Shared Services: Where to from here?

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Who we are?

1. We are a volunteer run, member based organisation
2. Originated as purely a benchmarking association back in 1995
3. We now focus on “bringing shared services professionals together”
4. Services we provide:
   - Networking breakfasts
   - Executive lunches
   - ½ day workshops
   - Benchmarking studies
   - Site visits
   - Connect industry professionals
   - Training (under development)
   - Mentoring (under development)
5. We have both Corporate and Professional membership
What is Shared Services?

**Definition:** Shared Services is a service model traditionally designed to gain efficiencies and effectiveness in transactional processes by leveraging common practices through standardisation and utilising enabling technology.

**Goal:** The goal of shared service is to lower cost and deliver higher service levels of performance to both users and payers of the services.

**Attributes:** Functions that contain the following attributes are good candidates for shared service adoption:

- Routine, scale-based processes
- High cost base
- Known best practices
- Mature technology solution available
- Decentralised organisation structure
The Concept

Shared Services Roles

**Transactional**
- Capable of being done remotely
- Shared across company

**Tactical**
- Consulting and project type work
- Remote and regional

**Strategic**
- Embedded role
- Business specific
- Partner with management
- Push to change management and not ‘fire fighting’
What Does This Mean?

Operate Like A Business

- High Degree Of Specialisation
- Continuous Improvement Philosophy
- Leverage Skill Base
- Performance Based Rewards & Incentives
- High Quality Service, Standards & Measures
- Low Cost Provider
- Customer & Process Focus
- Leading Edge Enabling Technology
- Explore Opportunities To Create Value
- Continuous Improvement Philosophy
Consolidation Journey

*In the short term we are a “catalyst” for change, in the medium term we are an “efficient and effective business” and in the long term a “seamless and value creating” partner.*

“We are the best”

“*This is how we do it*”

**Consolidate & Standardise**

**Simplify & Re-engineer**

**Transform the way we do business**

**Reduce**

**Eliminate**

**Non Existent**
The evolution of Shared Services

• Increasing consolidation and improved efficiency and effectiveness.
• Some standardization & increase in service level
• Single country with single and multi-center structure
• Well defined serviced levels, 24/7 & KPIs
• Cost effective technology/bandwidth; Web-enabled workflow
• Multi-shore, partnering & single global providers
• Global end to end process standardization
• Enterprise wide enablement of best in breed cloud solutions
• Non-monolithic, multi-vendor environment (ERP++)
• “Fabric” of multiple low cost locations, emerging + frontier
• Self-service models, collaboration/social tools, millennial workforce
• Service level optimization, unified governance

Source: PwC Global Shared Services and Outsourcing Research

Operational benefits

- Disparate systems and ad-hoc solutions
- Replicated corporate & SBU activities
- Increasing consolidation and improved efficiency and effectiveness.
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Pre-80’s
Mainframe

50+%
5-10%
10-20%
20-40%

Decentralised Operations, Monolithic Systems

Early 90’s - Late 90’s
Client / Server. Networking

Coordinated In-House Practices

Traditionally Finance & HR SSC

Shared Services In-House

Increased cost reduction / variable structure, scalability, and agility,

Late 90’s - Present
E-Business, Internet-enablement

BPO/Offshore capture labor arbitrage

Finance, HR, IT

Present – Future
Hybrid. On-premise, cloud, (XaaS)

Multi-functional Integration
(Finance + HR + IT)

Next Generation Operating Model

Enterprise Business Services (EBS)

Source: PwC Global Shared Services and Outsourcing Research
Industry Trends

Where is Shared Services going...

- **New Service Offerings**: Multinationals continue to expand use of SSCs to deliver higher value services (e.g. legal, customer care, Supply Chain, R&D) to the business while outsourcing transactional work loads to 3rd party service providers.

- **Integrated Business Services**: Larger multinationals are moving towards an integrated business services model (or GBS) providing visibility into end-to-end business functions thereby dramatically enhancing value delivered.

- **Technology Impact**: New technologies like cloud computing, social media are increasingly having a direct impact on service delivery and customer interaction.

- **Delivery Model**: SSCs are being viewed as platforms for accelerating organization performance with a blend of global centers delivering standardized services and regional centers catering with localized needs (language, time zone, customers, etc.).

- **Delivery Locations**: Leading organizations seen establishing new centers in offshore locations outside of major metros (e.g. Shanghai, Bangalore) opting instead for tier 2 and tier 3 cities. Additionally, domestic sourcing (i.e. in the US) is on the rise with several states offering attractive incentives to businesses to establish SSC.

(Source: PwC Global Shared Services and Outsourcing Research)
Industry Trends

Where is Shared Services going...

- **Talent:** In view of the evolving nature of outsourcing, the need for talent is changing from the traditional technical skill-centric profile to include many of the skills required for higher-value services (e.g., customer care, vendor mgmt).

- **Technology & Governance:** Adoption of new & upcoming technologies (e.g., cloud services, data analytics, SaaS) is not only driving change in IT landscape but also influencing implementation of new governance models.

- **Innovation:** As product life cycles shorten and competition gets fierce in a financially unstable economy, customers are increasingly looking for differentiating innovation in services, solutions, and delivery models.

- **Existing Service Offerings:** Worldwide F&A BPO is expected to grow at ~6-8% for 2014 with experienced customers showing willingness to consume end-to-end F&A BPO & IT services (i.e., end-to-end processes in order to cash (O2C), procure to pay (P2P), and record to report (R2R) BPO services).

- **M&A:** Service Providers are merging via megadeals (e.g., Xerox & ACS, and Dell & Perot Systems) and niche tuck-ins (e.g., Genpact & Jawood, Infosys & McCamish), while middle market firms are growing with their SaaS offerings (i.e., ADP).

(Source: PwC Global Shared Services and Outsourcing Research)
Operating Model Trends

Companies considering operating model changes are following some defined trends

**Building the Operating Model of the future**
- Start small, increment as needed
- Global reach to penetrate new markets
- Focus on core business functions and hiring
- Accelerate path to scale advantage by using outsourcing service providers
- Grow at a reduced cost basis
- Strong interest in variable cost models

**Refining service effectiveness, driving to the next cost plateau**
- Most have existing shared service centers and are expanding
- Many are pushing into hybrid model – SSC/Outsourcing
- More activity in mid-office functions
- Beginning the path to Global Business Services models
- Further segregation of companies based upon culture and competency

**Using operating model as a strategic initiative**
- Large scale and ability to move operations to emerging markets
- Integration of multiple centers and governance become critical
- Hybrid delivery models and Global Business Service models are becoming more prevalent
- 2nd generation outsourcing – experience
- Even aggressive cost cutting companies are reaching plateaus and turning to outsourcing

According to IQPC, “84% of CEOs surveyed now consider operating model reengineering as critical to their business success”

1. **ASD** – Alternative Service Delivery: refers to Shared Services or Outsourcing or Hybrid service delivery model

Source: PwC Global Shared Services and Outsourcing Research

$0.2\ B \downarrow \$2.5\ B \downarrow \$3.0\ B \downarrow \$12.0\ B \downarrow \$15.0\ B \downarrow \$50+\ B$
Global trends look to regionalise shared service centres

**Americas**
- Canada
  - Halifax, Calgary
- United States
  - Columbia, SC, Denver, CO, Raleigh
  - NC, San Antonio, TX, Salt Lake City, UT,
- Mexico
  - Mexico City, Guadalajara, Monterrey, Tijuana
- Guatemala
  - Guatemala City
- El Salvador
  - San Salvador
- Costa Rica
  - San Jose
- Peru
  - Lima
- Chile
  - Santiago
- Argentina
  - Buenos Aires, Cordoba

**EMEA**
- UK
  - Dublin, Ireland, Glasgow, UK, Manchester, UK
- Spain
  - Madrid, Barcelona
- Caribbean
  - Montego Bay, Jamaica, Port of Spain, Trinidad,
- Nikon
  - Manama
- Venezuela
  - Caracas
- Brazil
  - Sao Paulo, Rio de Janeiro, Belo Horizonte, Cordoba, Curitiba, Campinas

**APAC**
- Eastern Europe
  - Prague, Czech Republic; Brno, Czech Republic, Ostrava, Czech Republic; Bratislava, Slovakia; Kosice, Slovakia;
  - Budapest, Hungary; Debrecen, Hungary; Warsaw, Poland;
  - Krakow, Poland; Katowice, Poland; Bydgoszcz, Poland;
  - Lublin, Poland; Bucharest, Romania; Cluj, Romania; Lasi, Romania; Sofia, Bulgaria; Varna, Bulgaria; Kiev, Ukraine;
  - Lviv, Ukraine; Zagreb, Croatia
- China
  - Shanghai, Dalian, Shenzhen, Guangdong
- India
  - New Delhi, Mumbai, Pune, Bangalore, Hyderabad, Chennai
- Sri Lanka
  - Colombo
- Bangladesh
  - Dhaka
- Thailand
  - Bangkok, Chonburi
- Malaysia
  - Kuala Lumpur
- Indonesia
  - Jakarta
- Australia
  - Sydney, Melbourne
- New Zealand
  - Auckland

*Non-exhaustive list*
Outsourcing...stuff to think about!

1. **Strategy vs cost reduction:** be clear on the organisation strategy and how Outsourcing supports this (voice vs transactional, customer facing or not, internal facing or not)
2. **Selecting a vendor:** vendor selection can be a time consuming and costly process, look at the value of using an implementation partner through this process to ensure that you get the best value (third party). Try to select the partner that is going to be flexible (especially if you have immature processes)
3. **Core vs Context:** Outsourcing transactional work to focus the retained team on value add is outdated, providers can now add a lot more value
4. **Cost / Benefit:** Be clear on the costs / benefits of outsourcing and speak with other organisations that have gone through the journey...often there are costs that are missed...and they add up
5. **Black box margins:** Look to select a vendor that has transparent pricing, they are running a business but often there is insufficient transparency in pricing
6. **Technology requirements / costs:** often significant improvements (cost reduction) are achieved with technology implementation. While outsourcing vendors provide some of the technology required to enable outsourcing (workflow tools, mail / scanning solutions, call routing etc.), you will need to assess if there is any technology constraints and the resulting impact (increased headcount / process changes / policy changes etc.)
7. **Juggling service provider costs and value:** Shared services and outsourcing is just as much about cost reduction as it is delivering value
8. **Death by change request:** similar to technology implementations, when implementing outsourcing a change request if often a mechanism used by service providers to adjust pricing
9. **Process control:** look at the value of retaining process control within your organisation and the cost of doing this (process owners)
10. **Retained headcount:** often organisations underestimate the level of retained headcount required in their transitional or end state...keep this in mind when building your business case
11. **Sourcing model:** look at the right model for your organisation - outsourcing does not necessarily mean off-shoring
Common phrases used on the Shared Services journey

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It takes patience to listen but it takes skill to pretend you are listening.
So what does this mean?

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Organisational Operating Model

- **Corporate Centre**: (set direction/policy)
- **Contract for performance**
- **Funding**
- **Service Delivery**
- **Corporate policy**

- **Operating units**: (Serve Customers)
- **Request**
- **Shared Services**: (deliver services)
- **Service Delivery**
- **Regular Market assessment**