

The Positive Way

WAVESTONE

Strategy Brief

SHARED SERVICES: GETTING IMPLEMENTATION RIGHT

*A LOW-RISK, HIGH EFFICIENCY APPROACH TO
BUILDING A SHARED SERVICES CENTER*





WHY SHARED SERVICES?

A shared services model allows companies to streamline their operations across an organization and provide centralized, standardized support to all business units. From finance to legal to IT, companies can achieve great benefits from consolidation and implementation of shared services managed through strong governance systems.

High decentralization and redundancies of operations within an organization can cause problems and inefficiencies, and most large companies can benefit from a more consolidated approach to business support.

However, creating a shared services strategy can be challenging. To effectively consolidate services, companies need to employ best practices in developing strategic roadmaps and implementing them.

And it is important to validate that the strategy will provide business value and not introduce additional problems, which requires a thorough understanding of the organization's needs and the systems and processes necessary to implement them.

There is no one-size-fits-all approach to shared services. By investing the necessary time and effort in developing an effective fact-based analysis and plan, companies can avoid problems and ensure their transformation delivers the greatest possible business value. It is critical to understand why and how redundancies evolved to ensure the needs of various constituents are met in a shared services model.

This guide will go over some of the benefits of a shared services approach, as well as best practices for how to execute a successful shared services center that reduces costs and increases standardization.



IS A SHARED SERVICES CENTER FOR YOU?

A shared services center (SSC) is an internal organization that offers services to business units within the company. Much like an external business, it will often offer its services with contractual and/or operational agreements that enumerate the cost, timeline, and quality metrics of the service. This allows companies to combine the advantages of outsourcing with the advantages of completing projects in-house, allowing them to focus on core business issues while reducing costs.

One of the greatest challenges associated with decentralized and dispersed services is low standardization across an enterprise. This can cause problems, including compliance issues and technical incompatibility. Managing one shared services “business” allows companies to implement standardized changes more rapidly and effectively, while maintaining a high degree of control.

Consider these five common problems that arise without an SSC model:

Compliance difficulties



The most obvious problem with low standardization is compliance. Large enterprises that must adhere to strict regulations often struggle to ensure that all business units are performing their duties according to internal or external rules. By rolling these services into one SSC, company leaders can better oversee these processes, reducing risk.

Difficulty measuring performance



Without consolidation, it becomes extremely difficult to measure success across the company. When services are undocumented, implemented using different methods, and not organized into a central unit, it is almost impossible to collect meaningful statistics that allow leaders to evaluate performance and make improvements. An SSC can mitigate these problems and offers a significantly more transparent way of delivering services to business units.

Lack of accountability



In a shared services model, it is simpler to identify where the problem lies when there is a mistake. Under more traditional, decentralized models, this is not always the case. When there is no formal SSC, no one is fully responsible, which creates a lack of incentive to perform duties effectively.

Poor process documentation



Without a shared services model, it is a challenge for companies to provide clear guidance on what employees should be doing and when. Workers often end up doing a range of tasks not in their job description, taking them away from their core goals. Tasks also are often not well documented, leading to confusion about how objectives should be accomplished, and further feeding the lack of standardization across the organization.

High costs



Supporting dozens of dispersed back-office service-delivery efforts is simply costlier and less efficient than supporting a single SSC. With shared services, companies can deliver better service, have more control over their support units, and allow business units to focus on their core goals—ultimately driving higher profits and reducing inefficiency within the company.



THE FOUR PHASES OF A SUCCESSFUL SSC IMPLEMENTATION

Given the significant benefits of shared services, it may seem surprising that many companies haven't fully embraced the strategy. One of the primary reasons for this is the difficulty of implementation. Without careful planning and the right guidance, many enterprises will be unable to develop a strategy that allows them to transition while minimizing risk and maximizing efficiency at the same time. Creating an effective shared services strategy requires a deep understanding of company needs and capabilities, as well as the realities of the market.



Phase One: Strategize and Assess

Implementing an effective SSC starts with a solid foundation. This means working with end users and leaders across the company to determine current service-maturity levels, needs, and goals for the future.

- **Build a structured team**

No successful transition will occur without a well-defined team made up of key stakeholders and technical experts from across the company. The team should be structured, with a project manager and clear delegation of duties. It is also important to ensure that company leadership is fully on board with the team's goals and is available to provide guidance. Executive sponsorship is critical to ensure consistent messaging, alignment across the organization, and broad adoption.

● Assess maturity levels and needs

The first step of creating an effective shared services strategy is to do a period of initial assessment to get a better idea of the company's situation. Processes must have the right level of internal control, because with centralized services, small mistakes will be magnified. If your company already has shared services, it is important to look at ways that the services could be improved and further consolidated. Areas to assess include:

- Current technology
- Current implementations of shared or decentralized services

● Develop a high-level strategy

Once needs have been assessed, begin drafting an executive briefing that articulates how success looks, without going into great detail. Outline what shared services can do for the company and what high-level steps need to be taken to get there. This should include a business strategy supported by baseline data, along with a conceptual description of delivery design and strategy. This accomplishes two things. First, it helps the company better formulate its ideas, forming a foundation for more concrete planning. Second, it serves as an elevator pitch to help build consensus for the transition across the organization.

● Define the business case

A business case is critical to gaining the support of business leaders and ensuring the success of the initiative. It will help to outline the problems with the existing model and articulate the productivity improvements that shared services can bring.

A shared services strategy is only as strong as the foundation upon which it is built. Start by creating your team, performing thorough needs assessments, and making sure you have buy-in from your key stakeholders.



Phase Two: Design and Build

After high-level strategic planning has been accomplished and a consensus about the general strategy to pursue has been reached, it is important to begin developing more detailed plans for design and implementation. This means an articulation of what steps are necessary to get from the current state to a developed state—including a strategy to integrate the technology required to implement an SSC; determining which locations will be responsible for what services; allocating resources; and deciding how to deal with impacts on employees.

Develop a location strategy

Ultimately, some aspect of the services must be delivered from a physical location. If existing services are dispersed across multiple sites, companies should evaluate each site for personnel and technical infrastructure. It may be necessary to choose multiple locations from which to deliver services, if the enterprise is very large or spread across several regions. Given the impact of the pandemic, consideration must also be given for remote workers in both the delivery and receipt of the shared services. Collaboration tools evolved quickly over the course of the pandemic. These collaboration tools should be leveraged to ensure consistent, effective delivery of the shared services to the entire employee population.

Decide on a human resources (HR) strategy

A shared services HR strategy must include decisions about who's going to work in the SSC, who needs to be outsourced, and who can be managed internally. Certain shared services jobs could be thought of as an opportunity to nurture young talent. These positions can develop and grow a certain skill set, such as line management.

This allows employees to gain a more detailed understanding of their roles and re-enter the main business units with more knowledge and skills. Bringing in consultants at this stage can add additional insights into new methodologies that challenge the status quo in the organization.

It is important to remember that not all jobs will be preserved in an effective SSC.

Redundancies and inefficiencies must be eliminated to guarantee success. Developing an early HR strategy is critical, as well as clear documentation of what HR needs to do to facilitate the transition.

Create a technology roadmap

Technology is a critical component of implementing an SSC. Effective IT solutions can help the SSC deliver support to business units more effectively and improve efficiency in an unstandardized organization. The transition team must work to define what technologies are required, what data needs to be consolidated and centralized, and what testing and performance metrics should be implemented to increase effectiveness. This section of the plan is useful as a supporting document for IT funding requests.

Do a risk assessment

Although shared services may actually help reduce risk in the organization overall, they may also present new risks the company must address. That's why it is important to perform a detailed risk assessment and create a management strategy. During this stage, it is critical that team leaders identify relevant risks that the transition might affect. These might include (though are not limited to) the loss of data or a reduction in service availability and reliability. Processes should be implemented to help control these risks during and after the transition.

Develop a sustainable performance strategy

As leading organizations have begun to focus on Corporate Social Responsibility (CSR), it is important to build these concepts into shared services from the start. Wavestone views CSR through both a social and an environmental lens. In terms of the social lens, factors such as gender equality, disability, quality of life at work, inclusion, diversity, accessibility, and work-life balance are considered. The environmental lens considers such issues as carbon emissions, biodiversity, sustainable tech, and the circular economy. Consideration of these social and environmental factors at this early stage of development helps ensure broad, consistent access across the organization to a suite of shared services that are delivered thoughtfully as well as efficiently.

Determine an operation-cost strategy

The transition team must determine how costs will be accounted for and incorporated within the organization. Many enterprises run their SSCs as businesses, which charge business units for the services they provide. This allows costs to be spread across the business units proportionally to how much they use the service. It is also possible to make the SSC a centralized cost center with its own independent budget.

Establish good governance mechanisms

Good governance is one of the most important components of any shared services strategy. Companies must have a clear understanding of how shared services units will communicate with internal customers (business units and corporate), and how they will communicate with external customers. This will help ensure that roles are always clear and that strategies and goals are well-aligned across the enterprise.

Wavestone recommends a three-tier governance model:





Phase Three: Implement and Rollout

After detailed plans and preparations have been made, it is time for implementation. If the past steps have been, this should be relatively straightforward. However, it is still important to be mindful of potential risks and address problems that were missed in planning stages.

● **Populate “delivery centers”**

Companies must begin doing the work of making new hires or transferring internally to populate the SSCs with the necessary workforce. The reorganization and training of staff should be completed prior to the transition to avoid any service interruptions. This process will be heavily influenced by whether the company is using an outsourcing or insourcing model. In most cases, SSCs will be run with a hybrid of the two.

● **Launch new processes**

Once service centers have been populated, the company can begin rolling out new processes. These might include new services or improved functionality.

● **Begin tracking metrics**

Improved metric tracking is one of the major benefits of implementing a shared services model. At this stage, companies can begin rolling out the systems that will track the performance of the SSCs, allowing them to be run more efficiently and ensuring that they are delivering on business goals.

● **Transition to run mode**

Once the SSCs are fully staffed and operational, companies can begin transitioning to run mode. At this stage, the transition team can take redundant services offline, closely monitoring for any problems and addressing them rapidly.



Phase Four: Keep Improving

After high-level strategic planning has been accomplished and a consensus about the general strategy to pursue has been reached, it is important to begin developing more detailed plans for design and implementation. This means an articulation of what steps are necessary to get from the current state to a developed state—including a strategy to integrate the technology required to implement an SSC; determining which locations will be responsible for what services; allocating resources; and deciding how to deal with impacts on employees.



Lean

Lean encourages companies to maximize customer value while minimizing waste. This is well suited to shared services, as these should be run purely to support the main business units without any excess costs.

Launch new processes

Six Sigma strives to use data to eliminate defects. Companies should constantly use metrics to identify obstacles and potential solutions. This allows leaders to define problems, measure results, analyze data, design new solutions, and verify that those solutions are effective. This gives the company the tools to constantly be building shared services strategies that are more effective than previous iterations.

Conclusion

As a corporation grows and establishes many locations across several regions, the number of redundant, inefficient, and unnecessary support services grows.

This often leads to significant waste, problems with compliance, and failure to adopt new technologies. Rival companies with the ability to innovate more freely and reduce their costs will hold a significant advantage.

However, implementing shared services takes time and preparation. Companies must work closely with stakeholders across the company to ensure that new centers are run as efficiently as possible, and support business units are run as effectively as the prior models. For many enterprises, gaining additional insight and experience from outside consultants who have successfully implemented shared services strategies can pay dividends. In any case, one thing is crystal clear: SSCs are a competitive necessity in today's business landscape.

Visit us at [wavestone.com](https://www.wavestone.com) or give us a call at (646) 341-9753 to discuss optimizing your shared services and boosting operational efficiencies within your organization.



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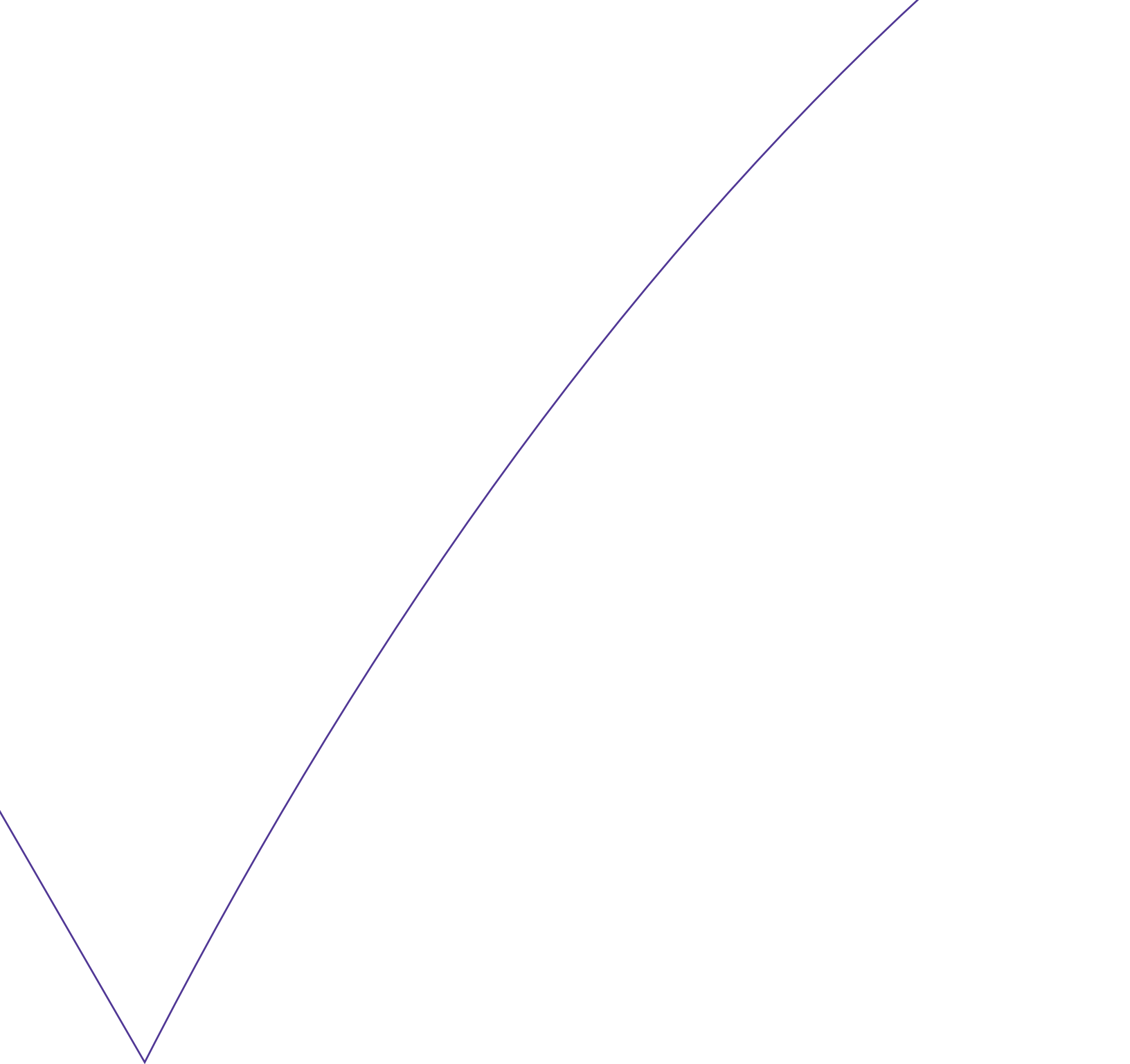
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John Westfield has more than 35 years' experience in driving digital transformation as a collaborative technology services enabler. He has a track record in commercial sourcing, complex deal negotiation, service delivery, advisory, automation, predictive analytics, personalization at scale, cloud enablement, cost containment, service excellence & brand distinction, as well as cyber and digital business strategy.

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About Wavestone

Wavestone is a business and digital consulting firm that supports organizations in delivering their most critical transformations. Over the past two decades, Wavestone has championed the transformations of more than 700 of the world's largest enterprises from a wide range of industries. Behind these successes is our ability to bring a winning mix of extensive hands-on experience, powerful analytical skills, and creative problem-solving to address our clients' greatest challenges. We drive change for growth, lower cost, and risk, and create the trust that gives people the desire to act.



The Positive Way

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In a world where knowing how to drive transformation is the key to success, Wavestone's mission is to guide large companies and organizations in their most critical transformation projects, with the ambition of a positive outcome for all stakeholders. That's what we call "The Positive Way".

Wavestone brings together 4,000 employees across 9 countries. It is a leading independent player in the global consulting market.