The Challenge of Achieving Customer-Driven Shared Services

The Impact of Disruptive Business Trends are Causing a Rethink of Shared Services

Introduction

The concept and use of shared services have been around for almost 30 years. However, shared services have matured to a level of organizational standard practice for support services across multiple business units. Despite this evolution, the penetration of shared services that represent wholly developed and full capacity operations is relatively low.

Today, businesses should expect to rethink shared services to deliver more than cost savings and anticipated service levels. Businesses should demand a high quality “customer experience” that provides comprehensive support, easy access to information and seamless integration into the business. The top five reasons that shared services operations continue to fall short of business expectations are still relevant (see the full list on page 2).

Customer-driven Shared Services, when properly implemented, help the business focus more on delivering against strategic goals and objectives and less on managing non-core support services and technology. However, as the law of unintended consequences would have it, business innovations and trends have somewhat hampered the ability for organizations to fully realize these objectives. These trends have caused an increased demand to leverage support services in an integrated, consistent, and cost-effective manner while providing an optimal support service “client experience”. For a support service to provide the intended value to the organization, the strategy for service delivery, technology enablement, process management, customer support, and analytics must be clearly thought through and aligned to the overall business objectives of the organization.

“Senior business management must be involved in the ongoing review of the Shared Services Business Plan to ensure alignment with corporate goals and to set proper expectations regarding demand management.”

Bill Frech
Principal, WGroup
Figure 1 shows some of the major disruptive trends in the business and IT world that have an impact on organizations and the delivery of support services.

**Figure 1: Five Disruptive Trends and Considerations for Shared Services**

1. **Responsibility for IT is Moving to the Business**
   - How do we understand the changes in how IT is procured across the enterprise and ensure we provide our clients the information they need?
   - How do I, as a service organization gain better knowledge of technology and tools that will benefit my customers and/or that my customers may be using?

2. **Convergence of ITO and BPO**
   - What does this convergence mean to my operation?
   - How do I ensure my ITO needs are incorporated in my delivery strategy, including any BPO contracts

3. **Social, Big Data, Mobility and Analytics**
   - Are my systems and processes capable of expanded analytical demand from my customer?
   - How do I ensure comparable analysis is conducted across the enterprise using data that shared services provide?

4. **Commoditization of IT and Global Delivery**
   - How can I take advantage of lower cost of services and still drive quality service?
   - How do I build IT costs into my charge-back for service?

5. **Consumerization of IT**
   - How do I ensure I can support customers in this new world?
   - As my customers leverage readily available market tools how do I integrate them into my services?

Source: WGroup

Shared services provides an excellent construct to address these trends and ensure a company, as well as its regional organizations and businesses are competitively positioned. By building upon a solid base of existing shared service operations and expanding it technically, functionally, and globally, a company will be able to support their businesses cost-effectively and efficiently. A consistent approach through shared services will also help to ensure the businesses are not investing in redundant technology and solutions that might prevent the organization from utilizing their data for global, regional, and local analysis and support.

**Shared Services Today**

Some of the major challenges within shared service organizations today are the same challenges that have plagued shared service operations since their inception:

1. The success of shared services depends on customer engagement for prioritization of workload and demand management, understanding what work is truly valuable and important to the customer, and understanding customer needs for service and information.

   Customers may be engaged through a variety of initiatives:

   - Surveys—One of the least challenging ways to understand the customer’s perspective on what is working and what is not. Surveys can help the shared services organization address some problem areas.

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**Top 5 Reasons Shared Services Operations Fall Short**

1. Lack of senior management visionary direction and support
2. Ambiguous definition of roles and responsibilities between the customer and the shared service center
3. Minimal customer engagement and involvement
4. Misalignment of functions (e.g., Finance, IT, etc.) with the business requirement of the business units
5. Absence of clear goals and measurable objectives for the shared service organization, other than cost reduction

Source: WGroup
However, it will not establish the type of ongoing customer engagement necessary for true expansion of services and anticipation of customer needs.

• A clear governance process—More proactive than surveys, a governance process can address problems, prioritize work, and gain customer commitment for plans and actions being undertaken by the shared services operation.
  
  • SOWs, SLAs, and chargeback mechanisms—In conjunction with a governance process, these initiatives engage the client more comprehensively.
    – Developing Statements of Work (SOWs) defines the work responsibilities of both the shared service operation and the customer.
    – Creating Service Level Agreements (SLAs) clarifies what service level the customer can expect
    – Establishing a chargeback mechanism based on usage will enable the shared service operation to have a conversation with their customers about how to reduce costs, rationalize services, and drive savings.

2. Engagement of the customer—The customer (business) tends to be superficially engaged; and often only during moments of escalation and crisis. This will inevitably result in misalignment of business objectives with the vision and operations of the shared services. Involving the customer in decisions around the services provided to them, and the improvement of those services, can be accomplished through a robust governance structure with clearly defined goals founded upon customer participation at three primary levels (illustrated in Figure 2).

3. Investment prioritization—Successful shared service operations face competing demands to increase services such as supporting new product additions, assimilating acquisitions and divestitures, keeping technologically current and relevant and supporting corporate initiatives. All of these demands typically need to be accomplished within defined budget constraints. Many successful organizations have found that demand management and sophisticated sourcing strategies are particularly effective levers to address this issue.

4. Continual process improvement with cost reduction—The inherent nature of every shared service center is that of a G&A cost center. As such, heads of shared service organizations are consistently focused on reducing cost, while simultaneously improving service on a year over year basis. Additional demands of daily operations, service

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**Figure 2: Governance Goals at Each Level**

<table>
<thead>
<tr>
<th>Primary Levels</th>
<th>STRATEGIC</th>
<th>MANAGERIAL</th>
<th>OPERATIONAL</th>
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<tbody>
<tr>
<td><strong>Strategic Level</strong></td>
<td></td>
<td></td>
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<tr>
<td>Main Objectives:</td>
<td>To ensure high level business goals are met and expected value is delivered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Questions:</td>
<td>• Do the retained and outsourced operations align with business goals &amp; strategies?</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• How can further value be achieved (i.e., continuous improvement, identify and evaluate new opportunities)?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Managerial Level** | | | |
| Main Objectives: | To monitor provider performance, manage issues, and contain complexity at a consolidated level |
| Key Questions: | • How quickly are issues identified, raised, escalated, and resolved; and at what managerial levels? |

| **Operational Level** | | | |
| Main Objectives: | To manage day-to-day operation and ensure efficient service delivery |
| Key Questions: | • Is the provider performance meeting service levels outlined in the contract? If not, has the provider conducted root cause analysis and planned improvement initiatives? |
| | • Are risks actively mitigated or managed: and issues properly resolved or escalated? |
levels, and work expansion can’t be overlooked. Overcoming these demands requires a keen understanding of market conditions, market trends and technological advances. One practice of mature shared service organizations has been the outsourcing of non-essential and transactional processes. Outsourcing reduces cost, ensures clear and accountable service levels, and leverages a providers’ leading edge practice capabilities.

Although typically addressed as a major effort early in the lifecycle of a shared service operation, rationalization is a never-ending task. A large number of organizations have implemented shared services functionally and regionally, however leading organizations have taken the next step of implementing shared services for several functions (e.g., Finance, IT, procurement, etc.) and have taken on the challenge of implementing global shared services to support multiple regions.

**SINGLE FUNCTION, SINGLE REGION SHARED SERVICES**

Single function/single region shared service organizations are a diminishing breed. Not only are the pure economics of operating a single purpose shared service center of only marginal financial value, but business processes are more intractably linked and may therefore create enormous opportunity for a stronger control environment. Concurrently, the growing globalization of business functions warrants a practice that is replicable, much in the same way manufacturing transformed in the 1960s and 1970s. This doesn’t make the single function/single region shared service model obsolete. It still has relevance as an early developmental stage.

**MULTI-FUNCTIONAL SHARED SERVICES**

Companies with successful shared service operations frequently implement multi-functional shared services, as a next step in their evolution, because they have achieved value from their current operation.

The expansion of the use of shared services into more functional areas may be appropriate for companies who:

- Need to further reduce costs
- Need to improve service levels
- Want to improve standardization of processes and systems
- Want to improve the availability and consistency of company data/information

Leveraging the shared service concept across multiple functions, while beneficial, will also present new challenges. One of those major challenges is the aspect of coordinating the touch-points and handoffs of these new support organizations. This can be addressed in the assessment phase through some form of governance structure, by aligning cross-functional priorities and projects (vs. the creation of “silos” and potentially conflicting efforts) to ensure the success of the whole.
GLOBAL SHARED SERVICES
Multi-national companies tend to take the first step of expanding shared services globally by creating regional shared services, attempting to duplicate their success in shared services from within one region. However, often these shared service operations are not linked across management practices, business and IT processes and systems, tools, and governance. Ensuring successful evolution to truly global shared services requires, standardization of support services organizations, tools, services and governance, typically beginning with the maximum possible global standardization of business and IT processes. Globalization also involves additional challenges, which may include:

• Realigning function ownership from regional/country to global
• Addressing perceived and real country-specific requirements and restrictions
• Defining a “standard” for services and tools across regions
• Establishing a governance process to ensure that customers and businesses are properly represented and their needs are met

Addressing the Challenge
To progress shared service operations forward, shared service managers should, first objectively evaluate how successful their shared service operation is today. WGroup suggests asking specific questions to help rethink the current support services operation, such as:

• What needs to change in the support operation to make it an effective, productive, business-driven service operation?
• What needs to change in the support operations to address the challenges of customer-focus, globalization and further commoditization of services?
• Is the organization measuring performance and the value provided to customers?
• Is the organization effectively using tools to better support customers (e.g., outsourcing, cloud solutions, etc.)?
• Are customers satisfied with the services received or are they seeking outside assistance to solve some of their business and IT problems?
• Are customers engaged to discuss issues, priorities, business changes, etc. on a periodic basis (i.e., at a minimum quarterly)?
• Are customers engaged throughout the organization’s hierarchy (e.g., executive management, business owners, day-to-day operators)?
• Is the organization positioned to readily support global operations and data needs?
• Are tools provided to customers to support their business analysis needs?
• Is all the information/data my customers need provided in a timely, proactive manner?

If the answer to any of these questions is “No,” consider a more detailed evaluation. Significant opportunities may be uncovered that can better position the organization as a more business-oriented, customer-focused operation.

“Global shared service organizations can be complex in design and implementation, but the ongoing control environment and financial benefits realized can be substantial.”

Michael Fullwood
Principal WGroup
WGroup Shared Services Consulting

WGroup’s Business Process Consulting services help organizations create scalable, cost-effective and outcomes-based service delivery platforms for business functions leveraging the right combination of shared services, outsourcing and offshoring. We provide fact-based strategy and assessment, design and build, implementation and roll-in and on-going value creation services covering finance, IT, HR, customer care and company-specific processes. For more information visit http://thinkwgroup.com/services/business-process-assessments/.

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Founded in 1995, WGroup is a boutique management consulting firm that provides Strategy, Management and Execution Services to optimize business performance, minimize cost and create value. Our consultants have years of experience, both as industry executives and trusted advisors, to help clients think through complicated and pressing challenges to drive their business forward.

For more information on WGroup, visit http://thinkwgroup.com

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