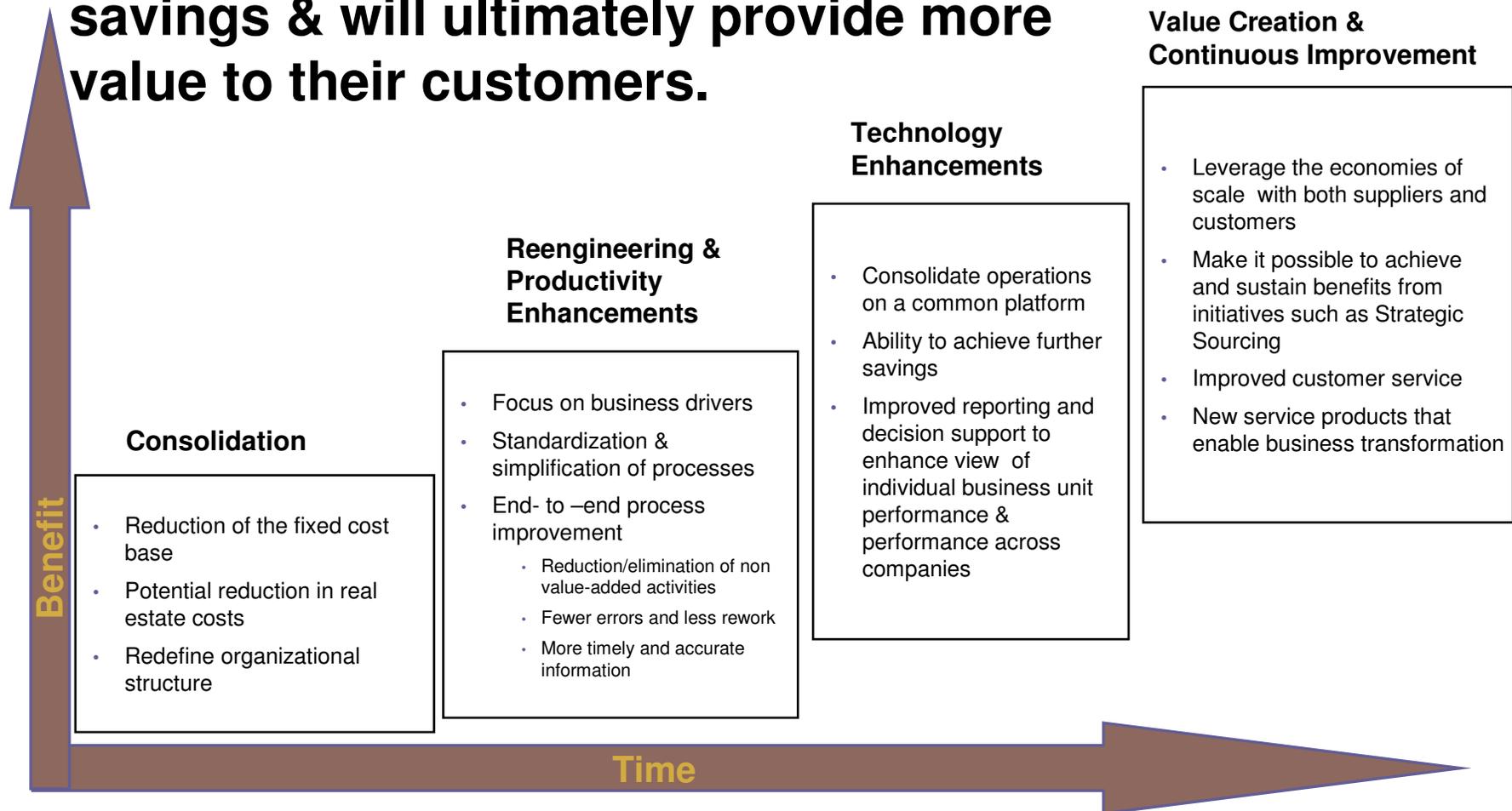
- **The Service Center Reports to...**
  - Senior Management within SSC function (e.g. CFO, CIO, HR Director, Controller)
  - Head of company, business unit, or regional subsidiary
  - Director of Shared Services -- usually in instances when there is more than one SSC (e.g. regional SSC's, Finance & HR SSC's, etc.)
  - Board or Steering Committee



***Best Practice***

# Why Shared Services?

- Organizations that complete all four stages of change will achieve greater savings & will ultimately provide more value to their customers.



# Why Shared Services

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- **Shared Services creates value in a number of ways**

## Tangible

- Reduction in overall costs within function
- Provides a robust, scaleable infrastructure supporting future organizational change or mergers and acquisitions
- Elimination of redundant facilities and real estate investments
- Reduces need for systems upgrades in multiple locations
- Improvements in operational efficiency proven by benchmarks

- § More manageable controls environment
- § Improved access to data
- § Guaranteed quality of service level at which the business chooses to afford
- § Improved spans of control
- § Improved accuracy and consistency of information
- § Leverages speed and adoption of best practices

## Intangible

- § Improved management information for strategic decisions
- § Business units or regions can focus more on key business objectives & core competencies
- § Maximizing specialty skills
- § Greater focus on “partnering” with customers & enhanced customer service
- § Single point of accountability

# Why Shared Services

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- **Business risks associated with shared services must be evaluated by looking at new and incremental risks.**
  - Many organizations imply significant business risks to shared services. Risks must be independently evaluated to determine:
    - Is this a new business risk or does it currently exist
      - The risk of errors occurring exists in shared services and currently in the business unit;
    - Is this an incremental risk:
      - Has the risk profile of a function been materially increased, why and how mitigated
    - Is this a new business risk:
      - Has shared services created a new business risk, why and how mitigated

# Why Shared Services

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- **Business risks need to be classified according to criticality and probability of occurrence:**
  - Generally, the closer the business process is to the customer, the higher the degree of business risk;
  - Some functions, whilst “backroom” in nature are considered mission critical:
    - Payroll for example is a mission critical process
  - Those functions that are either mission critical or have a high probability of occurrence require mitigating plans be developed prior to implementation

# Key Success Factors

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- **Active, visible, senior management commitment**
  - Senior management must demonstrate active and visible commitment to the project over its life cycle.
- **Clear, baseline data established**
  - Clear baseline data of staff headcount, FTEs, costs and service levels have proven crucial to the success of shared services projects.



# Key Success Factors

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- **Management expectations to be properly aligned, managed and linked to strategy**
  - Too often, management's expectations about what shared services can be and what benefits it can deliver are not based on reality of the organization.
- **Key staff dedicated to the project full time**
  - Shared services is a major commitment of the organization - staffing the development project with part time resources is not setting the project for success.

# Key Success Factors

- **Manage Stakeholders Obsessively**

- Shared services is as much about managing change as it is about the technical aspects of reengineering and technology. Knowing your stakeholders and consistent communications to them is critical to capturing the “hearts and minds” of staff and management



**CANDID!**



**CONSTRUCTIVE!**



**CONTINUOUS!**



**CONTEXTUAL!**



**CONSISTENT!**



# Key Success Factors

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- **A well defined work plan with milestones**
  - Too often one of the measures of success for shared services is “quick wins” as they are seen as a proxy for progress.
- **Consensus amongst management - to a point**
  - Consensus is key to obtaining enterprise wide support for the project. However, at some point, a decision is required.

# Key Success Factors

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- **A solid business plan and financial case**
  - Establishing a strong baseline assessment that accurately captures “as-is” costs, staffing and services levels is key to gaining support of senior management and determining accurately where improvements are possible.
- **Patience - this takes time**
  - Shared services generally takes 12 – 24 months to implement and transition staff and another 2 – 3 years after that for full benefits to be achieved.

# Key Success Factors - Public Sector

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- **In addition to the previous pages, factors critical to the success of shared services in the public sector include:**
  - Effective program funding models
    - Sharing of savings between the government central agency and the ministries / departments so there is economic benefits to all parties. Effective models have a 50% plus of savings generated through shared services accruing back to the entities for investment in program areas.
    - Ensure there is funding of the shared services centre to allow ongoing development. Zero net funded models have not worked.

# Key Success Factors - Public Sector

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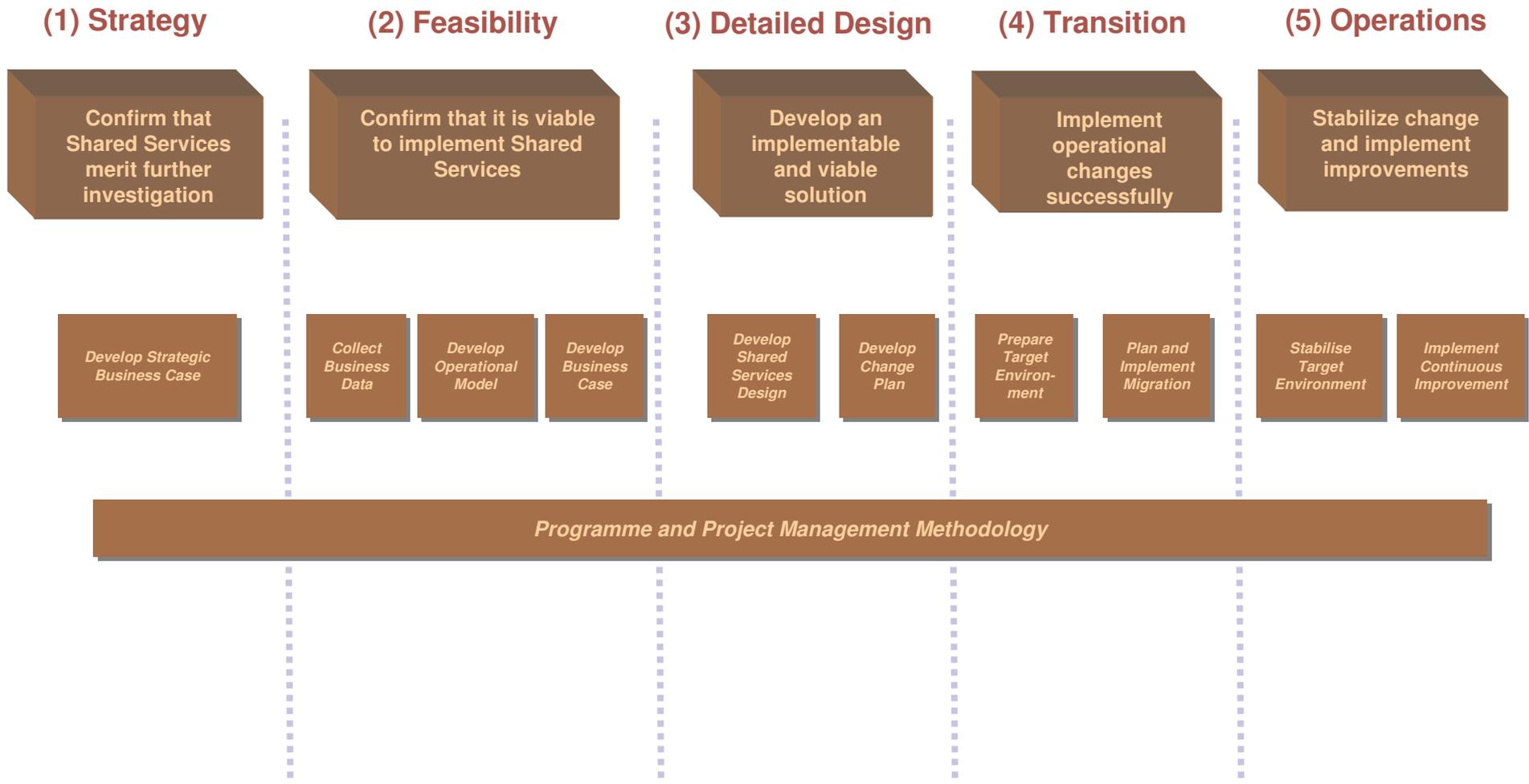
- **In addition to the previous pages, factors critical to the success of shared services in the public sector include:**
  - Senior political level sponsorship
    - Active, visible, senior political sponsorship is a crucial requirement in public sector shared services.
    - Government will accomplish what it wants to get done, meaning, this shared services must be on their agenda.
    - Without this senior level drive for the project, an extensive and time consuming (two to three years minimum) consensus process must be established.

# Key Success Factors - Public Sector

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- **In addition to the previous pages, factors critical to the success of shared services in the public sector include:**
  - Governance as opposed to consultation
    - Effective governance models establish a committee that focuses on true governance activities that include ensuring the SSC is achieving its commitments, pricing and funding decisions, approval of future plans and direction etc.
    - A separate committee that focuses on “user group or customer council” type activities should be established to ensure the “voice of the customer” is heard. This type of committee is free to make non-binding recommendations to the SSC

# Our Approach and Methodology



# Our Approach and Methodology

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## 1 Strategy

### Stage Objective

Confirm that Shared Services merit further investigation

Develop Strategic Business Case

- Confirm shared services merits further examination and establish senior management expectations
  - Desired savings level
  - Degree of change they wish
  - Service level expectations
  - Determine the “show stoppers”

# Our Approach and Methodology

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## Stage Objective

## Confirm that it is viable to implement Shared Services

- Capture “As-Is” business data
  - Costs
  - Service Levels
  - Technology capability
  - Headcount and FTEs
  - Other relevant business data including legal
- Develop the business model to be utilized
  - Location(s)
  - Technology needs
  - Service framework
  - Governance framework
- Develop migration strategy
- Develop business case

# Our Approach and Methodology

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Stage Objective

**Develop an implementable and viable solution**

- Design the detailed shared services solution
- Refine migration strategy
- Develop consolidated implementation plans
- Pre-Implementation planning with local businesses
- Develop and refine business case

# Our Approach and Methodology

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Stage Objective

**Implement operational change successfully**

- Document and test new working practices
- Recruit & staff
- Develop, test and implement IT application changes
- Develop service level agreements
- Establish physical infrastructure
- Communicate with customers
- Assess readiness to go
- Execute implementation
- Confirm new working arrangements in business units

# Guiding Principles

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- **Develop the ability to operate with one face to the customer across Business Units**
- **Manage processes rather than functions**
- **Include business processes in the SSC that are heavily transaction based and common across the Business Units where SSC inclusion can provide added value and economies of scale**
- **Organize around the customer**
- **Create an environment where “one call does it all” for any SSC customer regardless of the business process**
- **Develop an environment that fosters career growth and optimizes technological enhancements**
- **Evolve in a manner that is not disruptive to the business**

