

SHARED SERVICE CENTERS

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Before we begin, lets first look at the definition of a Shared Service Center

Gartner definition

Shared services or shared services center (SSC) refers to a dedicated unit (including people, processes and technologies) that is structured as a centralized point of service and is focused on defined business functions. These functions are supported by IT and IT services for multiple business units within the enterprise. Shared services may come from several different physical locations, and may involve numerous business functions and IT processes. The definition, structure and scope of an SSC start within the enterprise. Enterprises sometimes engage external providers to consult with various elements of the design, structure, location options and execution options. Execution and long-term delivery may be by internal enterprise personnel or by service providers, or some combination thereof. Consequently, the definition of shared services is independent from the sourcing option for delivery.

Source: <http://www.gartner.com/it-glossary/shared-services>

My definition

Centralized unit providing services to other parts of the organization. The SSC performs various business processes and manages information flows on a centralized basis that may have previously been distributed and replicated across different locations or countries.

SSCs Are Most Commonly Set Up to Perform Volume Processing of Standardized Transactions in Order to Reduce Costs and Improve Delivery

What is an SSC

- An internal service provider with its own resources and service assignment focusing on **improvement and standardization of processes**
- Supporting local operations leading to **improved customer service** through better information and work methodology
- Efficient support of internal processes through standardized and consolidated processes
- Realignment of resources through focusing on internal needs

What it is Not

- A step towards centralization of entire business operations
- A negative impact on customer relationships or service levels
- Planning / budgeting processing
- Withholding operational tasks and responsibilities from local / regional entities

More common

- Accounts Payable
- Accounts Receivable
- Claim & expense processing

Less common

- IT support / help desk
- Month end closing activities
- Customer service / support

- Human resources / payroll
- Tax processing
- Credit support & follow up

Success is Dependent on Establishing a SSC Suited to your Organization...From Simple Transaction Processing to Value Added Services

Process-based SSCs

- Typically larger with ability to process high volumes of transactions
- Examples are financial process-based SSCs e.g. accounts payable and receivables, general ledger maintenance, electronic/paper invoicing
- May be structured as a single SSC providing one or more functions
- Alternatively separate SSCs may be set up to perform different functions depending on the scale of the enterprise and considerations such as contingency, resource availability, cost, language barriers
- SSCs focusing on Accounts Payable activities are commonly known as “payment factories” or “payment hubs” in cash management terms

Knowledge-based SSCs

- Typically small and provides specialist support and knowledge, e.g.
 - Budget manager
 - Policy specialist
 - Engineering or technical support
 - Investment management
 - Specialist compliance
- Individual departments usually will not have the critical mass to justify the need to employ specialists for these support services
- Adopting a centralized approach provides a strong business case based on increased scale achieved through centralization

Feasibility: Understanding Current Performance Is Critical to the Decision-Making Process

Gather Facts

- Identify current state of processes and map gaps to establish model
- Review current operations and create baseline analysis across all processes to ensure current performance and costs are clearly understood
 - Establishes baseline for assessing future operational performance and benefits
 - Data collection includes process flows, documentation, activity logs, systems, organizational charts, roles and responsibilities, approvals and performance measures
- Identify process handoffs and dependencies to support the future solution and transition plan
- Establish key performance indicators and performance metrics

Assess Quantitative Benefits

- Reduced operating cost (estimated 20-55%)
- Productivity and process improvement (est. 5-15%)
- Reduced overheads (estimated 5-10%)
- Improved working capital
- Improved quality

Assess Qualitative Benefits

- Improved service through access to world-class delivery systems
- Stronger control environment
- Platform for transformation
- Improved focus on core capabilities as retained staff focus on value-added activities
- Improved relationship with constituents and suppliers

Strategic Considerations for the SSC decision

Scale Matters

- There are typically substantial upfront costs involved with establishing a shared service center
- Important to consider scope of processes and the expected growth of organizational volumes when assessing scale
- Forecast the expected scale in short-, medium- and long-term timeframes

Don't Centralize a Problem

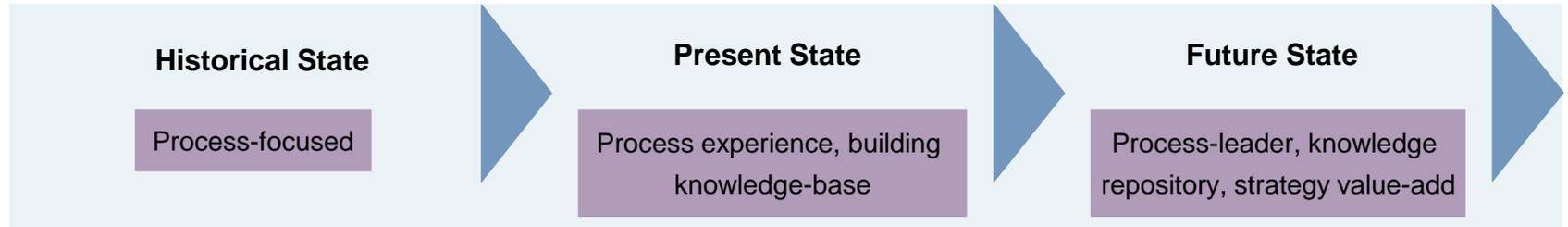
- Assess whether processes to be centralized are “shift then fix,” or the reverse, “fix then shift”
- Review processes for opportunities to automate and achieve significant cost reduction and efficiencies which may alleviate improve the centralization initiative

One Solution Does Not Fit All

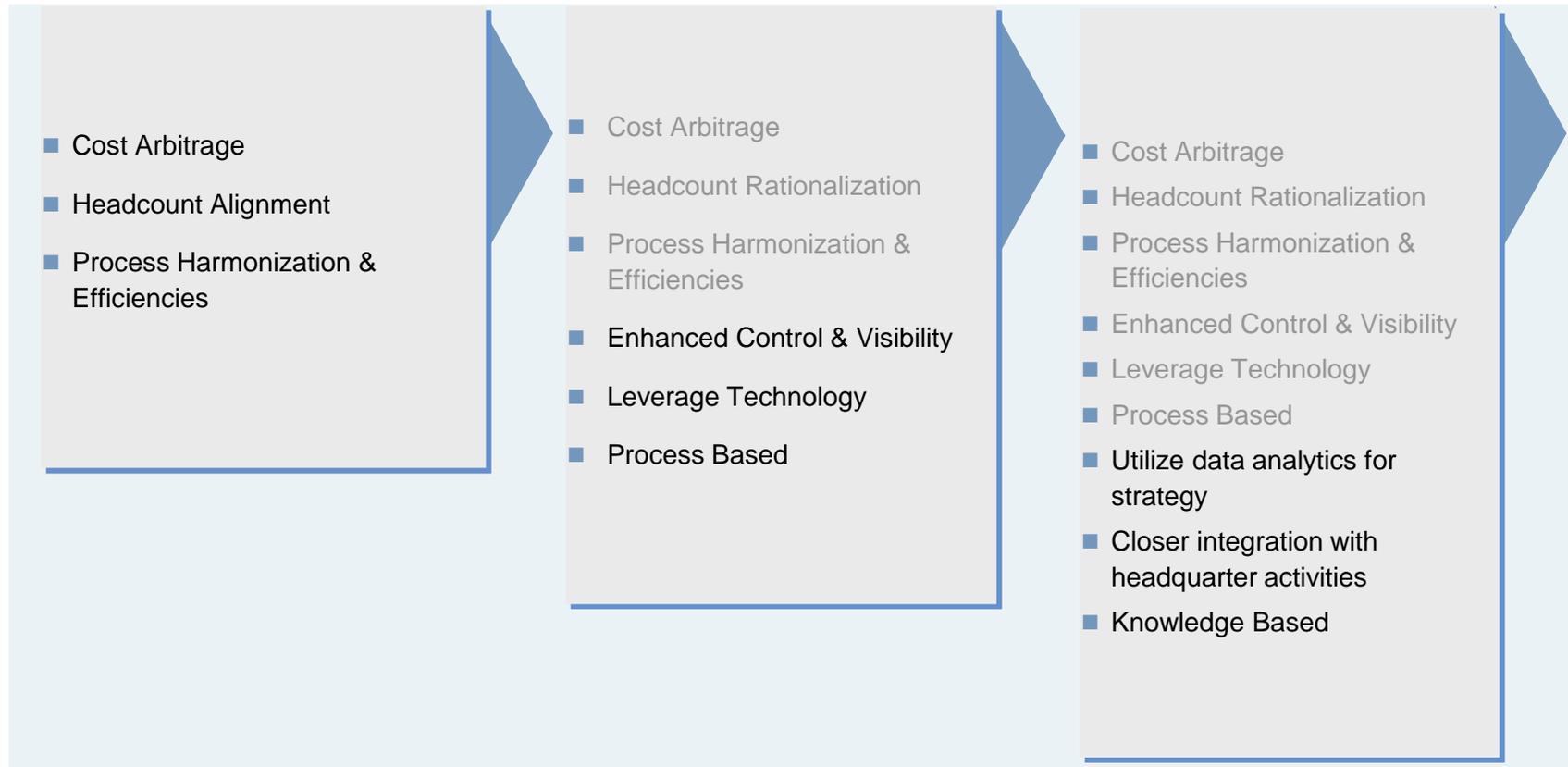
- There is no “one size fits all” solution
- A robust strategy and solution design will likely ensure results that ultimately meet your needs
- It is increasingly rare for organizations to centralize all functions in one major transition
- Value can be lost when poorly defined processes are centralized

Over Time SSCs Typically Move From Efficient Transaction Processing to Using Accumulated Data and Expertise to Deliver More Value Added Information

From Past to Future



What Companies Get Out of The SSC



Looking More Broadly, Some of the Advantages of a Financial SSC Include Operational Efficiency, Technology Consolidation and Consistent Reporting



Apart From the Financial and Operational Benefits, SSCs Can Also Deliver Improved Customer Service and Other Value Adds

FINANCIAL

- Economies of scale lead to reduced costs
 - Transaction processing (AP/AR)
 - Vendor/supplier negotiation
 - Process automation & standardization
 - FTE reduction
 - Systems integration
- Low cost location i.e. labor, rental
 - Government led policies to build SSCs may grant incentives or tax-breaks e.g. India & Dublin, selected cities in China.

OPERATIONAL

- Single entity for all transaction processing
 - Allowing for more customer focused approach
 - Enables easier decision making
 - Improved customer satisfaction through a single point of contact
- Rapid integration of new acquisition
- Repository of information for business
- Speedier turnaround & processing speeds
- Move towards dematerialization of paper

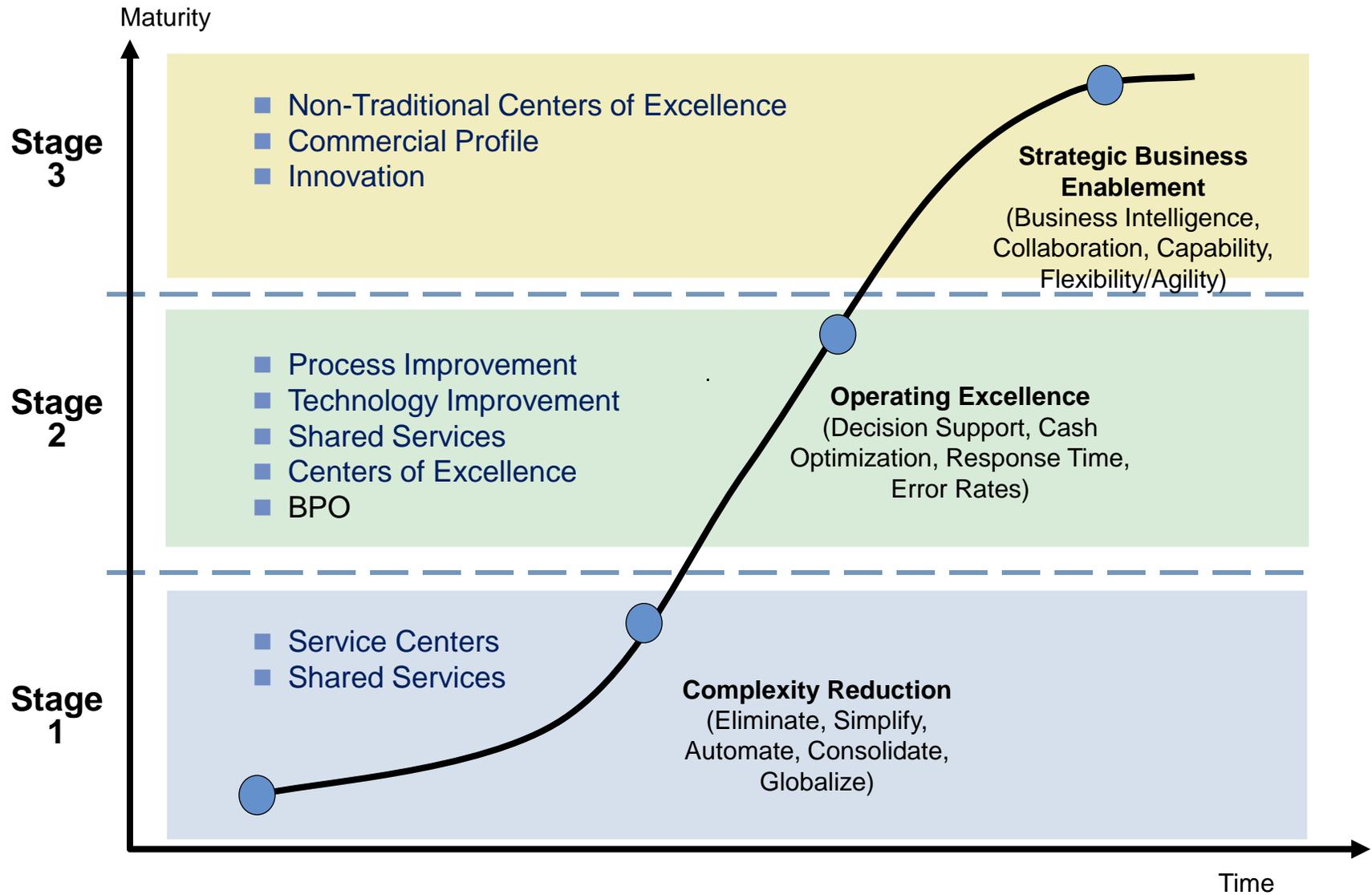
CUSTOMER SERVICE

- Consolidated view will lead to targeted client strategies e.g. procurement enhancements, payment pattern strategies & reporting efficiencies
- Build strong relationship ties with internal and external stakeholders
- Consistently delivering high levels of service will increase brand awareness
- Becoming a center of excellence e.g. AP/AR, procurement

VALUE ADDS

- Career progression for SSC staff in world class, value added SSCs
- Centralized data house for collection & benchmarking information
- Single technology platform across group (domestically & regionally)
- Build long term relationships with vendors & clients through single point of contact

How does a typical SSC evolve



Some reasons why transformation efforts are difficult to sustain

- Sponsorship is not obtained
- There are no clear rewards for transforming
 - What are the expected results
- Transformation progress is inadequately measured and not communicated
- The vision lacks clarity
 - Business reasons not clearly identified
- Responses to transformation are not adequately dealt with

Creating an execution culture is key to implementing and sustaining transformational efforts

Source: The Hackett Group. *Creating an execution culture to support transformational change.*

What does success look like?

Characteristics of Successful Initiatives

- Executive management involvement
- Strong project management
- Dedicated teams / proper resource allocation
- Clear vision and focus
- Explicit program planning and objectives
- Short term wins gained and communicated
- Accountability / responsibility clear
- Consequences / ramifications clear
- Communications up and down
- Sense of urgency and project importance

Characteristics of Unsuccessful Initiatives

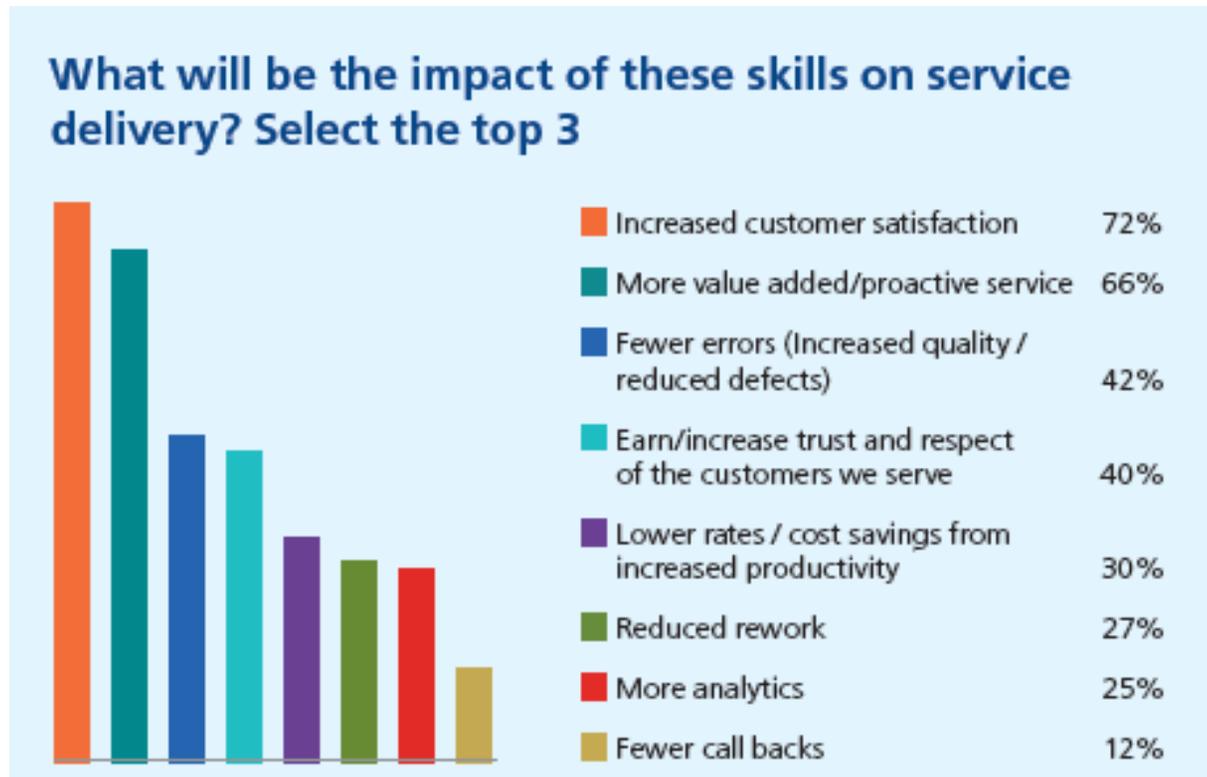
- Back burner / no priority
- Declare success too early
- Too much competition for resources
- No clear goals, vision or strategy
- Lack of sustained commitment and involvement by leadership
- No consequences
- See change as an event not a journey
- After implementation decision, top leaders no longer involved
- Failure to align performance measures and rewards with desired behaviors

Source: The Hackett Group. *Creating an execution culture to support transformational change.*

Retaining talent drives continuous improvement



Retaining talent drives continuous improvement



Attributes of a High-Performing Shared Service Center

Attributes

- Has consolidated and dedicated resources
- Provides process- and knowledge-based services to multiple business units and countries
- Operates as a business
- Is customer focused (internally and externally)
- Uses contractual agreements (SLAs) with its customers to define the service level
- Embraces metrics to sustain contribution
- Composed of one or many shared service centers

Benefits

- Sustainable cost reduction
- Improved career opportunities
- Reduced errors in processing
- Better practice and continuous improvement
- Improved financial and operational control
- Improved service level monitoring
- Working capital improvements
- Optimization of technology investments
- Improved scalability and the ability to rapidly integrate