The Shared Services Roadmap

Cut costs and increase standardization with these best practices
Introduction:
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 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 actually 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.

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.
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 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 a number of 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:

1. **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.

2. **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 eliminates these problems and offers a significantly more transparent way of delivering services to business units.

3. **Lack of accountability**

   In a shared services model, it is always clear 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.
4. Poor process documentation

Without a shared services model, companies don’t 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 not well documented, often leading to confusion about how objectives should be accomplished, and further feeding the lack of standardization across the organization.

5. 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.
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 also is important to ensure that company leadership is fully on board with the team’s goals and is available to provide guidance.

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 state of affairs. 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 services
- Impact on people and management
- Impact on risk levels
- Impact on business processes
- Impact on cost
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, 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.
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. This is why 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.
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 also is 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.

WGroup recommends a three-tier governance model:

1. Day-to-day: requires weekly or monthly review of everyday operational items—essentially smaller, non-strategic concerns that can be discussed and allow the enterprise some granular control over the SSC.

2. Strategic: requires business leaders to determine what new tools and technologies are needed to improve service offerings, as well as deal with new operational risks and other strategic concerns.

3. Executive: requires companies to consider new innovations and forward-thinking strategies that could help drive future efficiencies. Business executives should strive to leverage existing processes as much as possible and integrate them into the overall corporate business strategy.
Phase Three: Implement and Roll Out

After detailed plans and preparations have been made, it is time for implementation. If the past steps have been done right, 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.
Phase Three: Implement and Roll Out

**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

The shared services plan shouldn’t end with implementation. It is critical that the company constantly work to improve, consolidate, and streamline services delivered to business units. This requires an ongoing monitoring of metrics and a willingness to rethink original strategies for the SSC. Two methodologies for continual improvement can be useful here.

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 with any excess costs.

Six Sigma

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.
About WGroup

Founded in 2004, WGroup is a management consulting firm with a peer-to-peer approach to IT optimization and service delivery transformation. The team is composed of consultants with over two decades’ experience as former C-suite executives and IT leaders. WGroup boasts a clientele that includes many Fortune 1000 companies across a wide range of industries, and is known for an outcome-driven, service provider-agnostic approach that optimizes IT operations and minimizes costs.

Visit us at thinkwgroup.com or give us a call at (610) 854-2700 to find out what we can do for you.