

Shared Services Handbook  
Hit the road



# Contents

## Foreword

Deloitte's Shared Services Leaders explain why they've created this Handbook – to capture some of the key points and lessons learned over our two decades of helping companies through the complex, demanding journey that is a shared services implementation.



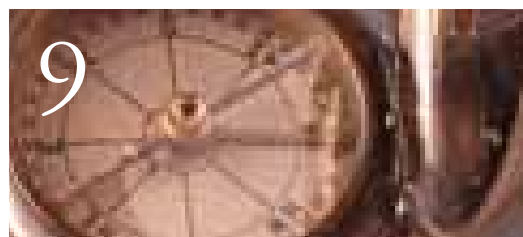
## Why consider shared services?

How does the concept of shared services differ from outsourcing and centralisation? What benefits can you expect and which services are a good fit?



## Phase 1 – Assess feasibility

Most organisations start their feasibility study without a clear vision of what they can achieve. You should use the feasibility phase to develop your vision, define how processes could be split between local businesses and the shared services centre (SSC) or outsourcer, define the technology to use, assess possible locations and agree the most appropriate solution. By the end of this phase, your business case should set out financial and non-financial benefits so that you can make an informed 'go, no-go' decision.



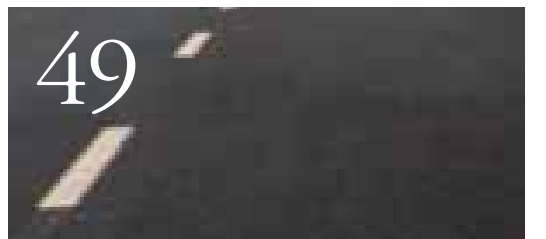
## Phase 2 – Design

During design, you need to build a detailed picture of what your future processes will be: who will do what, where they will do it and how. Technology is likely to be a key process enabler and detailed technology designs are likely to be required to support your processes. This project will have a huge impact on employees, so it's important to identify and engage all stakeholders, so you can plan for and overcome resistance to change. To clarify the relationship between the SSC organisation and its internal customers (typically the local businesses units), service level agreements and performance measures will be designed.



## Phase 3 – Build and test

This phase is when everything comes together: it requires the close integration of process designs, the technology tools that support them and the users who will operate the SSC day-to-day. You'll be creating policy and procedure documents, user guides, training materials and detailed job descriptions, as well as selecting staff for new roles, communicating with all employees whose jobs are affected by the SSC and training employees in the new processes and technology. Testing it before the 'go live' date is essential – make sure you allow sufficient time for this.



#### Phase 4 – Implement and roll out

Up to this point, a great deal of work has been done creating 'on paper processes' that are efficient in a test environment. Going live, however, will be the acid test. This phase is about making sure your solution actually works, the business is in a ready state to transition and that the migration itself is managed and controlled. You'll need to decide whether to go for a 'big bang' or phased approach to stagger the migrations over time, and support knowledge transfer from the old organisation to the new. It will be challenging to process business-as-usual transactions while transitioning to the SSC, but clear planning and adequate resources will overcome this.



#### Some closing thoughts

Is there a future for captive SSCs in today's mature business process outsourcing (BPO) market? We believe there is, for risk averse organisations with processes that are not yet stable or standardised, and also those interested in moving up the value chain and sharing more than transaction processing. Global Business Services, where one organisation provides all support services to all business units worldwide, will become more prevalent but it is not a solution that will work for all organisations and the implementation risks can be significant.



#### Phase 5 – Optimise

Establishing the SSC is not the end of the journey. Although you will have accomplished a great deal by this point, there are always new opportunities to optimise working practices. Once your SSC has stabilised, and a strong business partner relationship between the SSC and the Local Business Units (LBUs) has bedded in, you can move forward by building a permanent culture of continuous improvement. We are currently witnessing a growing trend where the more mature centres are revisiting their shared service models to derive higher levels of service and cost efficiency. By focusing on continuous improvement and periodically reassessing your shared services model, you can ensure that you continue to reap the benefits for years to come.



This handbook provides a practical overview of the key aspects involved in considering, designing, building and implementing a shared services centre. It is based on the cumulative experience of our team gained over the last ten years helping more than 500 companies with their shared services programmes. The narrative section of each chapter contains a case study about a company, Hi-Tech plc. Hi-Tech is not a real company and any similarities to existing organisations with the same name are entirely coincidental. This handbook does not include an exhaustive analysis of all the steps required to implement shared services; therefore, it should not be, and we take no responsibility if it is treated as advice or relied on as a guide for designing, building or implementing a shared services centre (SSC). Any person intending to design, build or implement an SSC is advised to obtain and should rely on advice provided by that person's own relevant professional advisers, who have knowledge of that person's specific requirements and circumstances.

# Foreword



Organisations have been implementing shared services centres (SSCs) since the mid-1980s, but there is still much interest in the topic. We think this is because organisations continue to recognise the strategic value of implementing SSCs as well as reducing their cost base, improving controls and enhancing service levels.

Whether you are still evaluating your options around shared services, or considering a radical overhaul of an existing SSC, this Handbook is for you. We created it to capture some of the key points and lessons learned over two decades of helping companies through the complex, demanding journey that is a shared services implementation. While we can't include an exhaustive list of all the steps required to make your implementation a success (the full Deloitte SSC methodology runs to several hundred pages), we have tried to give you a feel for some of the key issues you will face at each stage and how to proceed.

In the opening section, Why consider shared services, we briefly assess the benefits of shared services and outsourcing, and what functions and processes they might include. We also introduce a methodology for implementing shared services and each subsequent section covers a phase – from assessing feasibility, through to design, build and test, implement and roll out, to optimise. Whilst we have included some elements of outsourcing in the feasibility phase, subsequent phases concentrate solely on SSCs.

In each section, you'll find a number of quotes from companies such as BP, Shell, Pfizer, Procter & Gamble and Oracle that have successfully implemented shared services, as well as a hypothetical case study that highlights the issues a typical organisation is likely to face. For simplicity, this case study is based on a single function SSC for finance. We then assess how the company in our case study is doing before introducing the key steps your organisation will need to take and the issues you may encounter. Each section concludes with a checklist of things to consider before progressing to the next phase.

Ultimately there is no substitute for experience. Deloitte has an experienced multidisciplinary team with global coverage to assist in all phases of shared services programmes. This means we help not only with process, technology, change and project management but also with the important associated matters such as evaluating the tax, site selection and internal control implications of a shared services strategy. And our global coverage ensures we have people with the right local skills and experience for multicountry implementations.

It often seems that wherever you are in your shared services journey, you still have a way to go. But the journey is always easier if you have sorted out the fundamentals, and we hope this Handbook is useful. If we can be of further assistance, we look forward to hearing from you.



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# Why consider shared services?

## Hi-Tech Plc\*

"Richard's high expectations still surprise me, even after so many years," thought Paul after Richard, the chief finance officer (CFO) of Hi-Tech plc, left the room. Paul, Hi-Tech's global head of operations, had forwarded Deloitte's new CFO survey to Richard with a note: "Is it worth transforming our service delivery model?"

Richard had come into Paul's office with his customary gusto. "Paul, this CFO survey is really interesting. Since we acquired GMaster I've been thinking about how we can consolidate and standardise some of our back office processes. Definitely Finance and IT, maybe HR a bit after that? There's so much duplication of processes across the business, and in this economy, we have to minimise costs. I think we can deliver the same or better services to the business and save money. What do you think?"

Paul was excited by the challenge. "I've been thinking about how we can go about this, but I need more time to digest it and do some research. Leave it with me and I'll get back to you by the end of Q1".

## 31 March – Year 1

Paul's research revealed that transforming back office functions to become more focused on delivering services was not an easy task. It would have a huge impact on their people, whether they went with shared services, outsourcing or some combination of the two. He didn't yet know which route to recommend, especially given the regulatory environment of some of the countries Hi-Tech operated in such as Russia and China.

Paul talked over the options with Richard. "Paul, you've made some good progress, but I need more concrete analysis. Get me some numbers and a high level analysis of the implementation risks that I can take to the Board next quarter."

## Analysis

### The story so far

Let's consider how Hi-Tech Plc\* is doing:

Plus (+)	Minus (-)
<ul style="list-style-type: none"><li>• Senior management interest and commitment to change.</li><li>• CFO pushing for consolidation, standardisation and the same or improved level of service.</li><li>• Recognition that data analysis is required to provide more in depth information to the Board.</li><li>• Recognition of the sensitivities associated with the impact on finance personnel.</li></ul>	<ul style="list-style-type: none"><li>• Limited consolidation and standardisation since acquiring GMaster.</li><li>• Potentially unrealistic expectations from the CFO regarding the implementation of service delivery model.</li></ul>

In many organisations, transaction processing and other support services are carried out from a number of different locations, each of which performs the work in its own way. This trend can be exacerbated when companies go through acquisitions, such as in our hypothetical case study about Hi-Tech.

There are clear benefits to stripping out the lower value transaction processing common to (or shared by) these disparate sites and bringing it together at one site, be it as a shared service centre or outsourcing or some mix of both. Processes are standardised, the people and technology are relocated to agreed site(s) and the work is reengineered to bring it to world-class standards. In addition, it is now common practice for companies to include higher value services, such as tax and legal, within shared services or outsourcing arrangements.

### It's happening globally

Wherever you are at in your shared services journey, you are in good company. Companies such as General Electric and Baxter Healthcare first applied the shared services concept in the US in the mid-1980s.

It is now estimated that over 80% of Fortune 500 companies have implemented some form of shared services in their US operations. Although Ford applied the shared services concept in the early 1980s, it was not until the early to mid-1990s that early adopters in Europe, such as Intel, Whirlpool and Allergan, proved the pan-European concept.



\* Hi-Tech plc is not a real company. We have written this storyline to illustrate some of the issues that a real shared services implementation might raise.

Since the mid-1990s, a number of multinational organisations with SSCs in the US and Europe have expanded the concept into South America and Asia. Companies such as BP, Shell, Pfizer, Procter & Gamble and Oracle have proved that a global shared service structure is both possible and able to deliver clear financial and operational benefits. In addition, as SSCs mature, SSC directors continue to focus on improvement and optimisation efforts in a bid to reduce costs whilst maintaining or enhancing service levels.

These days many organisations operate in an increasingly competitive global market. Many also have growth strategies targeting emerging markets. In this changing global landscape, critical questions arise when evaluating how an organisation can best deliver its services, what we call the service delivery model.

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**“Creating a hybrid model – which means a combination of shared services and a BPO provider – can add tremendous value to your organisation. To get it right, you need to understand what should go direct to your BPO provider and what should remain in house because you shouldn’t send poor processes over the wall. Once a process is commoditised, we take it offshore. You’ve got to believe that the BPO provider can always do things a little better.”**

**Nigel Coffey**  
Service Delivery Director, Pfizer

### **Service delivery model**

Transforming your back office and/or middle office to be more service focused can take many forms, from the traditional captive shared service centre where certain activities and processes are delivered from a shared location (generally in a lower cost location), to outsourcing (where a business process outsourcer delivers your activities and processes) to a combination in between. We have seen companies using captive shared services to deliver ‘higher value activities’ and outsourcers to deliver more transactional activities; companies using outsourcers for higher value activities with no shared services; and companies using only shared services or outsourcing.

Regardless of the model chosen, the key principles remain the same: standardisation, consolidation, reengineering and automation. The challenge is to choose the most appropriate delivery model for your organisation and your objectives.

### **Shared services ≠ centralisation ≠ outsourcing**

It is often helpful to distinguish – earlier rather than later – how an SSC differs from a centralised corporate (head office) function and indeed from outsourcing. This can be especially important in companies that favour a ‘hands off’ management style, where anything originating from the head office may be viewed with suspicion.

Rather than being run as a centralised function, an SSC operates as an internal customer service business. It typically charges the business units for services provided, and uses service level agreements as a contractual arrangement which specifies cost, time and quality performance measures. Business unit management is, therefore, able to focus a greater portion of its time on external customers and issues of strategic importance by redirecting the role of local finance to one of decision support and analysis. It differs from outsourcing, where an outside organisation is responsible for performing the tasks. With shared services, employees still perform the jobs and the systems should be fully integrated with the business units’ systems and processes.

The diagram overleaf compares the various attributes of a SSC or outsourced model to centralisation.

Attributes	SSC or outsourcing	Centralisation
Orientation and accountability	Business units	Corporate
Key performance targets	Service excellence and continuous improvement	Cost reduction and central control
Use of key performance indicators, service level agreements, service costing	Widespread	Rare
Likely location	Neutral location separate to corporate business unit	Corporate
Classification	An independent unit	Another corporate function
Run by	An entrepreneur/external service provider	An accountant

## Tools and techniques

### Drivers of change

Companies are considering shared services or outsourcing to address a number of challenges, including:

- Support function costs (e.g. IT, finance, HR) are too high and growing too fast.
- 'Back office' mentality and poor service levels.
- Lack of standardised systems, restricting the implementation of technology solutions.
- Poor access to relevant management information due to lack of adequate business intelligence tools and information.
- Desire to manage business growth without adding a proportionate number of finance and administration staff.
- Lack of local 'business partnering' because finance's role is largely transaction processing and fire fighting.
- Need to comply, at optimal cost, with legislation.
- Company mergers and acquisitions.
- Globalisation and increased competition.
- The drive for increased shareholder value.

### Who could benefit from transforming their service delivery model?

Characteristics of an organisation that would benefit from shared services include:

- Multiple, dispersed locations.
- Unnecessary local administrative presence.
- Non-standard processes.
- Duplication of work across sites.
- Incompatible information systems between locations.
- Limited access to enabling technology.
- Sites that do not share best practices.
- Development of local or temporary solutions at each site.
- Rising support costs.
- Sites that struggle with their service levels.



Companies with these characteristics find that the real costs of providing internal support services are not visible or under control, quality is not appropriately measured and internal customer expectations are neither known nor met.

### **Benefits of SSC**

#### **Increased efficiency**

- Best practice processes.
- Economies of scale.
- Greater span of control.
- Lower labour costs.
- Get the most from investment in technology.
- Standardisation.
- Reengineering.
- Integrated procurement.
- Acquisition synergies.

#### **Increased effectiveness**

- Enhance customer service focus from:
  - Front-office mindset.
  - Service level agreements (SLAs) and service costing.
- Make the most of specialist skills.
- Management freer to focus on business issues.
- Improved decision support.
- Easier to do data warehousing.
- Improved control environment.

### **What processes can be shared or outsourced?**

To date, many companies transforming their service delivery model have focused primarily on finance processes, with payables, expense processing and general ledger being the most common. This is because these processes are usually (or should be) similar between one business unit and another, are rarely seen as strategically important or particularly close to external customers, and involve significant numbers of staff. As a result, moving such processes into an SSC or an outsourcer can provide a significant cost reduction.

Once the agreed service delivery model is established, companies often look beyond the finance function. At a national level, many of the human resource (HR) administrative processes and tax and legal activities can be shared or outsourced or both. Several customer management processes also lend themselves to a shared service environment.

Order entry and resolving customer queries are clearly processes that are close to external customers and service levels therefore critically important to the business. However, organisations are increasingly putting these processes into shared service structures (often referred to as call centres) where customer linkages via phone, e-mail, fax, electronic data interchange (EDI) or post can be maintained.

Processes best suited to shared services are those that are not strategically critical to the business and are common across business units.

Shared services have undergone major transformation over the last ten years. Previously, companies implemented shared services to standardise and consolidate their processes whilst ensuring a compliant controls environment. The underlying goal was mainly cost reduction. Whilst this is still true now, the focus has shifted to enhancing services and providing higher value activities such as forecasting, reporting and treasury. As shared services deliver improved quality, finance, HR and IT can concentrate on being partners to the business and help drive strategic growth.

More information on what processes can be shared or outsourced is provided in the Feasibility section.

### **Don't forget the big picture**

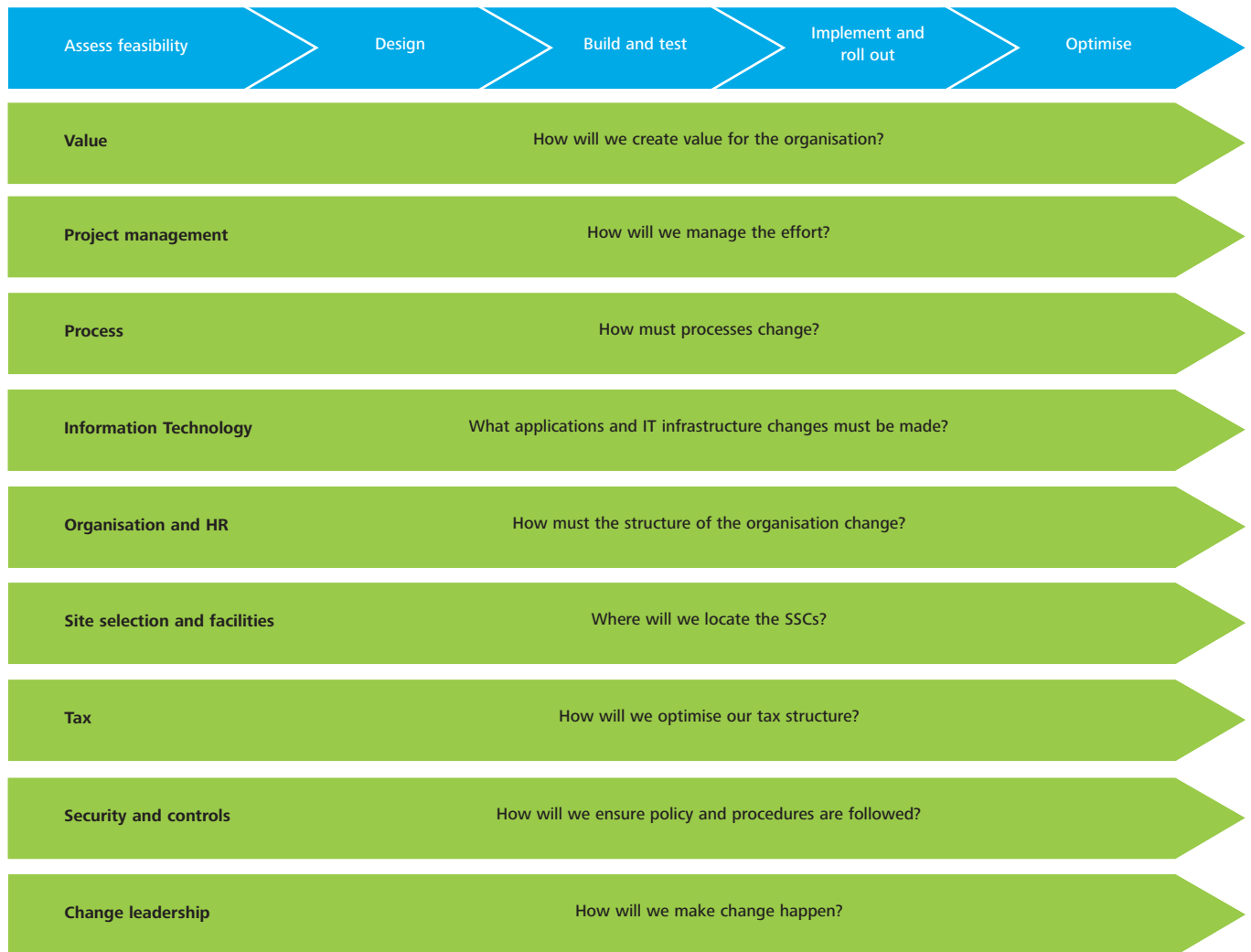
The decision to transform your service delivery model should be made in the wider context of, and integrated with, your overall business strategy. In particular you need to consider your organisation's current and desired 'value chain' and how supplier and customer interactions can be facilitated within a shared services or outsourcing environment.

It must be emphasised that implementing a new service delivery model is complex and demanding in terms of company resources and time. It involves a number of company-wide issues, such as IT and tax-efficient structures. For the sake of simplicity, in this handbook we focus primarily on the design and implementation of finance SSC. We do not discuss outsourcing, IT or other issues such as commissionaire structures in detail.

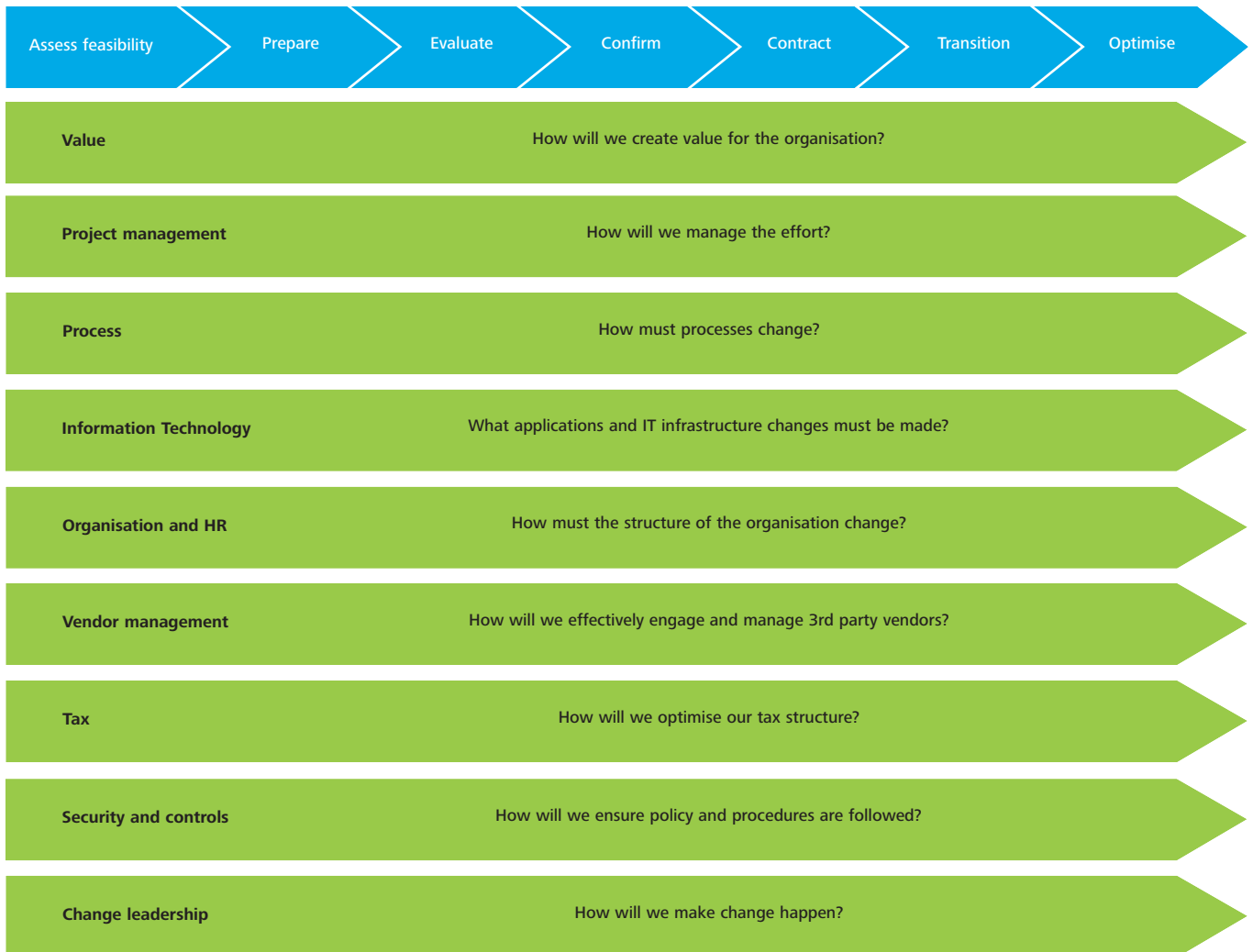


### Typical service delivery project phases

The process of implementing a service delivery project is different for every company; however, Deloitte uses a structured methodology for SSC and outsourcing. The SSC methodology has five phases with different activities that need to be carried out during the course of an SSC project.



The outsourcing methodology is described below (the rest of this Handbook focuses on SSCs).



### Checklist

Before proceeding to Phase 1 – Assess feasibility, ensure that you have:

- Understood the benefits of implementing shared services or outsourcing.
- Determined that your organisation matches the profile of an organisation that would benefit from a service delivery model transformation.
- Considered whether your objectives align with the potential benefits of a new service delivery model.
- Considered other strategic initiatives being planned.
- Ensured that senior management believes the idea is worth investigating.

# Phase 1 – Assess feasibility

## 6 April – Year 1

Since his last meeting with Richard, Paul had been on a mission to collect information. Though still excited, he began to feel a bit out of his depth.

After getting an initial okay from the board, Paul embarked on the feasibility study by sending out questionnaires under the guise of an internal benchmarking study on productivity. Today the country controllers were all in town for a workshop to discuss some budget issues. He was sure the meeting would at least highlight why they needed to standardise and identify an internal benchmark.

Six hours later, Paul sat slumped in his chair. He had listened to each of the controllers produce data showing how they had improved productivity over the past six months and how, as a percentage of sales, they were almost all world class. But it didn't add up. Paul's numbers showed that total selling, general and administration (SG&A) costs in Europe were still increasing by the quarter, yet despite spending more, complaints from internal customers were at an all-time high. Further, each controller seemed to have defined 'transaction processing costs' differently, invariably underestimating their true costs and overestimating the volume of work they performed. "How am I supposed to get accurate information that I can trust?" he wondered.

## 16 April – Year 1

Following more internal discussions, Paul attended a roundtable on service delivery models to get more information. The meeting was productive but highlighted the need for external support during the feasibility study.

Paul's last task before setting off on a two-week holiday was to post the letter to Management Consulting Firm. He'd chosen the firm after a terse Board meeting. "Do we really need someone else to tell us to go ahead? We know we want to do it!" contended Richard, the CFO.

"Yes," insisted Paul. "You're committed; I'm committed. But we have 11 countries out there. We need a third party that can help us get accurate information – which our offices aren't giving us. We need to understand all the options, and the benefits of shared services versus outsourcing in all our locations."

Richard finally agreed. "Ok. But I want an in-depth business case that maps out all the implementation risks, and I want it by the next Board meeting in June. Let's push the boundaries and not go for just transaction processes."

## 7 June – Year 1

Paul reviewed the consultants' report, which provided benchmark data on current business processes and the costs of current back office functions at Hi-Tech's major European operations. As their analysis was based on common process definitions, Paul felt confident that he now had accurate data on which to build a business case. Already, he could see variances between the offices. Still, this was only a starting point. Now he needed to determine the most efficient and effective delivery model given Hi-Tech's corporate strategy.

## 18 June – Year 1

Richard met with Ken, the CEO, prior to the Board meeting to go over the initial results of the feasibility study.

"Richard, this is great! We really need to do something about our support functions. It looks like outsourcing delivers the highest cost savings and will free you up to focus on more strategic tasks."

Richard was worried about Ken's strong preference for outsourcing so early on. What about compliance and control? Quite honestly, there was more at stake than cost. He'd have to review the list of risks in Paul's report in more detail.

## 27 June – Year 1

Having evaluated the different options, the Board decided that their appetite for outsourcing was not as strong as the CEO may have thought. The Board asked Paul to improve current processes, get buy-in from key stakeholders and prove that internal shared services were world class before outsourcing. They agreed to re-evaluate the option to outsource within five years.

With a good steer on what to do next, Paul was asked to start work and present a detailed plan and budget at the Board's next quarterly meeting. Although he was comfortable with the numbers, Paul felt a nagging uncertainty about the impact the SSC would have on the organisation.



# Analysis

## The story so far

Let's consider how Hi-Tech\* is doing:

Plus (+)	Minus (-)
<ul style="list-style-type: none"><li>• Understood there were opportunities to achieve benefits from redefining their service delivery model.</li><li>• Recognised need to gather accurate, comparable benchmarking information across the countries.</li><li>• Willing to bring in external expertise when the need was identified.</li><li>• Obtained objective and comparable benchmark data on current processes and costs.</li><li>• Evaluated options and developed business case for approval by the Board including consideration of key risks.</li><li>• Willing to consider more than transaction processes.</li></ul>	<ul style="list-style-type: none"><li>• Unable to obtain objective, comparable benchmark data internally.</li><li>• Limited understanding about how the new service delivery model will operate and what the business case will be.</li></ul>

Most organisations start their feasibility study without a clear vision of what they can achieve. They use the feasibility study to assess their options for delivering services and agree the most appropriate solution.

Though many organisations are tempted to skip this stage, a feasibility study is an important step. It's an opportunity to:

- Develop your vision of and objectives for how services will be delivered.
- Identify and evaluate all the options, and which will work best for your organisation in light of your vision and objectives.
- Define and agree which processes need to be performed by the local business unit and which processes can be shared or outsourced.
- If appropriate, identify a list of potential outsource providers given the scope, scale and high level requirements of your project.
- Identify compliance and tax considerations.
- Develop a high-level project road map.
- Analyse the costs/benefits and develop a high-level business case.

At the end of the study, you should have a business case that sets out the financial and non-financial benefits, and be able to make an informed 'go, no-go' decision. This business case should set out the costs, benefits, implementation risks, likely time period for a return on your investment, and the impact of the transformation on your organisation.

## Tools and techniques

### Assess your service delivery model

What do we mean by a service delivery model?

In essence, it is the structure you adopt to transform your back office to be more service focused. It can take a number of forms, from shared services to outsourcing to a combination of the two.

Prior to transforming your back office, it is important to assess all the options and develop a robust business case that addresses both qualitative and non-qualitative considerations. This will help you understand the financial payback, as well as the key risks and considerations that will influence how well your organisation handles the transition.

When implemented successfully, a new service delivery model achieves financial cost savings and allows each of the functions (whether finance, HR or IT) to concentrate on delivering high-value services to the business.

\* Hi-Tech plc is not a real company. We have written this storyline to illustrate some of the issues that a real shared services implementation might raise.

The tools and techniques in this section will help you to assess whether transforming your service delivery model is viable and to evaluate different service delivery models. The rest of the Handbook concentrates on designing, building, testing and migrating to a shared services centre (SSC).

The decision to transform your service delivery model should not be taken lightly. From the decision to proceed, shared service projects typically take anywhere from 12 months to 36 months to implement, involve large-scale change and are highly demanding.

Outsourcing implementations can take anywhere from nine months to 18 months to complete. Whilst outsourcing also involves large-scale change, it can be typically implemented in a shorter timescale by leveraging the outsourcer's existing infrastructure including facilities, recruitment capability and implementation experience.

Over the years, the take-up in outsourcing as an alternative to SSCs has increased significantly as the quality of services provided increases and companies strive to reduce costs. However, this does not necessarily mean that outsourcing is for you. As stated earlier, you need to agree the most appropriate service delivery model depending on your vision and objectives. For some companies, using a combination of both SSCs and outsourcing works well.

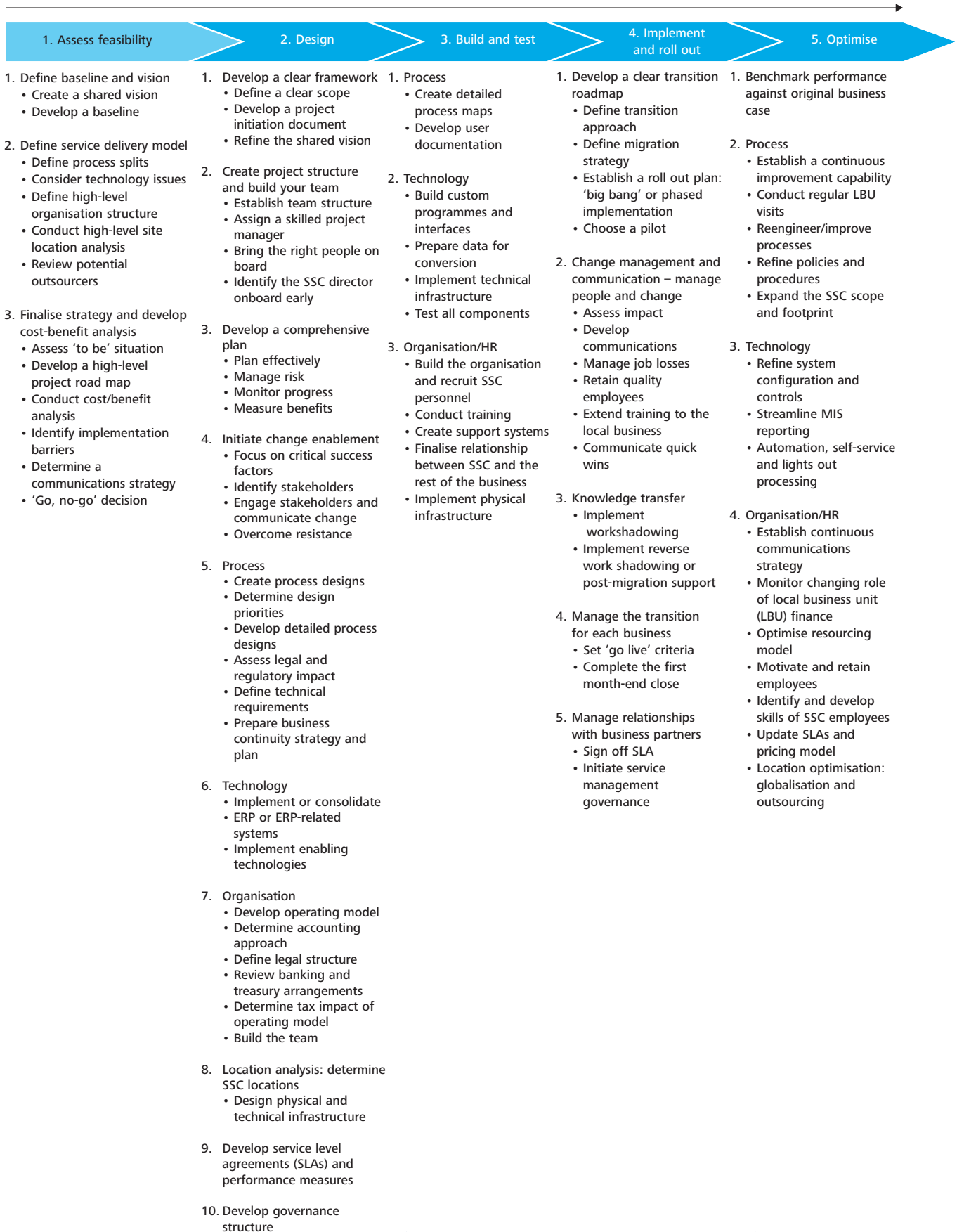
#### Assess feasibility

The process is different for every company, but the diagram overleaf illustrates typical activities of a feasibility study.





Manage the process and enable change



Quality Assurance check points

When evaluating the service delivery model, it is worth addressing the following questions as well:

- Does the current model support the overall organisational strategy?
- Is the current model scalable to support organisational growth (internal or external) objectives?
- Do you have the level of consistency and transparency across operating units you need to effectively manage your business?
- Are skill sets appropriately aligned to the work they currently perform?
- Can you afford to devote management time and energy to what may be perceived as a non-core activity?
- Do you have an appropriate service culture across your back office functions, and if not will you be able to create and maintain one?
- Do you have access to and experience of implementing, maintaining and upgrading world-class technology?
- Do you have the capability to manage third party vendors?
- Do you have any specific compliance/data security requirements that may require you to provide services internally?
- Have you successfully outsourced any internal business functions in the past?

### Create a shared vision

Implementing a new service delivery model is a major event in a company's life, involving considerable change and disruption, particularly to staff. Before attempting to implement the change you will need the buy-in, support and commitment of key stakeholders, namely executives and senior management from areas of the business directly affected by the implementation. Once you have identified key stakeholders, invite them to workshops where their concerns and perceived barriers to implementation can be understood and addressed.

At the same time a shared vision can be developed of what the delivery model will look like, including:

- What processes will be included.
- What IT system will be used.
- How many centres are needed.
- Where the centres might be located.
- What services will be delivered from which centre (if there are multiple centres).

Key stakeholders may be concerned that shared services will threaten the business unit's ability to set and manage the strategic or operational direction of the business or override policies that affect them. There may also be fears that participation will be mandated, and business units could lose responsibility for managing capital employed.

Specific outsourcing concerns may include:

- Perception of diminished business flexibility through the use of commercial/contractual arrangements.
- Potential reputational and people impacts.
- Security and data concerns.

Developing a shared vision allows these concerns to be addressed at the very beginning of the project and increases senior stakeholder/executive sponsorship.

### Develop a baseline

To assess whether there is a case for transforming your current service delivery model, you need to understand clearly the cost and quality of your current operations versus an estimated cost and quality of your new service delivery model.

The cost and quality of the current processes can be assessed through internal and external benchmarking (where appropriate and possible).

Inter-site comparisons provide a clear picture of performance at different locations and variances in productivity. It is essential that this information be based on accurate, reliable data, which in most cases is not readily accessible and must be collated and analysed. Qualitative information to further assess the effectiveness of these processes can be obtained using stakeholder interviews, internal customer satisfaction questionnaires and workshops.

The sample diagram overleaf illustrates how processes at the company in our case study, Hi-Tech, vary across four countries. Process measures are per full-time equivalent (FTE), per annum (pa).

High-Tec processes – current productivity across four countries					
Process	Process measure	Countries (current performance)			
		A	B	C	D
Order entry	No. of orders (FTE, pa)	50,000	85,000	55,000	65,000
AR-remittances	No. of remittances	100,000	110,000	150,000	130,000
Travel and expenses	No. of claims	20,000	35,000	40,000	25,000
AP – invoices	No. of invoices	15,000	16,000	18,000	22,000
FTE – full time equivalent	Pa – per annum				

As well as obtaining accurate and reliable benchmarking data, it is also vital to understand issues that affect current levels of process performance. Only by understanding these factors is it possible to identify actions that can be taken to improve process performance levels. For example, the causes of poor process performance may include:

- Lack of integrated systems.
- Largely manual and paper-intensive processes.
- Narrow spans of control.
- Minimal sharing of leading practices across locations.
- Disparate and fragmented policies and procedures.
- Silos of inconsistent and inaccessible management information.
- Limited focus on internal customers.
- Relatively low skill levels.

### Define service delivery model

#### Define process splits

Processes under review for inclusion in a service delivery model will need to be mapped to determine which parts of the process must be performed by local business units (remain local) and which can be consolidated. It is imperative that these processes are clearly defined and that the boundaries between the SSC/outsourcer and local responsibilities are made explicit.

This split of work will need to be defined at a very granular level during the detailed design phase to ensure absolute clarity in accountabilities. At this point, the objective is to define the split of work in enough detail to communicate to stakeholders what will be consolidated and what will remain local, and to develop the business case.

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**It is imperative that these processes are clearly defined and that the boundaries between the SSC/outsourcer and local responsibilities are made explicit.**

The 2x3 matrix below, which analyses an entire end-to-end process based on its characteristics, is an effective tool for defining process splits.

Processes are grouped along two axes: the y axis shows their relationship to the business (what must remain local versus what can be consolidated); the x axis shows the method of adding value (the level of skills required to deliver the work).

Processes that require face-to-face contact with local operations or customers, are unique to one site and do not occur in most other sites, or require specific knowledge are in boxes 1 and 2. Processes that could or currently do occur in a common way across a number of different countries are in boxes 3 and 4. Processes that could or do occur in a common way and require no proximity to the region, country or division are in boxes 5 and 6.

Moving to the question of skills, we see that work that is repeatable and transactional falls into boxes 1, 3 and 5, and the goal for these processes is to meet defined service levels in the most efficient way. In contrast, work that requires specific knowledge or skills – or is more decision intensive – is placed in boxes 2, 4 and 6.

Using this tool, it becomes clear that work in boxes 3, 4, 5 and 6 represents the best candidates for consolidation. In general, processes in boxes 3 and 5 are candidates for transactional shared services or outsourcing, while processes in boxes 4 and 6 could be consolidated into centres of excellence (centres with specific skills and expertise) which may include corporate.

Where the shared service centre or outsourcing is located is the main difference between boxes 3 and 4 versus 5 and 6. Boxes 3 and 4 require more proximity to the country or division and therefore tend to be good candidates for regional shared services/outsourcing, where for example, language skills are required. Boxes 5 and 6 require no proximity to the country or division and are good candidates for global shared services/outsourcing. In finance for example, we find that most of accounts payable processing will be performed from a global centre.

In general we find that companies start with traditional non-core processes and then extend shared services/outsourcing responsibility as confidence in delivery increases. Over the years and as shared services/outsourcing matures, companies continue to move up the process 'value chain' and share processes such as reporting, which have tended to be performed by local business units.

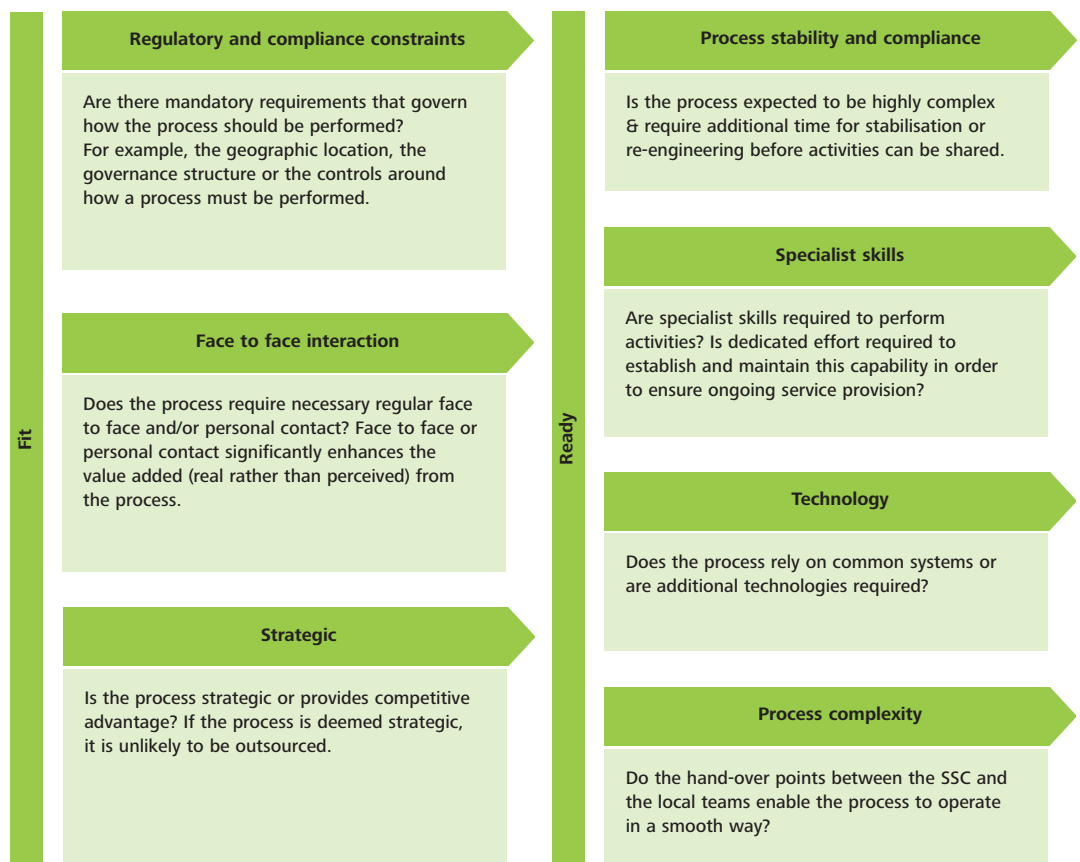
### 2x3 Process split matrix

		Method of adding value	
		Low cost/ Defined transactional service level	Strategic Knowledge based
Relationship to the business	In-market (Local)	<b>1. In-market site support</b> <ul style="list-style-type: none"> <li>Distributed to location(s) for local service needs</li> <li>Required for local input/data capture or local programs including (where required) regulatory, statutory reasons</li> <li>Manual or end-user intensive</li> </ul>	<b>2. In-market business partnering</b> <ul style="list-style-type: none"> <li>Aligned with function/unit</li> <li>Line/management focus</li> <li>Knowledge &amp; know-how transfer</li> <li>Decision/action intensive</li> </ul>
	Centralised (Regional)	<b>3. Regional/divisional transaction processing</b> <ul style="list-style-type: none"> <li>Consolidated organisation with some proximity to the region/division</li> <li>Operational focus</li> <li>Standardised services</li> <li>Process intensive</li> <li>Could cover countries or regions</li> </ul>	<b>4. Regional/divisional business partnering</b> <ul style="list-style-type: none"> <li>Expertise focus – ability to leverage skills regionally</li> <li>“Best practice” development</li> <li>Issue/knowledge intensive</li> <li>Organised by region with some proximity to the region/division</li> </ul>
	Centralised (Global)	<b>5. Global low cost processing/BPO</b> <ul style="list-style-type: none"> <li>Consolidated organisation</li> <li>Operational focus</li> <li>Standardised services</li> <li>Process intensive</li> <li>Could cover countries or regions</li> </ul>	<b>6. Corporate centre of excellence</b> <ul style="list-style-type: none"> <li>Expertise focus – ability to leverage skills globally</li> <li>“Best practice” development</li> <li>Issue/knowledge intensive</li> <li>Organised globally</li> </ul>

As part of this process split analysis, companies will need to determine any barriers that would preclude moving processes to an SSC or an outsourcer. As shown in the diagram below:

- Processes may not be 'fit' to be shared given regulatory and compliance constraints, or any requirement for personal contact.
- Processes may not be 'ready' to be shared if the process requires significant knowledge transfer before the process or activity can be moved.

#### Process filters (an example)



The approach for splitting processes for shared services and outsourcing should be the same; however, the answers may differ depending on:

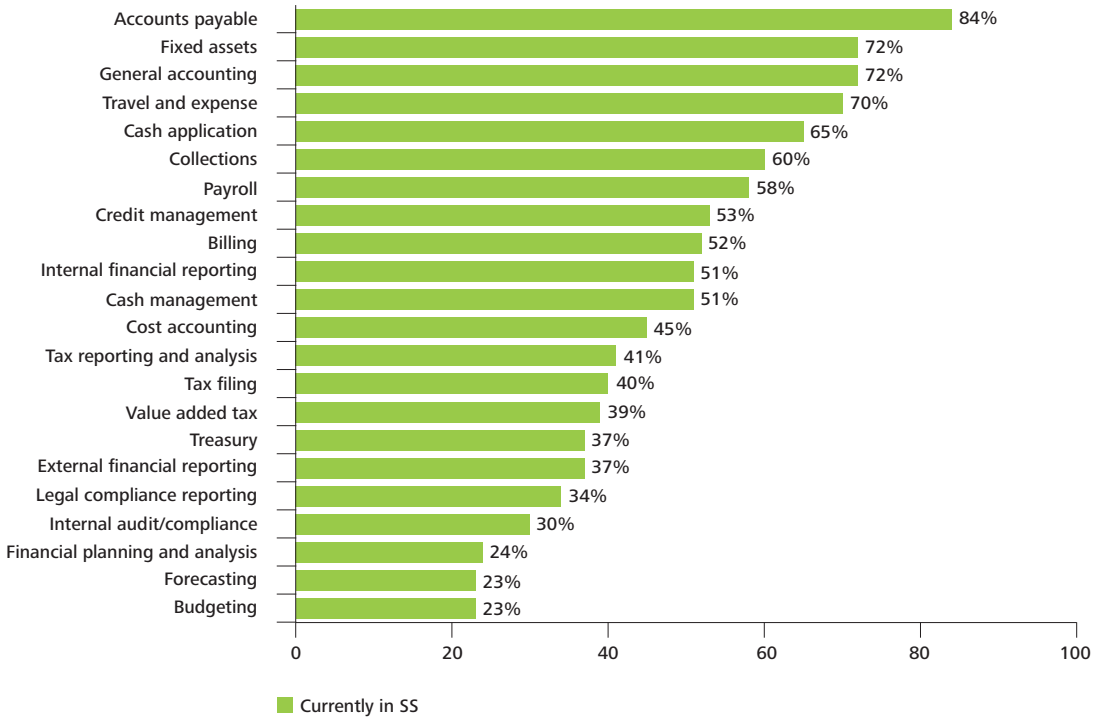
- Confidentiality/regulatory constraints.
- Strategic differentiation.
- The need to retain control in-house.
- Customer service/perceptions of the external supplier.
- Technology constraints (ability to provide access to external parties for some systems).
- Locations of the outsourcer's delivery centre – in particular the working day and languages.

For successful ongoing delivery of the processes, these splits need to be formalised through pre-defined service level agreements (SLAs) and working procedures to ensure controlled and responsive working practices.

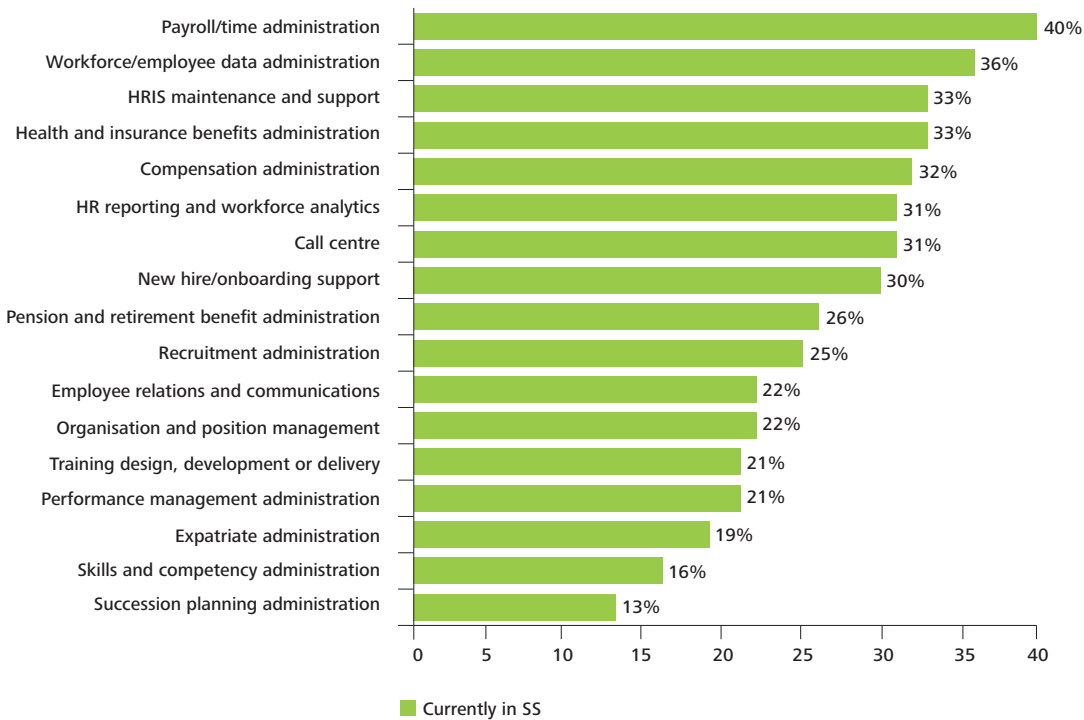


Below is a very high level finance and HR process split from Deloitte's recent global SSC survey of 270 companies.

**Finance**

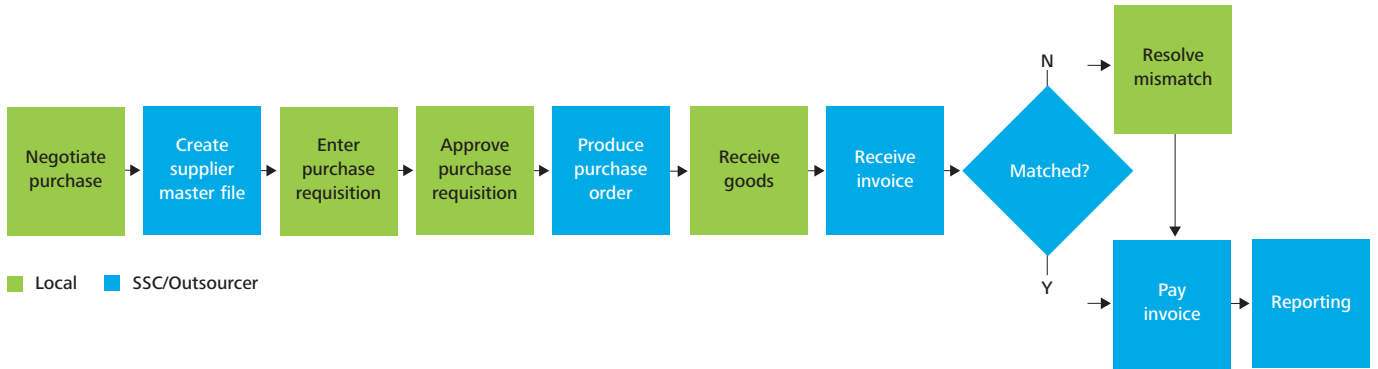


**HR**



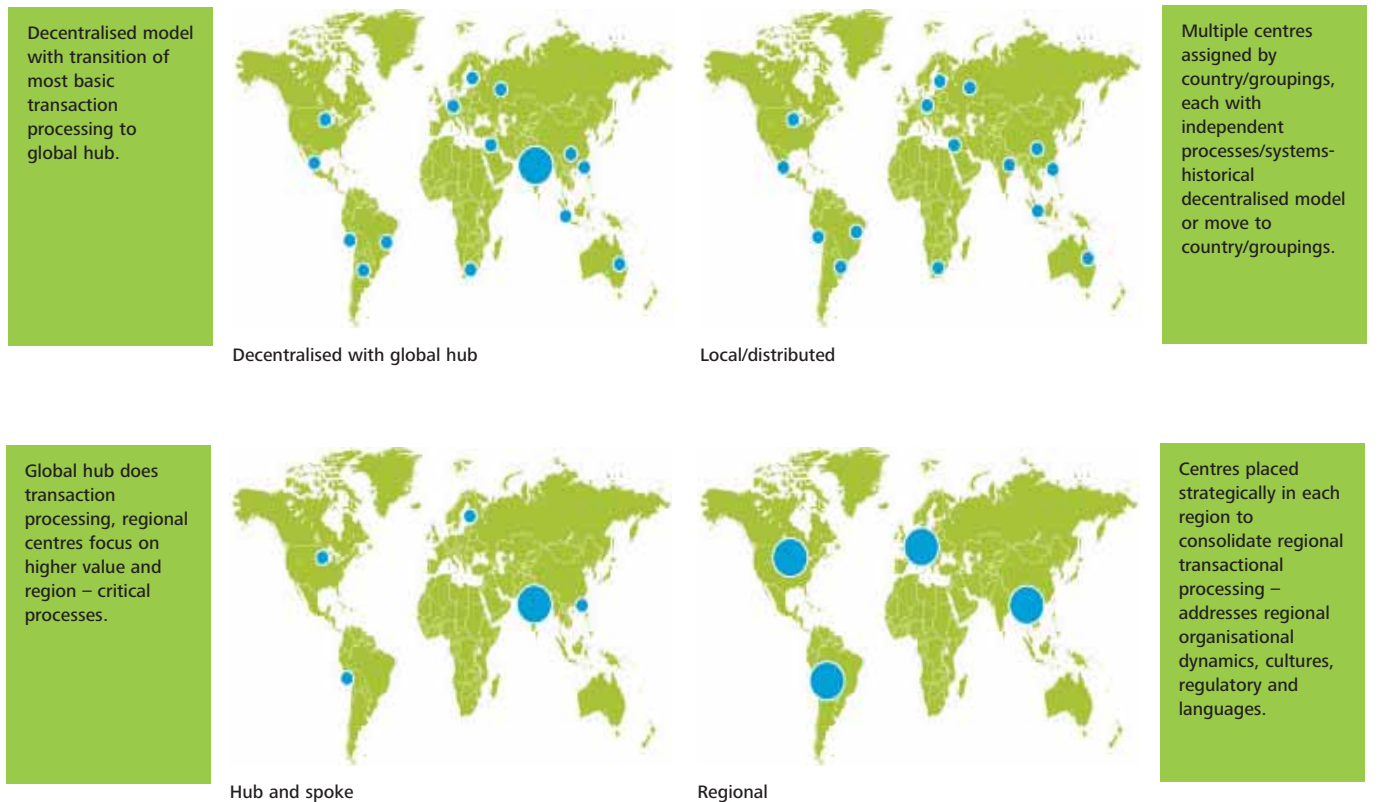
If we take the purchase to pay process as an example, below is a sample high-level split between SSC/outsourced and local activities in more detail.

**Purchase to pay process (an example)**



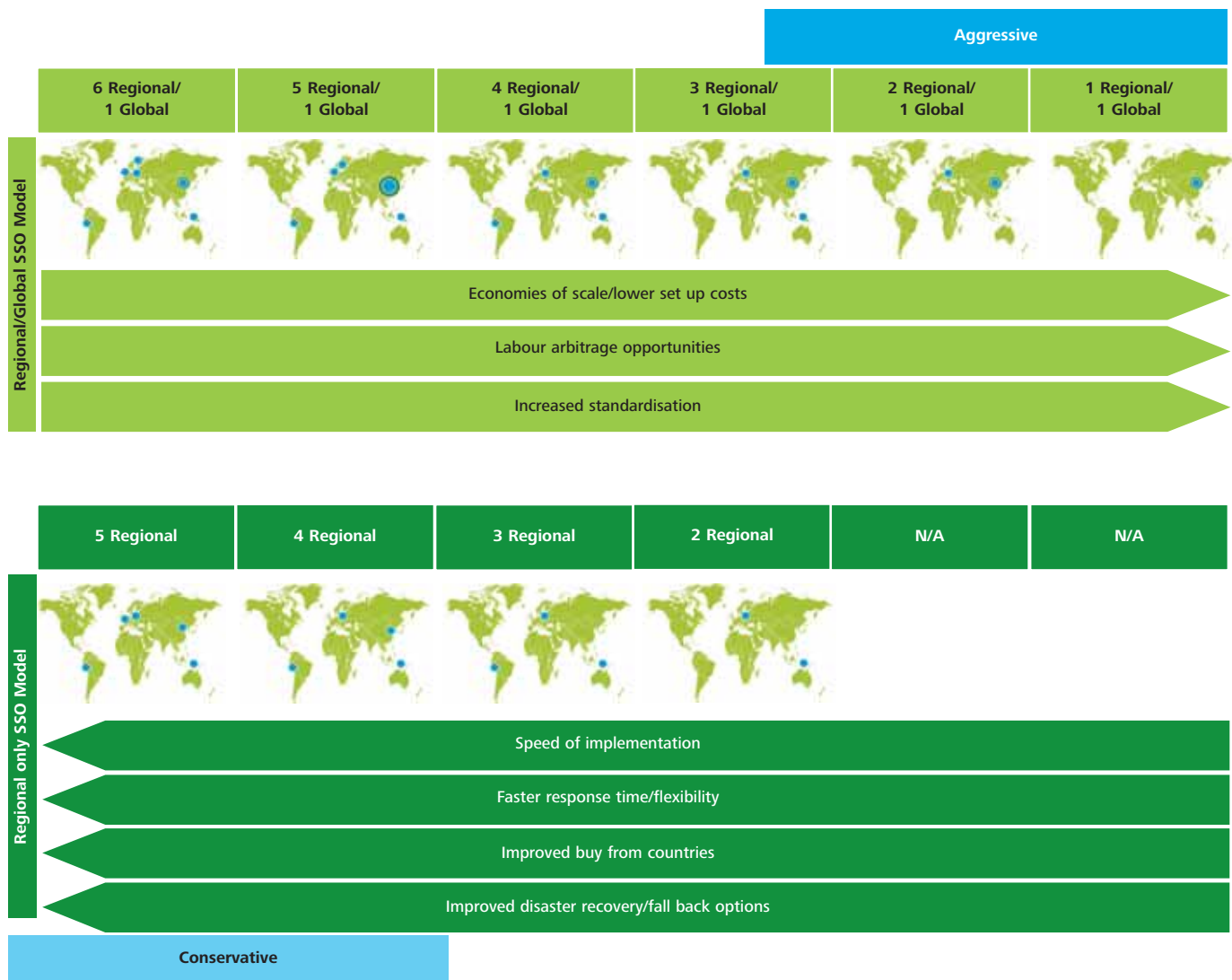
Once the processes have been split using the 2x3 matrix, the next step is to understand which of the four models below will be used to structure the centre(s). Our experience shows that hub and spoke model and regional centres are the most widely used.

**Shared services models**



When deciding between the different models, you will need to weigh up the different forces at play. Economies of scale, labour arbitrage opportunities and increased standardisation will be greater with a global model and regional centres than with a global model with four to six centres. Similarly, you may get more buy-in and faster response times from four to five regional SSCs than just one to two centres.

**Pros and cons of an aggressive or conservative solution**



**Consider technology issues**

As highlighted above, one of the key benefits to be gained from shared services or outsourcing has historically been the opportunity to consolidate, and thereby reduce headcount in labour-intensive, manual processes. However, technologies today have moved beyond EDI (electronic data interchange) and offer real opportunities for eliminating much of the manual intervention in back-office transaction processing.

Over the years, companies have used web technologies to better communicate and transact with both suppliers and customers. On the supply side, some of the tools that are now well established include eProcurement systems, the use of collaboration tools, web portals for self service and electronic invoicing. On the sales side, customer relationship management (CRM) solutions have changed the way an organisation markets, sells to and supports its customer base.

With the advent of cloud computing supplemented by 'plug and play' technology, the cost of some of these technologies has fallen, making it easier for shared services to access these. These technologies (including the more stable e-invoicing, web portals, etc) can revolutionise existing business models, creating whole value chains and automating processes to the extent that manual intervention is only required to deal with exceptions.

In a lights-out processing environment, where most of the processing is automated and only exceptions require manual input, the role of the finance function changes significantly. Low value-added transaction processing is largely replaced by activities focused more on analysis and control. However, to have any chance of becoming a lights-out processor, you need standardised technology and business processes across the organisation. Implementing a new service delivery model greatly facilitates the adoption and maintenance of common standard application software and business processes.

Many organisations that have not chosen to consolidate processes before regional or global roll outs of SAP or Oracle software have realised that each country has a different configuration. It is very difficult to implement a comprehensive company-wide eProcurement or CRM initiative on the back of such an ERP implementation.

For this reason many organisations adopt the strategy of first building an SSC, and then phasing it out by doing all they can to automate the new processes within the SSC and thereby reducing headcount. The process of setting it up around a common process and technology platform is essential to being able to achieve low headcount (see the Optimise section on page 74).

It is clear that a service delivery transformation programme can be a key enabler for an organisation seeking to take advantage of various technologies and web initiatives. It is also clear that those web initiatives could have a fundamental impact on the scope and nature of any SSC that is implemented. It is important that interdependencies with technology are considered when performing your feasibility study (see the Design section on page 28 for more information on the technology enablers).

When assessing technology options in the feasibility study, it is worth considering the following questions:

- What is the current or planned level of standard systems in processes across locations?
- What level of system standardisation is required to enable the new structure?
- Would it make sense for processes to migrate on non-standard systems?
- Is in-house expertise available to help implement the technologies?
- What technology enablers beyond ERP (imaging, workflow, help desk, etc) are required to enable the new service delivery model?
- How will the addition and/or enhancement of existing technologies impact the business case – i.e. what is the cost?

#### Define high-level organisation structure

The organisation structure helps you visualise what the SSC would look like, supports stakeholder engagement and helps to develop the business case by determining headcount and the manager-to-clerk ratio (or span of control).

Companies who decide on outsourcing will need to consider the interface between the outsourcer provider's team and their retained team, as well as the governance structure to manage the relationship with the provider.

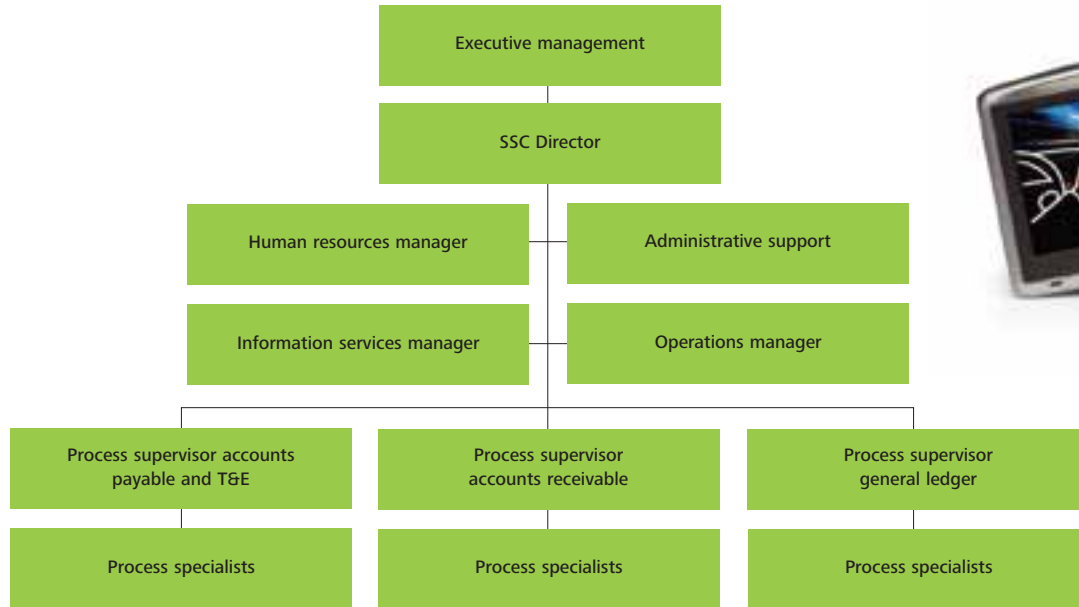
An SSC should be organised to improve both process efficiency and effectiveness. An SSC can be organised by:

- **Process** – e.g. Accounts Payable; Accounts Receivable, General Ledger, etc. The following diagram illustrates a typical high-level SSC process organisation chart.
- **Business unit** – This structure maximises customer and business focus at the expense of process standardisation and efficiency.
- **Regional** – This structure maximises regional knowledge and requirements but again, at the expense of process standardisation and efficiency.

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For this reason many organisations adopt the strategy of first building an SSC before transitioning to an outsourcer.

Example high-level SSC organisational chart



SSC roles and responsibilities	
Role	Responsibility
<b>SSC Director</b>	Responsible for the SSC's day-to-day operations and strategic direction, and is accountable to the LBU Directors for service quality and levels. Leads the negotiation of service level agreements (SLAs) with the LBUs.
<b>SSC Operations manager</b>	Coordinates the work of process supervisors. Manages the relationship between the LBUs and the SSC, administers the SLAs and service costing arrangements. Acts as the primary point of contact for the LBU.
<b>Process supervisor</b>	Accountable for ensuring that all transactions associated with that process are carried out in a timely and efficient manner and are delivered to, or exceed the cost, quality and time related performance standards as set out in the SLAs. Continually looks for enhancements and improvements in the processes.
<b>Process specialist</b>	Carries out transaction processing for a specific process or group of processes agreed with the LBUs.

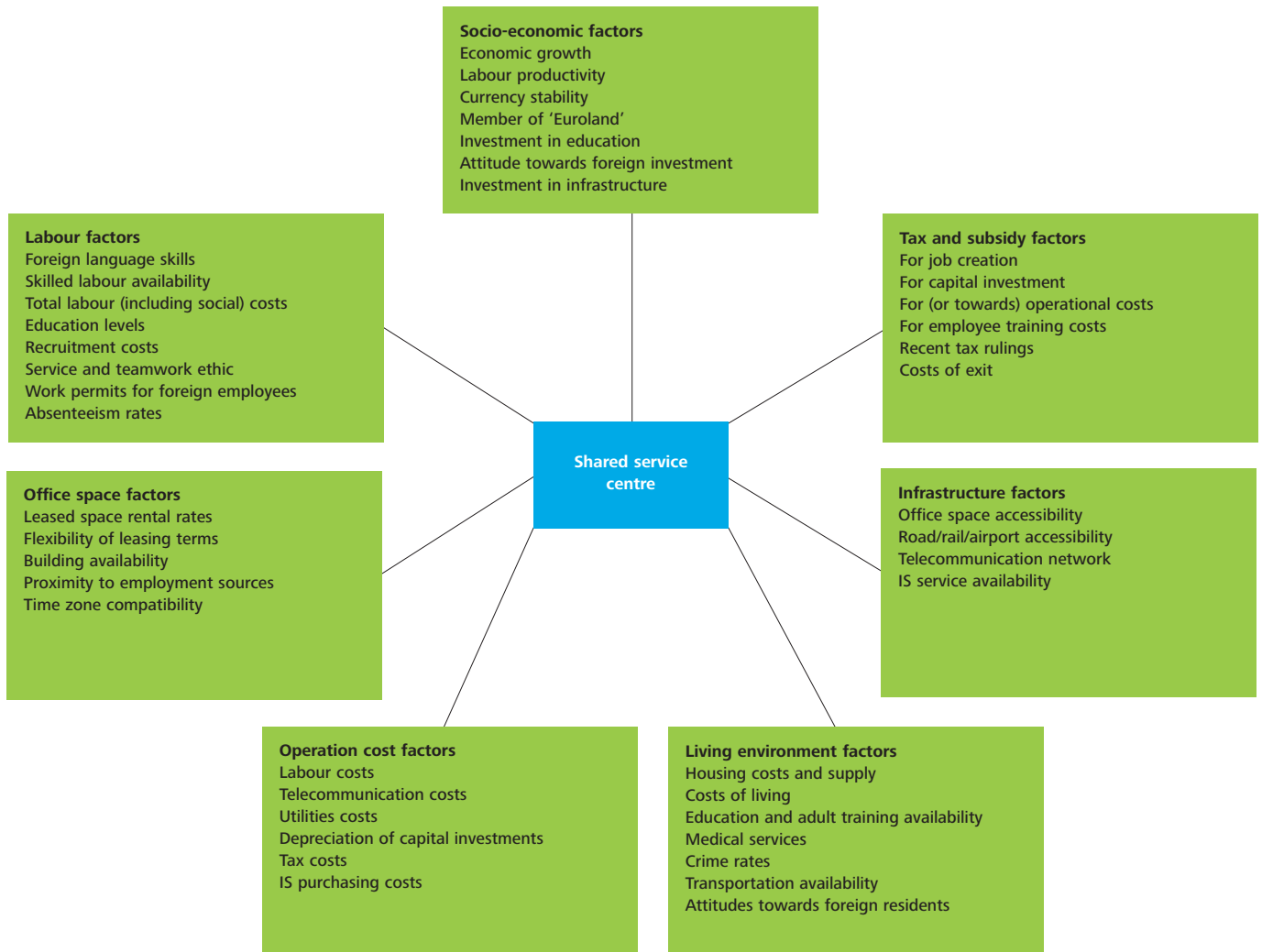
When developing the SSC organisation structure it is important to take into account key company requirements and scale, as this will help identify the most appropriate SSC organisation structure. In general, we find that the process organisation structure is the most common as it drives process standardisation and maximises span of control.



### Conduct high-level site location analysis

The location of the SSC/outsourcer will have a critical impact on both the quality of the services delivered to the business units and the cost savings achieved. As part of the feasibility study you should take a high level, multidisciplinary approach to identify and address any serious obstacles. A detailed assessment of different sites should be carried out at a later stage in the project.

#### High-level site location analysis



### Review potential outsourcers

If you are unclear about your service delivery model (i.e. the use of SSC, outsourcing or both) it is worth assessing appropriate outsourcing providers during the feasibility study to understand their services and costs. You will want to consider the experiences of any competitors that have outsourced similar functions, and which vendors/locations they have used, to get an idea of what is possible and what has been successful in the past.

Vendors have varying capabilities in terms of service offering, e.g. single functions (such as finance only) or multifunctional (finance, HR and IT), and locations. In general, vendors can be split into four distinct groups:

Vendor type	Description	Business model
<b>Global full service provider</b>	<ul style="list-style-type: none"> <li>Such vendors have consulting, business process, applications and infrastructure outsourcing with global delivery centres, through a mature and growing offshore presence.</li> </ul>	<ul style="list-style-type: none"> <li>Global operations and delivery centres.</li> <li>Higher cost base than offshore full service providers. Sometimes differentiate themselves from smaller and newer entrants by focusing on providing clients with business value, e.g. through transformational outsourcing, as well as providing lower costs.</li> <li>Offer wide breadth of services and have proven delivery track record.</li> </ul>
<b>Offshore full service provider</b>	<ul style="list-style-type: none"> <li>Such vendors are based in an offshore location and use a combination of onshore/offshore delivery models to service clients with emphasis on offshore centres. They are still limited in consulting and infrastructure outsourcing capabilities.</li> </ul>	<ul style="list-style-type: none"> <li>Typically India-based, with strong IT record and growing BPO capabilities.</li> <li>Tend to operate with an offshore delivery model.</li> <li>Steadily increasing breadth of services, strong delivery track record and increasingly competing with the global full service providers.</li> </ul>
<b>ITO/BPO specialist</b>	<ul style="list-style-type: none"> <li>Such vendors specialise in IT outsourcing (ITO) or business process outsourcing (BPO) services and specialisms within these, e.g. finance and accounting-focused BPO providers.</li> </ul>	<ul style="list-style-type: none"> <li>The ITO/BPO vendors usually located within specific regions. For instance in UK the leading BPO vendors are all UK domiciled and UK companies contribute majority of their revenues.</li> <li>Specific niche in IT outsourcing or expertise.</li> </ul>
<b>Niche vendor</b>	<ul style="list-style-type: none"> <li>Such vendors are firmly based in offshore locations and have niche solution capabilities.</li> <li>Knowledge processing services such as research and analytics is a typical service offered by niche vendors.</li> </ul>	<ul style="list-style-type: none"> <li>Typically based in India or domestic countries. There is a growth of such providers in Eastern Europe and Asia.</li> <li>Firmly based in low-cost delivery centres.</li> <li>Limited scope of services and unproven delivery track record; however have strong specialist skills.</li> </ul>

During the feasibility study, you should compile a list of providers that possess the following attributes:

- Ability to provide services appropriate to the size of the company.
- Ability to transform processes.
- Vendor attributes including:
  - Existing client base.
  - Specialised skill set.
  - Brand value to attract and retain talent.
- Ability to provide additional services in other functional areas and from additional locations.
- Ability to support increase in scale.
- Ability to manage and develop IT systems and applications.

## Finalise strategy and develop cost-benefit analysis

### Assess 'to be' situation

Information gathered on the current situation provides the basis of assessing all improvements going forward. In the first instance, look at standardising processes so that all business units reach the most efficient business unit's standards. The table below illustrates the impact on the future headcount of Hi-Tech (Country A) if it were to achieve, or get close to, the internal best practice (IBP) identified in the benchmarking study.

#### Potential head count impact on Hi-Tech in Country A

Process	Process measure	Countries (current performance)				
		Current performance in Country A	Internal best practice	Target performance	Current FTEs	Future FTEs
Order entry	No. of orders (FTE, pa)	50,000	85,000	90%	60	39
AR – remittances	No. of remittances	100,000	150,000	100%	50	33
Travel and expenses	No. of claims	20,000	40,000	80%	30	19
AP – invoices	No. of invoices	15,000	22,000	95%	20	14
FTE – full time equivalent	Pa – per annum					

In addition, there is usually significant further potential for reengineering processes beyond what is possible at the local business unit level. The potential for improving efficiency above and beyond internal best practice can be assessed with reference to global good practice and external benchmarks.

There are many ways processes can be consolidated:

- Move 'as is', with little integration or standardisation.
- Standardise processes in place before moving.
- Standardise process concurrent with the move.

Most companies choose some level of process change/standardisation as they move to the new model. Improved productivity benefits can be included in the business case if they are related to the service delivery model transformation.

For its business case, Hi-Tech assumed each company could operate at a productivity equal or near to the internal best practice, resulting in an overall full-time equivalent (FTE) reduction and associated labour savings. Where *comparable* external benchmarks are available they can be incorporated into the analysis in a similar manner.

### Develop a high-level project road map

Once the most appropriate service delivery model is selected, it will be possible to develop a high-level project road map prior to completing the business case. This should give an overview of the major phases of the project including design, build and test, implement and roll out and optimisation. It will also include high-level information on estimated project timelines, resource requirements and costs.

The cost benefit analysis should include a high-level analysis of how business units will transition (e.g. will you do a test site first, in which order will the countries join the SSC, etc) to the shared service centre/outsourcer as this will affect how quickly benefits can be realised.

The order in which countries migrate to the SSC will have an ongoing implementation impact on areas such as communications, HR consultation, process readiness reviews, etc (see Implement and roll out section).

### Conduct cost/benefit analysis

The ultimate goal of the feasibility study is to develop a cost/ benefit analysis that includes both financial and non-financial considerations. From this analysis, you can determine if the benefits outweigh the costs and how quickly you will achieve a return on your investment.

A summary of some of these costs and benefits is shown below.

**Summary: the source of likely costs and benefits**

Costs		Benefits		
	Quantitative	Qualitative	Quantitative	Qualitative
<b>People</b>	<ul style="list-style-type: none"> <li>• Relocation</li> <li>• Retention bonuses</li> <li>• Training</li> <li>• Temporary staff</li> <li>• Redundancy</li> <li>• Recruitment</li> </ul>	<ul style="list-style-type: none"> <li>• Potential short-term fall in morale and performance levels</li> <li>• Potential loss of key personnel from the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in FTEs</li> <li>• Reduction in operating costs</li> <li>• Greater spans of control</li> </ul>	<ul style="list-style-type: none"> <li>• Increased customer focus and service quality</li> <li>• Increased skill levels</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• Standardise processes</li> <li>• Reengineer processes</li> <li>• Implement best practices</li> <li>• Establish metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term decrease in process efficiency levels</li> </ul>	<ul style="list-style-type: none"> <li>• Increased productivity</li> <li>• Reduced cost of quality</li> </ul>	<ul style="list-style-type: none"> <li>• Increased focus on business partnering</li> <li>• Best practice, standard processes</li> <li>• Consistent, high quality management information</li> <li>• Increased ability to quickly adapt to changing business needs</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Hardware</li> <li>• Software</li> <li>• Implementation costs</li> <li>• Infrastructure</li> <li>• External hosting costs</li> </ul>	<ul style="list-style-type: none"> <li>• Learning curve effect of new systems</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise-wide software</li> <li>• Platform scalability</li> <li>• Reduced software costs</li> <li>• Reduced licence fees</li> <li>• Reduced maintenance costs</li> <li>• Reduced upgrade costs</li> <li>• Reduced support costs</li> </ul>	<ul style="list-style-type: none"> <li>• Improved speed of dissemination and access to management information</li> <li>• Consistent data models across the organisation</li> <li>• Standard platform for eBusiness strategy</li> </ul>
<b>Facilities</b>	<ul style="list-style-type: none"> <li>• Close old facilities</li> <li>• Select new facility</li> <li>• Design new facility</li> <li>• Outfit new facility</li> </ul>	<ul style="list-style-type: none"> <li>• Initial disruption to working environment</li> </ul>	<ul style="list-style-type: none"> <li>• Decreased lease rates</li> <li>• Decreased facilities maintenance costs</li> </ul>	<ul style="list-style-type: none"> <li>• Potentially improved working environment</li> </ul>

The level of detail required to complete the cost/benefit analysis will determine the amount of time required to collate 'as is' and 'to be' costs. More stakeholder input/buy-in and additional information will be needed to provide detailed (rather than high-level) analysis. It is important to agree this level of detail upfront, to set expectations regarding the level of accuracy and the estimated amount of time required to complete the cost/benefit analysis.

For example, tax aspects can have a significant impact on the cost/benefit analysis. Some locations offer low tax regimes, others may offer tax holidays or other incentives to attract investment. More detailed considerations, such as the treatment of finance costs, impact of withholding taxes and normal tax structuring issues may also affect the cost/benefit analysis.

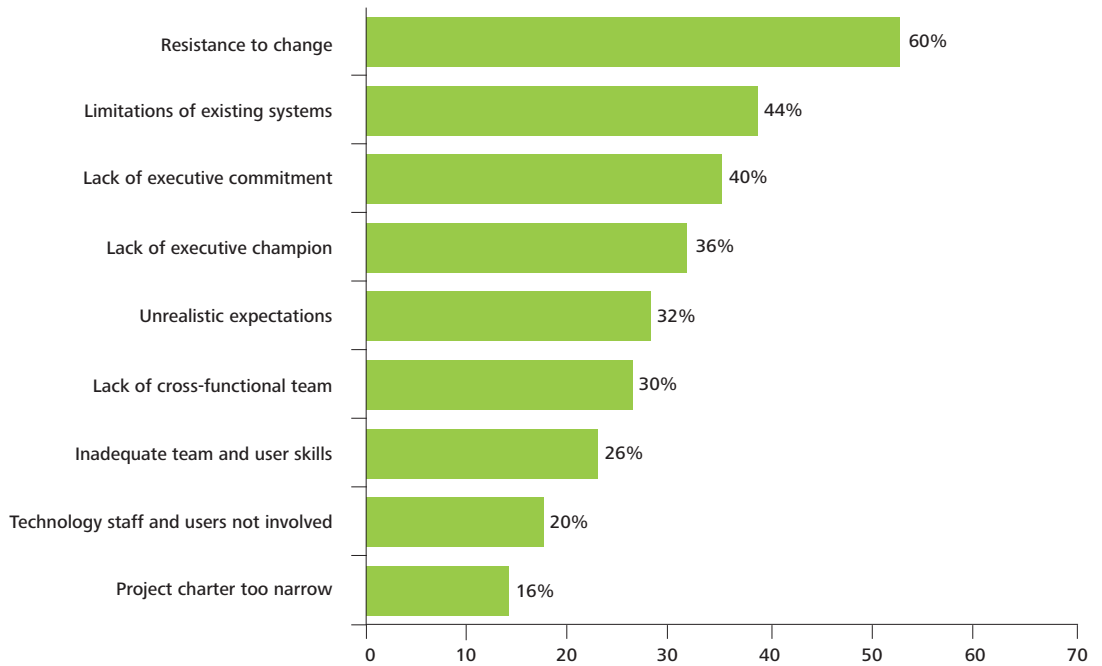
Evidence from global SSC implementations suggests that payback on shared services typically ranges from two and a half years to five years, and from two to four years for outsourcing implementations. Payback will vary depending on:

- **One-off/investment costs** – the higher the one-off costs such as redundancy, retention, implementation costs, the longer the payback. Some companies may find that payback is over four years due to high redundancy packages, especially in western European countries.
- **Ongoing savings** – the higher ongoing savings, the shorter the payback. Savings can be achieved through headcount reduction (from consolidation, process standardisation and/or improvement, a more favourable span of control) and labour arbitrage. Surveys show that most companies achieve more than 10% headcount reduction in the first year.

### Identify implementation barriers

As mentioned, transforming the service delivery model is a decision that should not be taken lightly and requires strong management commitment to drive a successful implementation. There are several barriers to implementation that should be considered in the feasibility study and explored further in subsequent phases. The diagram below shows some primary obstacles to successful change.

Primary obstacles to successful change



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“At BP, we invested a great deal of time and effort in encouraging all of our senior executive team to visit the office to see and understand what we were contributing. If you want to get your senior stakeholders on board, it’s about involvement and not just engagement.”

**Philip Whelan**

Head of European Business Service Centre, BP

There have been a number of best practice studies of organisations that have successfully undertaken significant change. For change to be successfully implemented and improvement to be continuous, a number of critical success factors need to be considered during the feasibility phase, including:

- Clear vision.
- Strong management commitment to deliver the change.
- Clear understanding of process splits between SSC/outsourcer and local organisation.
- Strong and structured change management and communications process with engaged/involved stakeholders.

When these factors are absent, they can create major implementation barriers and result in project failure.

### **Determine a communications strategy**

When you perform a feasibility study, people in the organisation will begin to hear about it and want to know what is going on. You need to consider how much to tell your employees, i.e. whether you adopt an open or cautious communication strategy. With an open approach, you would communicate upfront with employees that you are considering, or have put in place, a shared services/outsourcing strategy; a cautious approach involves delaying any communication about shared services/outsourcing until the feasibility study has been completed and a decision been taken. This area is considered in more detail in the following chapter, Phase 2 – Design.

### **'Go, no-go' decision**

The high-level business case, vision and project road map should provide senior executives sufficient information to make an informed decision on whether to proceed with transforming their service delivery model. The outcome of this decision will be an agreed 'go, no-go' decision.

## Checklist

Before proceeding to Phase 2 – Design, ensure that you have:

- Defined the service delivery vision.
- Defined process splits (between local business and the SSC/outsourcer).
- Defined the technology to use.
- Assessed possible locations.
- Assessed outsourcing market.
- Reviewed implementation barriers.
- Developed a cost/benefit analysis.





# Phase 2 – Design



## 16 July – Year 1

After the Board meeting, Paul decided to appoint a project manager quickly. Ideally, the person would have good finance and IT skills, combined with strong project and change skills. Looking through the European organisation Paul decided on Jan, the financial controller for The Netherlands. He had the appropriate skills and had led a similar transformation project at his last company.

## 3 October – Year 1

Jan overcame initial difficulties getting resources allocated to the project full time, and assembled a European team with the right mix of finance, change and business process skills. The Board agreed the SSC plan and good progress was made. However, implementation would be the strongest test so far for Jan's team, as they would be dealing directly with the management and personnel of the local business units (LBUs).

## 26 November – Year 1

"We're having some real problems with the controllers," Jan admitted to Paul. The project team had visited Hi-Tech's largest operations in Germany, the UK, France and Italy. "We explained that we were there to agree standard process designs and process splits but each country insists on doing things its own way. These are not small differences. We're not getting any cooperation and Dario, the Italian financial controller, is completely opposed to this whole project. We're at an impasse."

Paul immediately called Richard, the CFO. "We're going to need some external help getting the controllers on board. They just can't see the benefits of standardisation. I think we should bring in Management Consulting Firm."

## 17 December – Year 1

Paul looked at the fax in dismay. Dario, the most vocal critic against the shared service project, was resigning. When Paul called Dario, he was indignant. "I'm not interested in watching my role be reduced to that of an office manager. I have no wish to continue in this capacity."

Paul explained that he wanted the financial controllers to take a more strategic, 'business partnering' role once the SSC was in place. "I'm not reducing your role; I'm increasing its importance in helping to drive and expand the business." It took over two hours on the telephone, but Dario eventually agreed to withdraw his resignation. Paul realised that he must communicate the same message to the other financial controllers across Europe, and soon. What had happened to their communications strategy? Paul convinced Richard to bring in the consultants immediately.

## 25 January – Year 2

With the help of Management Consulting Firm, the project team held a series of visioning and design workshops with the LBU financial controllers, followed by review workshops at each LBU. Only changes that were absolutely necessary for legal, regulatory or business reasons were agreed. This gave Dario and the other financial controllers the opportunity to understand the broader context of the design decisions. Local issues that once seemed impossible to overcome were now easier to resolve using the agreed design guidelines. One of the major project milestones was well on its way to being achieved.

## 7 February – Year 2

Following an extensive interview process, the SSC director, Bridgit, had been hired to help Jan, the project manager. They had been fortunate to find someone so experienced: Bridgit had been instrumental in building good communication channels with the country controllers and had clearly identified points of contact for each country's local team.

The most serious problem now was resourcing. Despite an early agreement to backfill all project members' regular responsibilities, this had only happened for 70% of the positions. Even then the temporary staff just wasn't experienced enough. Some project members were still splitting their time between line responsibilities and project roles, in effect doing two jobs at once. Not surprisingly, there were time slippages and people felt overstretched and underappreciated. Bridgit raised the issue urgently with each country's senior management, highlighted the consequences and set a deadline for project team staff to cease working on line roles.

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Firm, the project team held  
a series of visioning and  
design workshops with the  
LBU financial controllers ...

# Analysis

## The story so far

Let's consider how Hi-Tech\* is doing:

Plus (+)	Minus (-)
<ul style="list-style-type: none"> <li>• Assignment of a strong, experienced project manager.</li> <li>• Identification of strong, multinational key project team members.</li> <li>• Anticipation that regional differences were likely to be encountered during process design.</li> <li>• Recognition of the need to improve communication with the LBUs.</li> <li>• Decision to seek external expertise, resulting in the successful design of predominantly standardised new processes and their acceptance by the LBUs.</li> <li>• SSC Director brought onboard early to help shape the SSC.</li> </ul>	<ul style="list-style-type: none"> <li>• Senior management could be more involved with the project to maintain momentum and proceed to the design phase.</li> <li>• Competing stakeholder groups present challenges to agreeing process designs, especially at a regional level.</li> <li>• Temporary resignation of key LBU stakeholder due to ineffective communication.</li> <li>• Initial resistance to releasing personnel required for the project team.</li> </ul>

Once you have completed the feasibility study, you will know if a shared or outsourced model makes sense for your organisation. In our case study, a captive SSC was chosen as the most appropriate service delivery model. The business case will have identified the quantitative and qualitative benefits, together with the costs of implementation. Your investigations will also have helped you to create a vision of what the SSC will look like and how it will work.

The design stage of the project is all about defining the detailed design of your future service delivery model, your SSC. It is a lengthy and complex stage, requiring excellent attention to detail.

It is essential that sufficient time is dedicated to crafting a detailed plan with a carefully defined scope – do not try to do too much too soon. You will need to marshal your resources: is funding properly secured? Do you have the right people in place? Do you have access to the necessary skills, whether internal or external? Don't forget the impact of the change on your staff. How will you help them to adapt to the changing work environment, so that the change is effective and lasting?

It can be challenging to maintain the project team's motivation and focus when dealing with issues at such a detailed level. Do what you can to keep the momentum going, communicate clearly with employees and keep in mind the light at the end of the tunnel – with perseverance, you will get there.

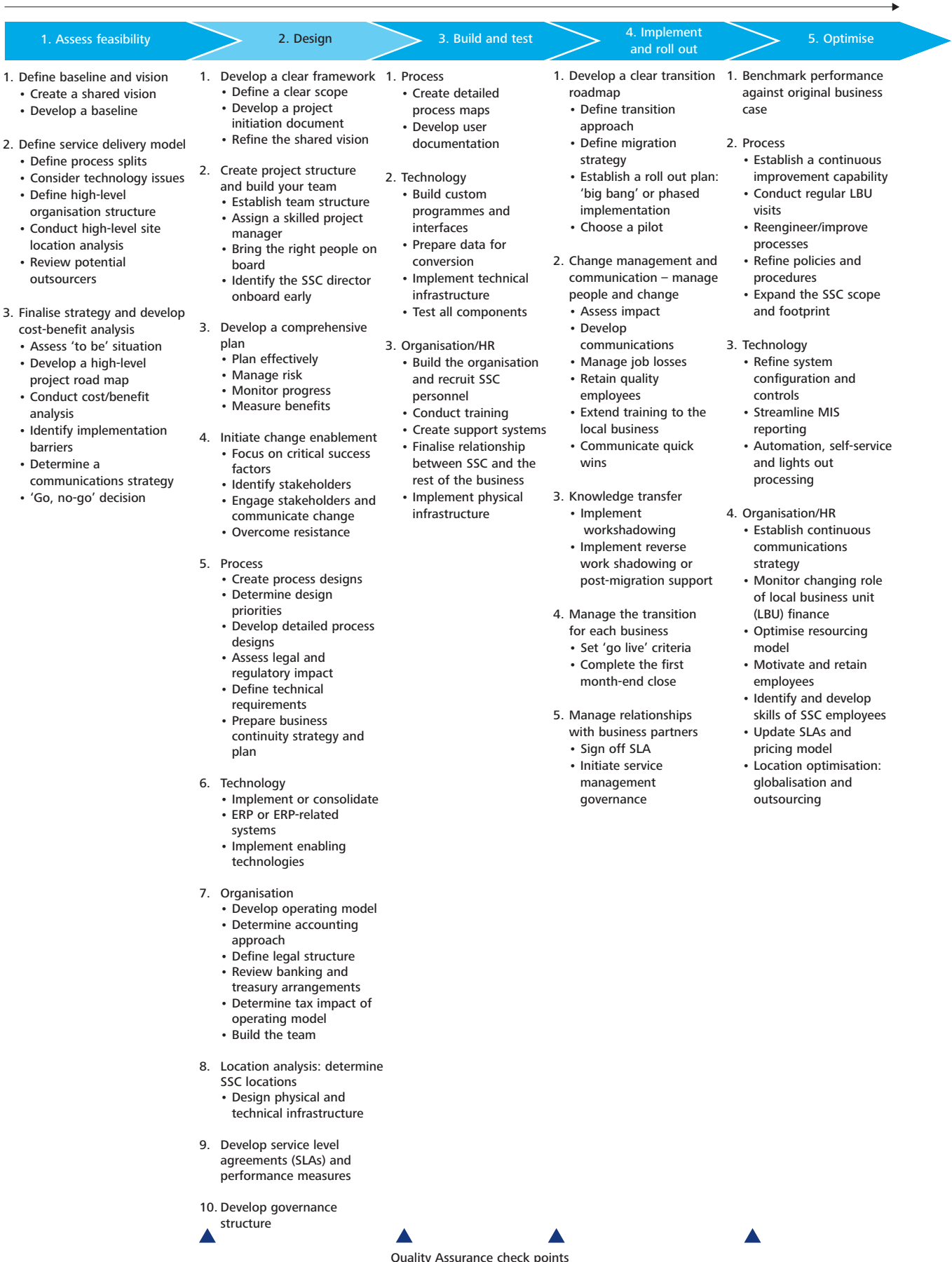
## Tools and techniques

You will need to define in detail what your future processes will be: who will do what, where they will do it and how they will do it. Technology is likely to be a key process enabler and in some cases, an SSC implementation will go hand-in-hand with a system or ERP implementation, including enabling technology. This will entail creating the detailed technology design required to support your processes. Don't forget the impact the new processes will have on your existing organisation as you design your service delivery model. At the end of this phase, you should be ready to build your SSC.



\* Hi-Tech plc is not a real company. We have written this storyline to illustrate some of the issues that a real shared services implementation might raise.

Manage the process and enable change



Quality Assurance check points

# Develop a clear framework

## Define a clear scope

The scope of the project must be very clearly understood and defined. It should be agreed to and signed off by the senior management team. Difficulties on SSC projects or any other large-scale change project often arise from an unclear or a movable scope definition. At best, this will lead to delays and poor use of resources. At worst, it could lead to complete project failure. Where scope must change, a procedure for scope change requests should be set up with any change being supported by an appropriate business case and approved by the steering committee. Sufficient time and debate should be devoted to scope issues, including:

- Which processes are included in scope?
- What is the geographic and functional scope?
- What is the extent of reengineering envisaged for the different processes?
- Which applications are to be used, e.g. one ERP package, one ERP instance, new or existing applications?
- Does the software need to be customised?
- What is the scope of the supporting technical infrastructure?
- Is a common data model required, e.g. common chart of accounts, common supplier, customer, product codes?
- Will the SSC incorporate or interface with any eProcurement and CRM initiatives?
- What are the legal and regulatory barriers?

## Develop a project initiation document

A shared services project is complex and multi-faceted and a comprehensive plan is required. We recommend that you use a project initiation document (PID) to help plan the project. This document provides a common understanding of the project, a point of reference throughout the project and a briefing document for new project team members.

Your PID should address the following areas:

**What?** Clear project objectives and how to measure their success (e.g. service level improvements, headcount reduction, expected savings, payback period of project). Also, a tightly defined geographic, functional and technical project scope specifying which countries/legal entities, which processes and which systems will be included and excluded from the project.

**How?** Detailed activity plans structuring the teams around workstreams and specifying the deliverables and significant milestones resulting from these activities. The acceptance conditions for deliverables and milestones should be defined upfront and the interdependencies between milestones should be clearly identified.

**Who?** Overview of who needs to accomplish what, any interdependencies between the teams and the consequences of not meeting the specified deadlines.

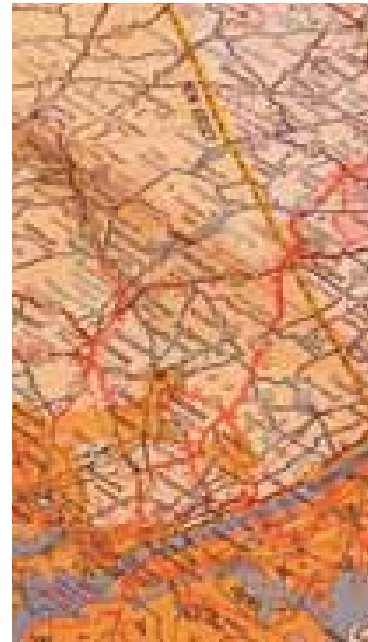
**When?** A project timetable showing when the various activities need to be completed and a quality plan showing who is responsible for reviewing and approving the deliverables and milestone achievements.

**How much?** A detailed budget and resource plan.

## Refine the shared vision

The senior management team and core members of the project team should work together to develop a shared vision and document it in the PID. The vision statement, developed in the feasibility phase, should be refined during design. The vision statement aligns expectations for the project and develops a common understanding of issues such as:

- Objectives of the SSC and the benefits it will bring to the organisation.
- Defined scope of the project.
- High-level view of the in-scope processes.
- Tangible measures of success for the project.
- How the SSC will be organised and the desired culture.
- Key design principles (i.e. standardisation, right first time, paperless office, etc).



# Create project team structure and build your team

## Establish team structure

SSC projects involve many functional areas within an organisation and often take several years to complete. They require different teams addressing various workstreams in the process, systems, people and organisational design areas. The project team should represent the different functional areas affected by the SSC. Project management and workstream leaders will be key to the success of the project and should possess the appropriate specialised skills and knowledge to carry out these roles effectively.

The steering committee bears ultimate responsibility for the implementation of the SSC. Its role is to provide project leadership, take responsibility for key decision making and resolve issues. Typical members of the steering committee are chief financial officers (CFOs), chief information officers (CIOs), finance or HR directors and group controllers.

Specific steering committee responsibilities include:

- Providing overall project direction and guidelines by ensuring alignment with business objectives and business strategy.
- Acting as a focal point for issues concerning the project and areas of responsibility and influence and ensuring that these are dealt with effectively by the project team.
- Supporting and leading the project actively and visibly within the business.
- Providing a forum for the ultimate resolution of issues.
- Managing critical relationships with the company's management team and unions where appropriate.
- Taking scope, timescale and resource decisions to support the effective implementation of the SSC.
- Empowering the SSC project manager to make operational decisions.

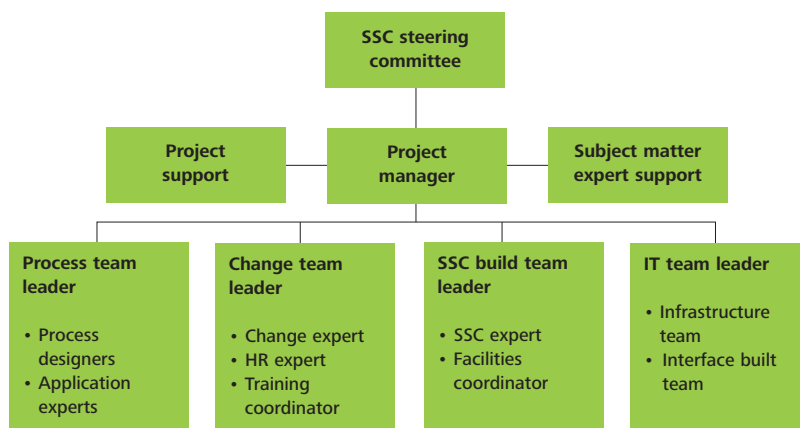
The steering committee is more than a 'rubber stamp'; its members should demonstrate real leadership and represent corporate, the various businesses and the support functions. Its presence and active involvement serve to reinforce the message that your organisation is committed to the success of the SSC.

## Assign a skilled project manager

The role of project manager is a pivotal one and demands a variety of skills and abilities. Desirable attributes include:

- Strong communication skills.
- Ability to manage and motivate people.
- Skills to evaluate and manage conflicts.
- Effective negotiation skills.
- Ability to integrate SSC teams for effective results.
- Political agility and respect throughout the organisation.
- Big picture perspective but also ability to handle detail.
- Determination.

Typical SSC project team structure



NB. Structure may also include a reference group with a focus on change management

### Bring the right people on board

Getting the right quantity and quality of people to work on the project is likely to be the biggest challenge throughout the project. With so many different workstreams that need to be managed concurrently, shared service implementations can be extremely demanding. It is essential to assemble a team with the right skills, appropriate level of line experience and a sound knowledge of the company. They should have credibility with their colleagues because they will serve as change agents and reinforce the message that the company is willing to commit its best people to ensure the success of the project.

Project team members may require training before or during the project to allow them to get up to speed with the various tools and techniques used during the design and implementation phase, including a good working knowledge of the software package to be used. Identifying training needs at an early stage is important to ensure adequate training is developed on time if needed. Also, some external training courses are only held on specific dates which, if not scheduled early, might lead to delays in the project start.

Team effectiveness sessions can also be used to build a common understanding of team members' roles and responsibilities, to agree working methods and ground rules and to establish regular learning and feedback sessions.

It is critical that your team is dedicated to this project full time, and not splitting their time between line responsibilities and project roles. Line positions should be backfilled by temporary or permanent staff to ensure the team members' continuous involvement and focus. Executive support may be needed to guarantee this – do not wait until deadlines slip before addressing this problem.

### Identify the SSC director early

Ideally, you will have identified a candidate for SSC director by this time and assigned him or her to an active role on the project (e.g. project manager or the SSC build team leader). Managers who know they will be living with the consequences of the process and organisation design will be even more motivated to anticipate future problems and consider implementation issues.

The SSC director will manage the SSC on a daily basis, and greatly influence its values, culture and service orientation. A common mistake is to assign the SSC director a part-time role in the early stages of the project; but this often leads to a bad start.

Characteristics to look for in an SSC director include:

- Knowledge of how to manage vision and purpose.
- Big picture (broad, futuristic and global) perspective.
- Strategic agility.
- Commitment to customer service and total quality management.
- Able to handle an environment of constant change.
- Managerial courage.
- Good decision maker.
- Political adeptness.
- Entrepreneurial qualities.
- Excellent interpersonal skills – good judgement and strong leadership skills.

## Develop a comprehensive plan

### Plan effectively

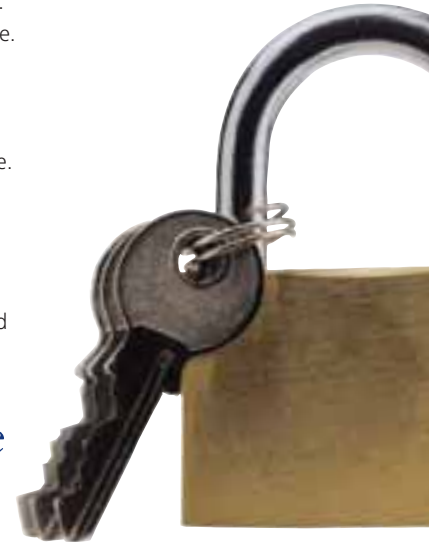
Involve as many of the project team as practical in the planning process so that all areas are addressed and the plan is owned by those who will implement it. As a bare minimum, the project manager, the workstream leaders and key finance community personnel should be involved in this process. They should start by defining key milestones, activities and interdependencies, then progress to the detailed activities, timings and resources. In the early stages, it is most important to have a high-level view which is easily communicated; from there, you can progress to a detailed project plan using advanced planning software. You will need to monitor revisions, updates and progress against the project plan.

### Manage risk

During this stage, you should also identify the key risks affecting the project, assess their impact and develop mitigation strategies. There are four stages to risk management:

- Identify the relevant risks.
- Assess the impact of the identified risks on the project.
- Monitor risk on an ongoing basis.
- Take action to avoid or mitigate risk.

A risk register is a useful tool in managing project risks; an extract from a sample register is shown below. It is important to remember that risks are dynamic and will change over time. A process must be set up to manage key risks and to reassess the risk environment on a periodic basis.





Sample risk register extract

Risk	Likelihood	Impact	Mitigation	Responsibility
Organisational buy-in not achieved amongst finance and admin staff – either because of resistance to change, fear of redundancy or cultural prejudices against a consolidated function.	High	High	Separate workstream on change enablement. Coordinated change strategy to communicate, facilitate change and motivate staff.	Change team and controllers as agents of change.
Not getting SSC director on board early enough.	Low	High	Initiating recruitment search as soon as project approved. Seconding internal manager until director is found.	CFO

**Monitor progress**

To identify deviations quickly and assess their impact you need to closely monitor progress against the project plan. Actions to resolve any deviation should be put into place quickly to mitigate damaging consequences. The project manager needs to be able to recognise the interdependencies between activities and be ready to escalate critical issues for resolution where necessary. An issue log (as above) can be used to track issues, assign the appropriate priority, identify responsibilities for resolution and ensure that they are addressed.

**Measure benefits**

The SSC is being implemented to provide benefits to the organisation, and you need to define the conditions required to realise these benefits. The key success factors should be defined for both quantitative and qualitative benefits (although the latter will obviously be harder to assess). The realisation of benefits should be formally monitored and risks identified and mitigated throughout the project. Surveys show that some companies fail to realise all of the benefits highlighted in the SSC business case. This is frequently due to underestimating the amount of work needed to track and measure benefits, and assigning the task to overstretched local managers and HR departments.

## Initiate change enablement

Establishing an SSC is a large-scale change project that affects people beyond the finance function. The role of the change team is to develop a comprehensive plan to support staff throughout the changes and to ensure that the project retains a balanced emphasis on the people aspects alongside those of process and technology.

The change team should strive to ensure that all individuals impacted by the project are ready, willing and able to implement and sustain the new system. To create an optimum environment for change, it is vital that a separate change enablement workstream is established and given adequate priority and sufficient resources.

Key activities for the change team include:

- Focus on critical success factors.
- Identify and engage stakeholders and communicate change.
- Use change as a positive force.

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The project manager needs to be able to recognise the interdependencies between activities and be ready to escalate critical issues for resolution where necessary.

### Focus on critical success factors

Our experience of SSCs is reinforced by studies of organisations that have undertaken significant change, which suggest a number of critical success factors:

Critical success factors of change management	
Articulate a clear vision	The vision for the SSC needs to be clear and compelling, communicated consistently and shared by all.
Assess your own effectiveness at changing	The current state of the finance organisation, its readiness for change (including perspectives about shared services, the project and past changes) and the purpose of change needs to be understood clearly by all employees.
Develop a plan with adequate resources and infrastructure	An explicit plan and structure should be in place to ensure that each country can achieve the changes with its given resources.
Implement a two-way approach to communication	An infrastructure and communications plan needs to be in place which results in both communication and engagement by building awareness of the change goals, communicating progress towards attaining goals and encouraging collective ownership of the change process and outcomes.
Align performance management and HR	HR processes, organisation design and the measurement and reward of performance must be aligned to drive the new behaviours in support of the vision for finance.
Prepare leaders for the change	Leaders' values and behaviours should be aligned with the business vision, and they should possess the know-how and skills to drive the change process to completion and accept the responsibility for doing so.
Understand, and be sensitive to, the culture	The ways in which change is managed and people are supported will be different in different countries and business units. Reactions to change will be varied and people will need to be supported throughout the process.

Critical success factors are the key to creating lasting change and ensuring the success of the project. When these are absent, the lack of ownership and direction can be key causes of project failure.

- **Advocacy** – This key group of managers in finance and its customers will need to serve as compelling advocates of the SSC and all the change activities that deliver the vision and business results.

### Identify stakeholders

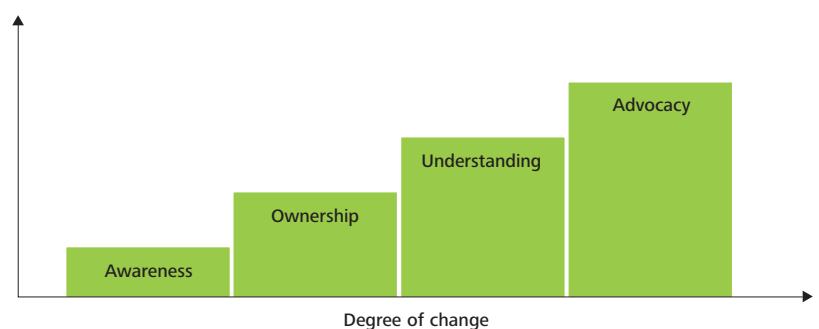
During the design phase, the first step for the change team should be to identify all stakeholders that will be impacted by or influential to the project. The change team should look beyond the finance organisation to identify all stakeholders important to a successful change.

Stakeholder assessment establishes the degree of impact the SSC will have on employees, both as groups and individuals. The underlying assumption is that more change is required from people, the more they need to be actively involved in the change process.

The level of involvement in the change ranges from:

- **Awareness** – This group needs to know what is happening on a regular basis, but it is not necessary that they actively support the changes.
- **Understanding** – These people need to understand the vision, why it is important and the steps being taken to make the vision a reality.
- **Ownership** – Those who will be actively involved in leading the change activities are required to demonstrate visible ownership of the outcomes of these activities.

Different levels of active involvement



### Engage stakeholders and communicate change

Rarely does a large-scale project end with the complaint that there has been too much communication. Even when team members feel they are spending a great deal of time communicating, their efforts may not be effective. To those outside the centre of the project, messages often appear confused, irrelevant or incomplete.

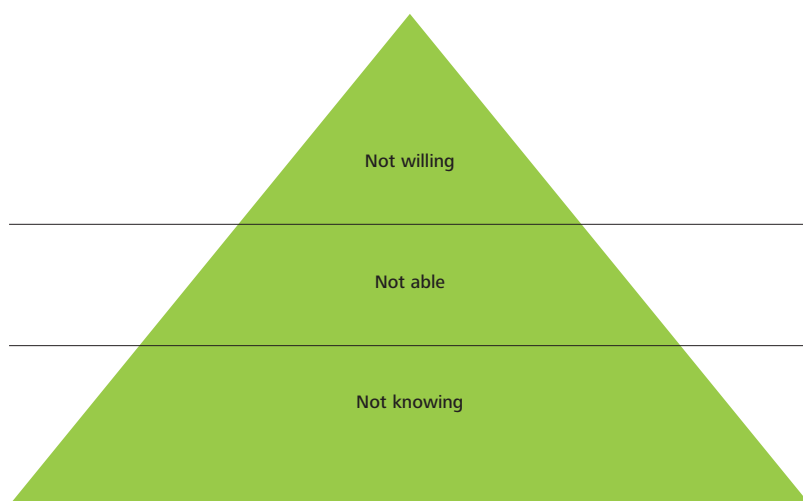
A targeted, audience-specific communication strategy should result in stakeholder buy-in, as well as prevent concerns and rumours from festering and developing into a downward spiral that sabotages or delays the project. The change team should also carefully consider the timing of communications, both to ensure appropriate timing among audiences and to align with key project milestones.

All communications should be two-way and actively seek feedback from different groups at different stages. This ensures that there is every opportunity to raise important issues, provide feedback and ask questions; it allows the effectiveness of the communication efforts to be understood.

### Overcome resistance

Using change as a positive force will greatly enable project success. To address resistance to change, it is helpful to understand the causes of resistance.

Resistance pyramid



The 'resistance pyramid' illustrated above is a useful tool. When people do not adopt new behaviours immediately, it is often perceived as resistance. In reality, people may not always be aware that change is required; these individuals are in the 'not knowing' category. Other individuals may not be capable of making the change; they fall into the 'not able' category. People in these categories may require communication, involvement, education or skill development to become both knowledgeable enough and able to make the change.

Individuals in the 'not willing' category are resisting the change, but this may occur for many different reasons, including not agreeing with the change, protecting their 'territory' or not believing the change will actually happen.

While each organisation and individual will handle resistance in different ways, according to organisational culture and management styles, ignoring resistance or turning it into a battle of wills is ineffective (see chart).

### Ineffective ways of dealing with resistance

Approach	Usually involves ...	Drawbacks
Fight it head on	Trying to overcome resistance by pushing harder, squashing the resistance.	Often creates more resistance and negative feeling.
Ignore the resistance	Pretending the resistance doesn't exist.	Does not surface ideas that might be valuable.
Punishing the people perceived to be resistant	Privately or publicly letting it be known that the resistance is unacceptable.	Discourages future feedback; creates "fear" culture.
Pacify the resisters	Telling them you will listen to their concerns, but in reality, doing nothing.	Creates false expectations, does not build trust.
Give in	Changing the project each time there is resistance to change.	Reduces leadership credibility, may take on board destructive feedback.

You can work constructively with resistance so that it becomes a positive, rather than destructive, force by identifying resistance as it occurs and creating forums for discussing it openly (see chart).

**When people do not adopt new behaviours immediately, it is often perceived as resistance.**

**Effective ways of dealing with resistance**

Approach	Usually involves ...	Advantages
Surface resistance explicitly	Asking for constructive reasons why the change won't work; act on feedback; create opportunities to surface resistance, rather than letting it surprise you.	Gets useful information; involves people; creates a supportive environment that encourages openness.
'Name' resistance	When you hear or see resistance, identify it and discuss it openly with the individuals involved.	Lets people know that resistance is acceptable, but important to resolve; reinforces that resistance will not be allowed to block the project.
Identify the sources of resistance	Determine who are 'not knowing', 'not able' and 'not willing'. Support those who are 'not knowing' and 'not able'; discuss explicitly the reasons for 'not willing'; have explicit conversations with those 'not willing' to determine future fit with the change.	Does not treat all resistant behaviour as equal; creates a supportive environment; recognises that every change does not mean a fit with every employee.
Give people time, but set clear expectations about performance	Do not expect everyone to be committed at the same time; give people specific performance expectations so they know when they need change.	Is realistic and appreciates the individual experience of change; gives people clear direction.

## Process

Process design will drive many of the other components of the SSC implementation. For example, it will determine how many people will be in the SSC, how they will work and the organisational structure. However, you also need to define exactly what you need from the SSC implementation in a detailed requirements document. Typically, this will be concerned with how the technology will support the processes, particularly where processes are critical to the business or where technology gaps exist. It will also specify the more critical business requirements that your SSC must address for it to adequately support the business.

### Create process designs

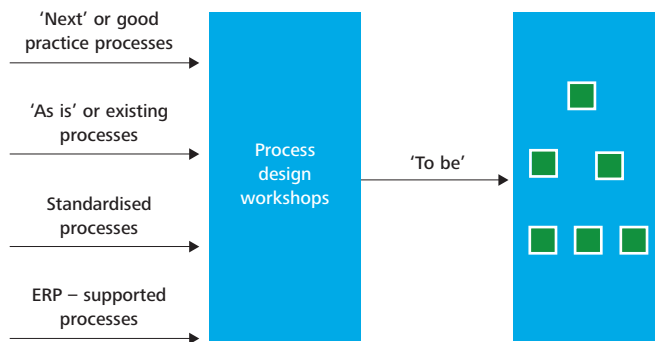
No two SSC designs look the same. Everyone has different starting points and, equally likely, different ending points, and the approach depends on your situation. Two primary considerations are the extent of reengineering to be carried out as part of the implementation and the degree of standardisation anticipated.

Your process designs should follow through from the high-level process splits agreed in feasibility. In the design phase, you need to develop this in more detail and review legal and regulatory requirements.

When developing designs for shared services processes, significant detail is needed, particularly in areas where activity flows back and forth between shared services and local business units. To achieve this, designs should be completed at the activity level and indicate who will be responsible for the activity, shared services or the local business unit. This will then translate into clear roles and responsibilities for the SSC and the local business unit, minimising misunderstandings about who is accountable for what.

### Determine design priorities

There are four main factors that influence the process design, which need to be prioritised upfront due to their strong influence on the final design (see diagram):



The key drivers of process design are:

- **Good practice processes:** How much do you want to improve or reengineer existing processes as part of the SSC implementation? You have the option to reengineer to best practices or even 'next' practices (the best practices of tomorrow) as part of your implementation. Alternatively, you could consolidate existing processes to the SSC and then reengineer them.



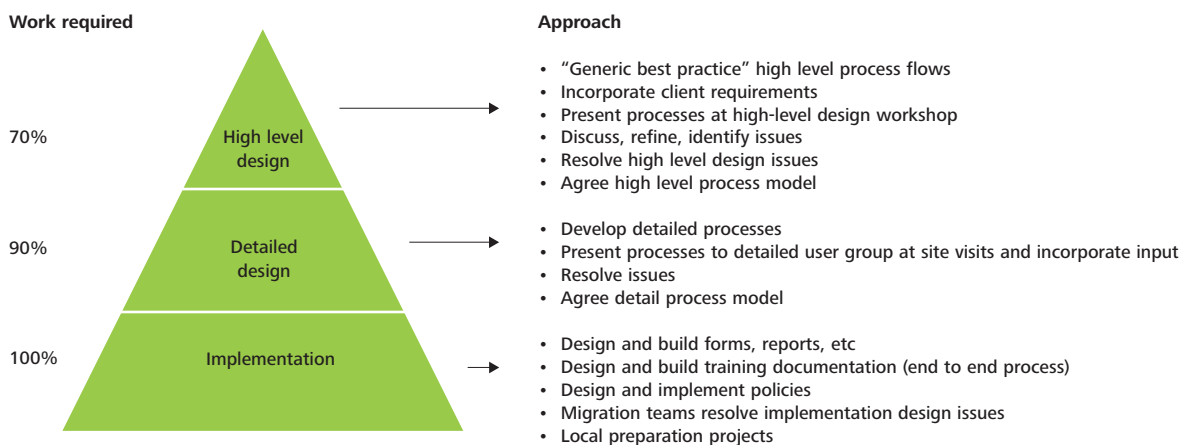
- **'As is' or existing processes:** What business-critical activities need to be carried forward into the new design, and what process changes will arise from the shared environment? You should already have a good high-level understanding of your existing processes through the feasibility study. The extent of reengineering carried out during process design will determine the level of detailed analysis needed on existing processes.
- **Standardised processes:** How important is it to standardise processes? You'll see the most benefits from standardised processes both within the SSC and all the LBUs. There is often initial resistance by LBUs, and as business practices and statutory requirements vary from country to country, you must be sensitive to these factors.
- **ERP-supported processes:** To what extent will IT solutions dictate your future processes, and when will it be beneficial to deviate from standard functionality? Most current ERP systems support a standard set of processes. Customising the ERP system to support different processes can be expensive and time consuming both during the implementation and during any future upgrades.

The relative weight you place on these different factors will determine how you approach process design. For example, if you decide to place a great deal of emphasis on best practices, then you will effectively start your process design exercise with a blank sheet of paper based on the agreed high-level designs from the feasibility phase. However, if your most important driver is the ERP system, then you will use the ERP system to define your future processes.

### Develop detailed process designs

To progress the process splits agreed in the feasibility phase, you'll need to develop detailed design documents that show the process flows in more detail. The diagram below shows the work required at each stage (high-level design, detailed design, implementation).

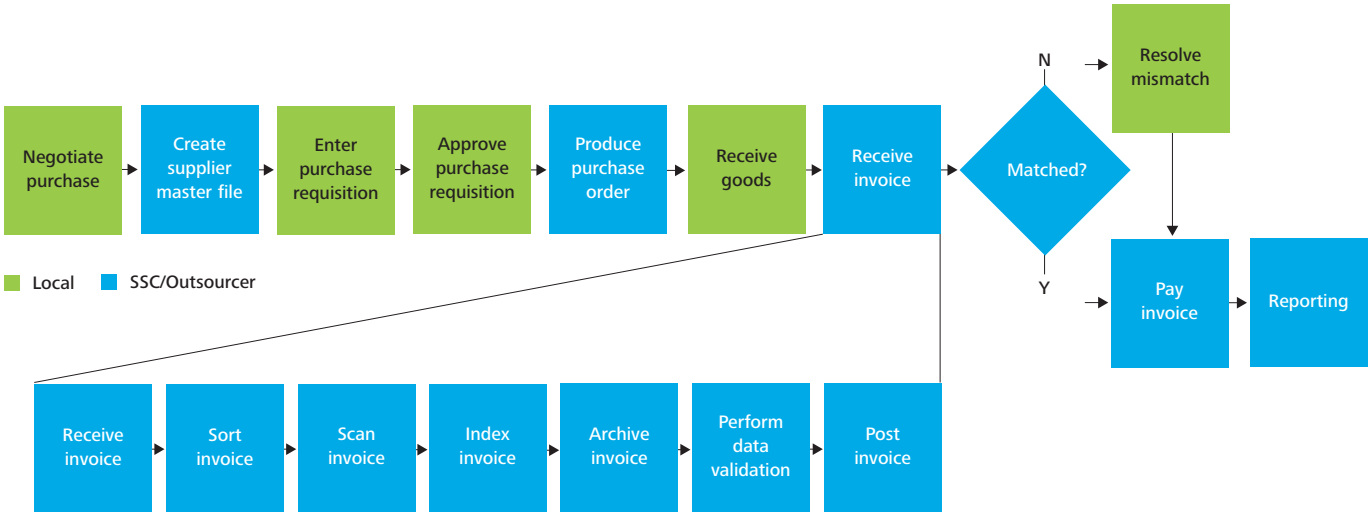
During detailed design, you'll need to present detailed processes to user groups and work through any necessary changes. You will not be able to finalise all aspects and issues of process design during the design phase, and certain elements of the process may need to be adjusted during the build and test phase.



Customising the ERP system to support different processes can be expensive and time consuming ...

The diagram below takes the purchase to pay example on page 18 of the Feasibility section, and illustrates part of the invoice receipt process in more detail. Purchase to pay process flow – receive invoice in more detail.

**Purchase to pay process flow – receive invoice in more detail**



Detailed design documents should also be produced to support these process flows, which will link to technology and organisational design.

**Assess legal and regulatory impact**

Each country’s processes operate within the constraints of national legal and regulatory frameworks. While legislation may create various hurdles, these are not insurmountable. Many companies have devised workarounds, some examples are shown overleaf. You should consult with your professional advisors to determine whether your processes comply with relevant regulations and liaise with the appropriate regulatory authorities before proceeding. Furthermore, regulatory and legal requirements do vary over time and therefore you’ll need to revisit your assumptions on a regular basis.

“We believe we can reduce the cost of processing activities by in excess of 50% by moving them into our regional shared services centre. We can achieve this due to lower labour costs, simplification, economies of scale and by standardising processes. As such, it’s really important that we don’t allow our customers to deviate from our standard processes. Any requests for a non standard process from the business have to be supported by a strong business case.”

**Colin Glynn**  
Global Head of Finance Service Centres, Rolls Royce



Sample legal and regulatory issues	Solutions that have been adopted
Payments (e.g. tax returns) must be made through a domestic bank account	Utilise local operating accounts and facilities for local cheque and cash payments and receipts.
Accounting records and financial statements must be prepared and maintained in local currency and language	Systems solutions are generally available to enable multiple currencies to be maintained. Language skills will be required at the SSC to ensure documents are created and maintained in the appropriate language.
Some tax authorities prohibit the preparation of tax returns from overseas	The typical split of processes assumes that tax returns will be prepared and submitted locally, based on information generated by the SSC. This activity could be undertaken by an outsourcing agency. This might be necessary where returns must be signed and submitted on special locally controlled forms.
Some accounting regulations state that the accounting system and records must remain in the country	Some companies ensure that the accounting documents are returned and stored in the local country after having been processed by the SSC. Direct questions about how the country's books are updated are often raised during tax audits. Some companies have not complied with the regulations but disclosed their non-compliance in their annual report.

### Define technical requirements

Beyond the process design (which sets out who does what and where), it is important to define exactly what is required from a technology perspective to support the new processes.

Compiling an accurate list of requirements can be a demanding process. However, combining this exercise with the process design and the ERP configuration can significantly reduce the time required to achieve three key objectives: (1) define detailed technical designs; (2) develop data conversion approach; and (3) design the technical infrastructure.

Once the requirement list is complete, it should be compared to the functionality of the standard ERP solution. Any gaps identified by this process will then need to be addressed either by removing the requirement, establishing a workaround within the standard ERP solution or designing a technology solution. It should be noted that each technical solution can be expensive to design, build and maintain, and for those areas where a sizeable technical solution is required it is advisable to conduct an independent cost/benefit analysis. We suggest that standard solutions are used where appropriate, as this will facilitate ongoing maintenance.

### Prepare business continuity strategy and plan

An effective business continuity strategy and plan minimises loss to the organisation by establishing and formalising preparation, response and recovery when disasters hit. A business continuity plan is particularly important for SSCs, given that a large number of business units and often multiple operations depend on them and will be affected by any down-time. The strategy and plan should include the business and technical objectives, roles and responsibilities, tools and templates, disaster recovery timelines and acceptable thresholds.

## Technology

Technology can play a major role in enabling process efficiency and facilitating a successfully operating SSC. It is crucial that the shared services design team works closely with any technical teams throughout this phase to ensure that any new technology works in harmony with the new processes. This will reduce time spent creating fixes and work-arounds during the build and test phase.

In deciding what technical solutions are required, the key question to address is what IT infrastructure and application updates need to be made to accommodate the change. It is important to remember that technology will act as the enabler, but it is effective process design that really drives efficiency.

The design of technology solutions falls broadly into two main categories; (1) ERP or ERP-related system implementations; and (2) enabling technologies.

### Implement or consolidate ERP or ERP-related systems

Organisations designing their shared services solution are at various levels of maturity regarding the state of their ERP systems. Different approaches to SSC design can be taken based on their current ERP state.

For organisations that are implementing a new ERP or consolidating to one existing ERP, consideration should be given as to whether or not to implement the systems in parallel with the new services delivery model. There are obvious design benefits with this approach, but if the ERP implementation goes wrong, the SSC may be defined as a failure if stakeholders struggle to distinguish between specific ERP and SSC issues.

If the system is being rolled out as part of a phased transition, consideration should be given to what stage the ERP is rolled out in the SSC. Another consideration is whether the SSC goes live with the existing technology platform and then transitions to the new ERP, or whether the SSC launches on the new systems. The latter is a higher risk approach, but more efficient if done successfully.

Other organisations may be running multiple ERPs. This presents a real challenge to SSC efficiency, with the key constraint being the ability to deliver standard processes on multiple systems.

If an organisation has already transitioned to a single ERP, it should be recognised that minor adjustments and enhancements to the system are likely to be required to enable redesigned processes and ability to work remotely (e.g. workflow). This should be communicated to stakeholders, and resources and budget requirements updated accordingly.

### Implement enabling technologies

There are a number of enabling technologies available that can increase automation and significantly improve efficiency in a shared services environment. These include elimination of manual processes, reduction in processing time, leveraging economies of scale, improving supplier/customer relationships, reduction in error rates, etc. However, the delivery effort and impact of change in implementing them should not be underestimated.

Given the range of providers of enabling technologies in the market, the first step is to assess the merits of each provider based on the functionality of their product, the fit with your organisation, regulatory requirements (e.g. local tax authority requirements) and, importantly, their credibility in the market.

It is outside the scope of this Handbook to review all enabling technologies, but we have included a description of key technologies below.

- **E-invoicing via electronic data interchange (EDI):** EDI is the electronic interchange of structured data according to an agreed message standard between computer systems. Orders or invoices can be sent to a trading partner as standard data through various means, including private 'Value Added Networks' (VANs), or real-time over the internet. This eliminates the need for sending paper invoices and any rekeying of data. EDI has been around for a long time and whilst effective, it is deemed to be a bit dated compared to more advanced and easy-to-implement technologies.

- **E-invoicing via third party:** As with using EDI, e-invoicing via a third party removes the need for paper-based systems. However, by using a third party, there is no requirement to align data standards with buyers or suppliers. Instead, a third party receives invoices in a range of different electronic formats from suppliers and translates them into your chosen format. The third party can also ensure that invoices are tax compliant and some will apply automated routing, matching and approval.
- **Invoice scanning and archiving:** Scanning enables invoices and purchase orders to be converted to digital images which can then be archived and retrieved electronically. The process facilitates efficient retrieval and electronic routing of documents and also the preparation of documents for data capture via OCR (see below). The ability to view invoice images online can significantly support the invoice matching process and facilitate remote working.
- **Optical character recognition (OCR):** OCR is the process of converting scanned images of machine-printed text into an electronic format that can be seamlessly integrated into back-office systems. 'Intelligent' recognition is increasingly common and produces a higher first-time hit rate in terms of accuracy. However manual intervention in the process is not completely removed as verification and correction may be required.
- **Automated electronic workflow:** Automated electronic workflow sends and makes electronic files accessible to certain individuals based on a pre-defined set of rules and authorisation levels. The process allows workflow events to be triggered automatically within an ERP based on data input from scanned images or e-invoices. The process increases the speed and efficiency of verification, approvals, corrections and general query management.



Many other enabling technologies such as portals, self-billing/ERS (evaluated receipt settlement), recovery audit, interactive voice recognition (IVR), standard bank systems, interface to ERP, etc should also be considered during the design phase as potential enablers of increased process efficiency.

## Organisation

You will need to consider a number of organisational issues in the design phase. These will determine the SSC's relationship with the local business units (LBUs), and how the SSC itself operates.

### Develop operating model

There are a number of basic operating models for SSCs that were outlined in the 2x3 matrix in the Feasibility section (see page 20). The following table describes a few common models and outlines some of their advantages and disadvantages. The choice of operating model depends on the nature of your business and your particular circumstances.

It is not an all or nothing decision; a combination of models may provide the optimal structure.

### Determine accounting approach

You need to consider how to perform internal accounting for the SSC, including how to charge other departments and business units for the SSC's services to capture cost information at an appropriate level. This poses a key question as to whether the SSC operates as a profit centre or a cost centre, which in turn drives different behaviours within the business. If the SSC operates as a profit centre, it is also possible to reapportion profits back to customers or to use profits to invest in continuous improvement. In all cases, the model should be tax compliant and reviewed by your tax team.

### Define legal structure

During the design phase you should also define the legal structure of the SSC, e.g. whether to include it within an existing legal entity or to establish an 'empty' legal entity instead. The tax implications of any proposed legal structure and required cost-recharging mechanisms must be properly considered to understand the full costs of implementing the SSC.

Dealing with a conflict of interest or even perceptions of a conflict of interest are important factors to consider when determining both legal structure and accounting approach.

### Review banking and treasury arrangements

Banking arrangements for the SSC require careful planning. Multiple accounts with different banks increase complexity in transferring funds, and will trigger more manually-intensive reconciliations. You may want to consolidate your accounts with a single bank that can offer global services, so that you can manage your cash flow centrally. You'll also need to review the way in which you transact: processing cheques, particularly foreign ones, is inefficient, so you should build in electronic transfer of funds wherever possible. Where cheques are unavoidable, the use of lock boxes (with the bank) helps to streamline the process.

Shared services may also provide an opportunity to simplify your treasury function. The SSC may be ideally placed to act as an internal bank, netting off intercompany balances and pooling cash to allow interest rate management and more efficient investment of surplus balances. Working with a single global and regional bank can deliver additional benefits by streamlining your operations (e.g. fewer reconciliations and fewer systems interfaces) and reducing group banking charges.

#### Potential SSC organisation structures

Option	Description	Implication	Cons
Organisational unit	An SSC is set up for each line of business within an organisation.	SSC serving a single business unit, so staff can specialise and improve service levels and efficiency.	Where multiple business units exist, economies of scale may not be maximised.
Process centric	An SSC is set up by process area.	SSC specialise in a process so can drive standardisation, process improvement and efficiencies.	Can be perceived as delivering lower service to the customer as it is not specialised by organisation unit or geography.
Geographical	An SSC is set up to serve all entities within an organisation within a geographical area. This may be national, regional or global.	Maximises economies or scale, particularly when regional or global SSCs.	Complex to implement – regional/global centres must accommodate a greater range of needs.  Regional and global centres will require linguists.

### Determine tax impact of operating model

Moving towards a shared services environment often provides an opportunity to restructure the business in a more tax-efficient manner.

In designing a tax and legal structure that best reflects your operational and commercial arrangements, there are many complex issues that need to be addressed, such as:

- **Tax efficiency:** If an SSC is put in the right country, at the right time and with the right tax rulings and incentives, the tax benefits can considerably reduce the cost of implementation. By transferring some of the responsibility for functions, and therefore the risks, there may be a different distribution of profits across countries. This could affect total tax costs by changing the mix of profits between countries with differing tax rates.
- **Indirect and direct sales taxes:** Inter-company charging across borders can become incredibly complex and subject to error when international SSCs are established. The kinds of services provided by an SSC often give rise to reverse-charge (self accounting) requirements, and every country has different documentation rules. Non-compliance can result in heavy financial penalties. You may be able to structure cross-border invoicing in a way that reduces total value added tax (VAT) or sales tax costs. Conversely, a poor invoicing arrangement can result in unnecessary VAT costs. It is therefore important that the tax function is kept aware of any structural and geographical changes taking place in the business, so that appropriate processes can be put in place to manage the tax compliance.
- **Transfer pricing:** Many countries have strict guidelines on the right price to charge for inter-company services. Professional advice should be sought to negotiate the optimum transfer prices with tax authorities across the relevant jurisdictions.
- **Tax compliance and reporting:** An SSC presents an opportunity to standardise and automate tax reporting and filings, potentially leading to considerable savings in tax compliance costs. Enabling technologies can also be introduced to reduce the risk of tax errors. Careful consideration should always be given to the knock-on impact that a change in finance processes could have on tax compliance and reporting.

- **Employee taxes:** Labour costs are usually a component of the business case for locating an SSC in a particular country, but not all companies factor in the widely different payroll tax and social security burdens when calculating unit labour costs. For example, in some countries employer's social security can add 50% or more to the gross cost of labour.

You should seek appropriate advice in these areas to address all relevant tax aspects, cover all operational and regulatory tax risks, and achieve the maximum benefit from a tax perspective.

### Build the team

Now that you have refined your process designs, you need to consider how the SSC and local teams will work together and be resourced. It is important to look at both internal and external resources when building the SSC team. If internal resources are insufficient, there are a number of steps you can take to minimise knowledge loss, prevent people from leaving early and support people through the exit process and new job search. These tools include retention bonuses, paid time-off for attending interviews and support with resume/CV writing and interviewing.

Areas to consider when building the SSC team are:

- How will tasks be organised, and who will do what?
- How many staff will be required in each area (process simulation will help you to estimate this)?
- What do the job descriptions look like?
- What will the team structure look like: flat, team-orientated, etc?
- What will the span of control be?
- What will the people be like – their values, behaviours, skills and experience?
- Do you need special language capabilities in the SSC to handle customer queries?
- How will people be rewarded for their performance: team or individual bonuses, performance-related pay? What are the performance measures that people will be evaluated on?

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Moving towards a shared services environment often provides an opportunity to restructure the business in a more tax-efficient manner.

As explained in the Feasibility section, in our experience SSCs are generally structured by process to facilitate standardisation and consolidation, and to provide an environment for continuous improvement. To enhance this, a number of SSCs are creating a service desk team to deal specifically with queries from internal LBUs, vendors or customers. Having a team dedicated to query management enables the process teams to concentrate their efforts solely on processing transactions.

The advantages of having a service desk team are:

- Better availability of data to track and group queries.
- Enhanced ability to analyse the causes of queries and identify process improvement opportunities when data is channelled through one central team.

It is important to clarify the tasks, skills, knowledge and behaviour required for each local full-time equivalent (FTE) position so that you can objectively determine which employees are best suited to the available positions in the future organisation.

However, some employees will no longer have a place in the local finance organisation or the SSC. Where redundancies are unavoidable, you should work with your HR director to develop a plan that is consistent across your organisation and takes into account the appropriate legal protocol in the countries in which you operate (i.e. in some countries, you must consult with Works Councils prior to any redundancy decisions). If you are working in an environment with a strong employee legislative presence, that may dictate the timing of your communication and subsequent pace of change. Ensure you are aware of how this environment may restrict you in advance of engaging your organisation. Should you omit this step, you may find yourself battling with external government and legal bodies that could delay your implementation.

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**Having a team dedicated to query management enables the process teams to concentrate their efforts solely on processing transactions.**

## Location analysis: Determine SSC locations

The end result of the high-level location analysis conducted in the feasibility study is a short list of potential SSC locations. During this phase, that analysis is refined based on a thorough due diligence and joint site visits. Once the final locations are selected from the short list, actual premises can be negotiated and facility design can start. We suggest that you seek support to negotiate contracts for premises, especially if the SSC is located in a country where you have limited presence. When designing the SSC, it is worth spending some time agreeing the type of culture you want to foster as the SSC environment can contribute to this (e.g. use of break out space to encourage team working). For more information on SSC culture, please refer to the Build and test phase on pages 49-60.

### Design physical and technical infrastructure

Now that you have a good idea of how the SSC will work and what your staff requirements are, you will need to set up the physical infrastructure. You should first consider how staff will work together so that you can design the office – an open plan office can be a more conducive environment than closed work cells. Key questions to consider include:

- How many meeting rooms do you need?
- Do you expect your SSC to expand?
- Do you need a canteen?
- What are the health and safety rules?

The answers to these questions will help you estimate your working space requirements.

Next, consider your equipment requirements: furniture, PCs, servers, telephones, video conferencing, printers, photocopiers and cabling.

Remember there is a significant lead time in setting up a new site, particularly a greenfield site, so build this into your project plan. Also, don't forget to check back with the business case developed in the feasibility phase to make sure costs are still within targets.

## Develop service level agreements and performance measures

What relationship will the SSC have with its internal customers? How will they be charged for services provided? How will the SSC's performance be monitored and reported back to the business? When disputes over cross charges and service levels arise, how will they be resolved?

It is important that these matters are agreed upfront and communicated to users, to demonstrate accountability and assuage any business unit fears of a head office takeover. Service level agreements (SLAs) are useful in defining the relationship between the SSC and its internal customers, the local business units (LBUs). The SLA will contain a number of key performance indicators (KPIs) to provide a mechanism for you to quantify your performance in terms of cost, quality and time. Target performance levels will be negotiated for each KPI. This will help the SSC to provide high-quality service levels by:

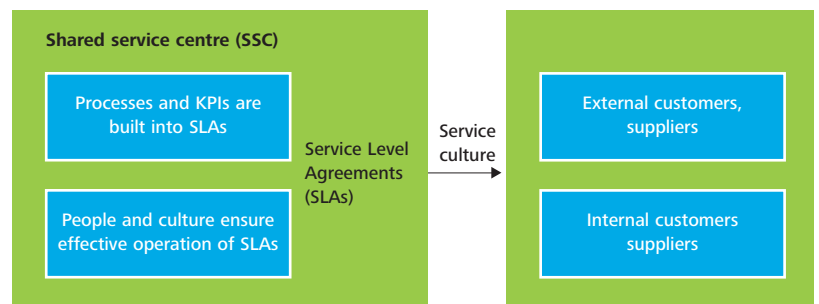
- Defining and establishing service expectations. The written SLAs will reinforce the concept of the SSC's accountability to the customer, and the process of negotiating service targets will create a framework for capturing changing customer needs.
- Providing a benchmark to measure service performance against expectations. This will help you to objectively measure whether expectations are met. This monitoring process will help to reinforce a service culture and can then be used to encourage and reward continuous improvement in efficiency and customer service.

It should be noted, however, that adhering to an SLA which is not regularly updated can be counter-productive in circumstances where:

- Too much emphasis is placed on the SLA and not the needs of customers.
- SLAs generate inflexibility when they really need to adapt to changing customer needs.
- People adopt an 'in case of emergency – break glass' approach, e.g. when specific terms in an SLA are used to attack or defend service levels, the customer/supplier relationship is already under threat.

An SLA should not be treated as a 'one-off' document that is stored in case it is needed at some point. Instead, it should be used in customer meetings, and KPIs tracked on a monthly basis to demonstrate service levels and progress against agreed levels. You should, therefore, make sure that you periodically revisit your SLAs and performance indicators to ensure their ongoing relevance.

### The role of SLAs



## Develop governance structure

Governance refers to the mechanisms used to manage an SSC's relationships with its key stakeholders, such as local finance customers and head office. It supports the delivery and evolution of SSC services to meet the expectations of its stakeholders.

An effective governance model:

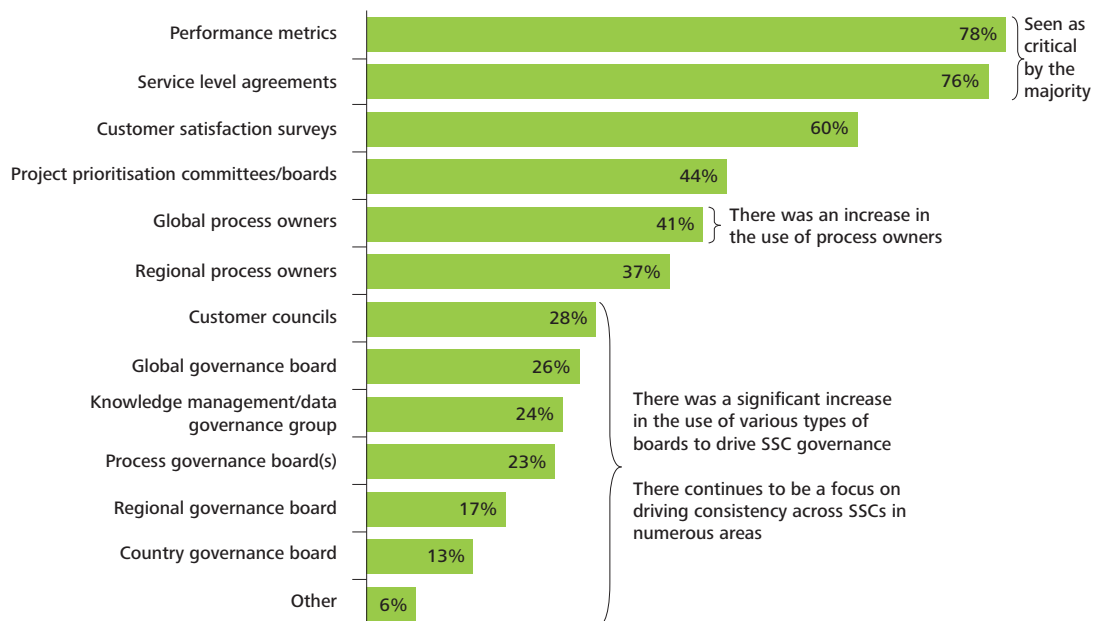
- Establishes accountability for each party.
- Defines the ways in which the parties interact with each other.
- Helps to keep all parties' strategies and goals aligned with each other.
- Integrates with a service management framework.
- Is supported by a variety of planning, performance reporting and control systems and tools.



Back office		Shared services
• Discontinued from business vision	▶	• Aligned to business vision
• Internally focussed	▶	• Customer focussed
• Workload orientation	▶	• Performance oriented
• Departmental focus	▶	• Process aligned
• Administrative focus	▶	• Service and performance culture
• Cost centre	▶	• Profit centre
• 9 to 5 culture	▶	• Delivery focus
• Maintain status quo	▶	• Continually improve

While performance metrics and SLAs are seen as critical elements for keeping the SSC on track, an increasing number of organisations are also using various types of governance boards to drive SSC governance.

#### What elements are part of your company's governance structure for its SSCs?



It is only through effective governance that the continued success of the SSC can be secured and the SSC can become a real and strategic partner to the business.

**A five component model for SSC governance**

Components	Purpose	Support mechanisms
Strategic governance	<ul style="list-style-type: none"> <li>Provide a leadership group to bring overall perspective to scope and performance across the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Steering committee.</li> <li>Governance council.</li> </ul>
Process governance	<ul style="list-style-type: none"> <li>Manage and improve performance of the end to end processes.</li> <li>Provide a cross-customer/regional mechanism to establish and embed a strong community of interest related functions/processes.</li> </ul>	<ul style="list-style-type: none"> <li>Process forums.</li> <li>Regional/global process owners.</li> </ul>
Customer governance	<ul style="list-style-type: none"> <li>Provide customer visibility into and influence over the delivery of SSC services.</li> <li>Provide a working arrangement that closely links the SSC organisation and its customers.</li> </ul>	<ul style="list-style-type: none"> <li>Business partners.</li> <li>Customer/user councils.</li> <li>Customer charging.</li> </ul>
Performance management	<ul style="list-style-type: none"> <li>Provide confidence that SSC services represent "best value".</li> <li>Provide mechanisms to support the financial and delivery expectations and commitments of the SSC.</li> </ul>	<ul style="list-style-type: none"> <li>Performance metrics.</li> <li>Service level agreements.</li> <li>Cost control.</li> </ul>
Data governance	<ul style="list-style-type: none"> <li>Provide confidence in "one version of the truth".</li> <li>Ensure clarity regarding data definitions.</li> <li>Define clear ownership of data elements across relevant processes.</li> </ul>	<ul style="list-style-type: none"> <li>Regional/global data owners.</li> <li>Clear alignment to process owners.</li> <li>Close partnership with IT/systems organisation.</li> </ul>

It is important to establish this SSC governance structure early so it can communicate good news back to the business and also stay close to the business and customers. Its role is not only to listen to the business units, but also to involve them in the decision making and shape of the SSC.

As outlined above, it is worth considering the five key components (strategic/process/customer/ performance management/data governance) of an SSC governance structure so expectations with key stakeholders are clearly understood. SSC governance should be used as a way to channel issues and communicate success. If used properly, the governance structure provides a powerful way to work with the business, understand customer needs and clearly demonstrate improvements.

## Checklist

Before proceeding to Phase 3 – Build and test, ensure that you have:

### Process, technology and location

- Detailed designs for all local and SSC processes, which reflect:
  - local and SSC user requirements;
  - standard functionality of selected ERP solution;
  - a clear cut-off point between what happens in the SSC and what happens locally;
  - policy decisions related to processes;
  - local legal and statutory requirements;
  - adequate internal controls; and
  - management and statutory reporting.
- Detailed design of:
  - all technology requirements (screens, reports, interfaces, etc);
  - future technology infrastructure (servers, networks, communications, etc); and
  - other enablement systems being incorporated within or interfaced with the SSC.
- Developed legal profiles for each country where significant change will occur.
- Agreed the SSC location and initiated leasing/building discussion.
- Developed an office design.

### Change management and communications

- Developed change management and stakeholder engagement approach and plan.
- Identified and prioritised key stakeholders.
- Developed communications approach and plan.

### Structure/Organisation/HR

- Detailed organisational designs, including reporting and team structures.
- Confirmed the appropriate tax and legal structures and that local tax compliance requirements have been fully met.
- Appointed an SSC director (if you haven't already done so).
- Assessed in broad terms who to keep and to let go – with clear migration plans that detail recruitment, retention and redundancy packages as well as work-shadowing arrangements.
- Agreed governance structure.



# Phase 3 – Build and test

## 7 March – Year 2

With the design completed, SSC director Bridgit was preparing for the build with Jan, the project manager. There were a few issues which were bothering Bridgit.

“Jan, I think we need to review the build plan in more detail. I’m really concerned about testing and the amount of work we still have to do, especially with internal audit, developing test scenarios and preparing test data. That’s never easy – I just don’t think we have enough time. And then there’s the recruitment plan – will we really be able to get all the people in time? Have you had a chance to review the job descriptions?”

Jan agreed to review this urgently in more detail and report back to Bridgit.

## 13 March – Year 2

Following a thorough review of the plan, Jan agreed with Bridgit that the site build was another potential risk. “Bridgit, I think the testing timeline will be okay if we re-use some of the test scripts we already have and look into an automated tool to support actual testing. I can do this. I’m glad you brought up the recruitment plan, because I had assumed John was doing it. I made some changes to the job descriptions. Mary from HR thinks we’ll need an external recruitment company to accelerate the build. Luckily, it’s already in the budget. The other thing we need to do quickly is see the site in Eastern Europe, because I’m not sure it will be suitable for the long term.”

“Great, thanks for your review Jan. I’ll schedule an update meeting with Paul and arrange a trip to see the site. Good idea.”

## 2 April – Year 2

Bridgit, Jan and Paul visited the building that Hi-Tech owned in Poland, which was being converted into the SSC. “We’ve been having real problems establishing a network link,” the building site manager admitted ruefully. “The building hasn’t been used in about two years and we’ve had to recable the entire place – it’s put us a good month behind and over budget. Still, you should fit your 72 employees in with no problems.”

“And what about new people, say if we add 25 people over the next two years?” asked Bridgit.

“Well, you won’t be able to fit them here,” the manager answered. “You’re just about at maximum occupancy already.”

Bridgit turned to Jan, who was looking rather uncomfortable. “Who actually completed the site selection study?” she asked. Jan admitted that no formal site selection study had been made. In fact the decision to go with the current site had been made purely on the basis that Hi-Tech had spare capacity at an existing site in Poland.

## Analysis

### The story so far

Let’s consider how Hi-Tech\* is doing:

Plus (+)	Minus (-)
<ul style="list-style-type: none"><li>• Acknowledgment that detailed review of the build plan is required.</li><li>• HR recruitment plan in place.</li><li>• Use of external recruitment agencies to support recruitment build if required.</li><li>• Process designs beginning to become reality and testing due to start.</li><li>• SSC building fit out underway.</li></ul>	<ul style="list-style-type: none"><li>• Project manager hitting mid-project low where problems are accumulating faster than they can be resolved.</li><li>• Lack of visibility of other areas of the project such as HR.</li><li>• Some project areas are falling behind schedule, due to an underestimation of the effort required.</li><li>• Lack of room for growth at the proposed SSC location.</li><li>• Delays in building likely to hold up testing new systems and processes.</li></ul>

This phase centres on the ‘construction’ of all components of the new SSC solution, and subsequently testing them to ensure that they are fully integrated. At the end of this phase, everything needs to be ready for the SSC to become fully operational.

The build and test phase requires close integration of the process designs, the technology tools that support them and the users who will operate the SSC day-to-day. It represents a step change in the project as ideas that have previously been conceptual begin to be proved and therefore become real in the eyes of the project team, finance users and key SSC customers.

This brings many challenges, not least of which is that open issues and unanswered detail design questions must now be resolved. In addition, the commitment of local offices is tested as stakeholders have to formally agree and sign-off on a final SSC working model.

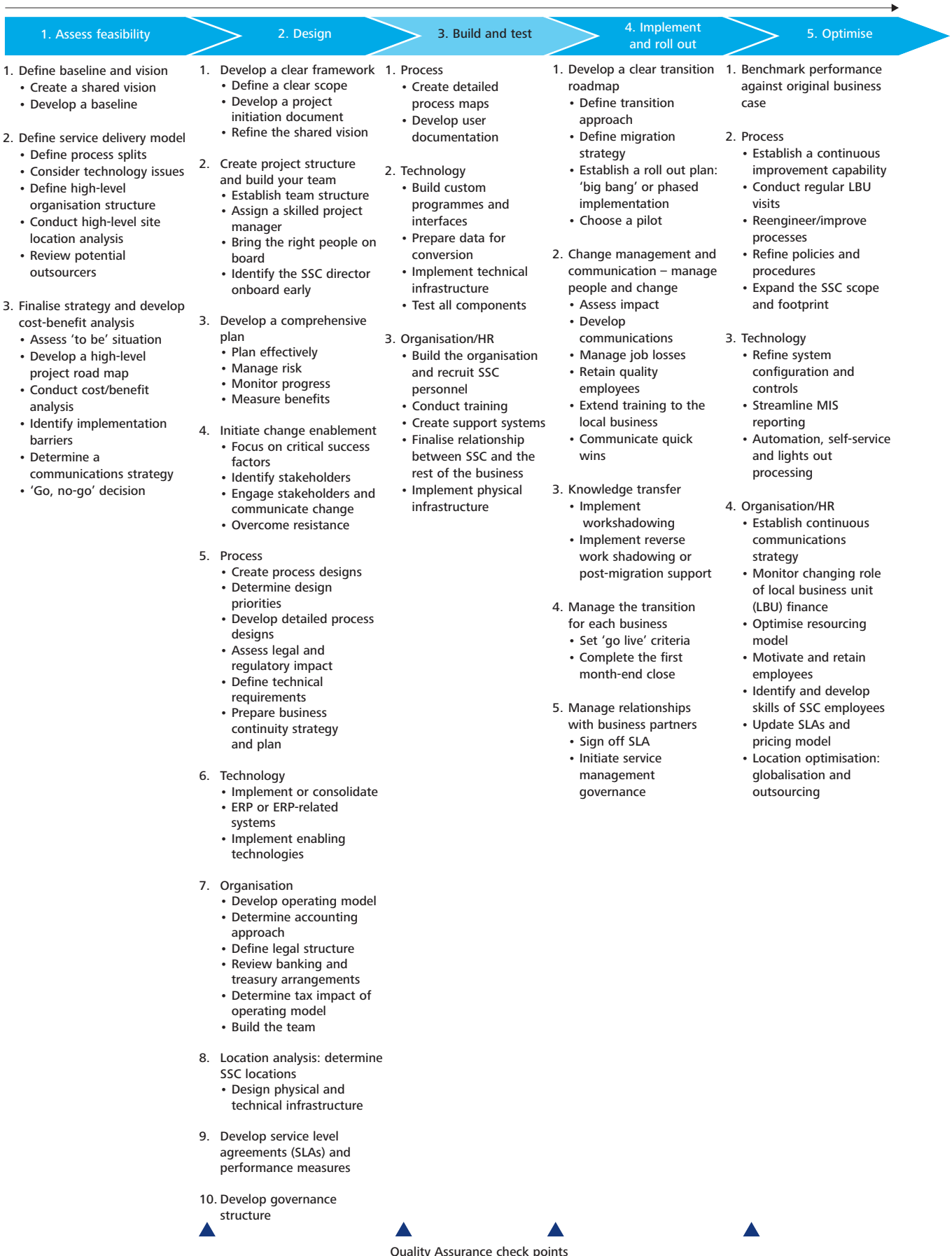
From a technology perspective, this is when the time-consuming technical build work takes place. This often causes delays in implementing a shared service solution, and therefore needs to be managed carefully.

It is important to manage the build and test phase as a fully integrated programme. The approach must focus on building the knowledge of key people to apply the new process using available technology tools.



\* Hi-Tech plc is not a real company. We have written this storyline to illustrate some of the issues that a real shared services implementation might raise.

Manage the process and enable change



Quality Assurance check points

# Tools and techniques

## Process

### Create detailed process maps

During this phase, the process maps developed in the previous phase will be documented down to the lowest appropriate level of detail. This information will form the basis of the user guides and training materials for all employees affected by the SSC implementation.

### Develop user documentation

Process documentation needs to define the practical mechanics of who does what. A clear view of paper and information flows is required, including identifying what specific event triggers a transaction or process step. It is often necessary to distinguish between who has responsibility for an overall process and the individual executing specific process steps. Ideally, the process maps will also incorporate performance measures to track future performance and support a culture of customer service and continuous improvement.

From the detailed process maps, it will be possible to define clearly detailed roles and responsibilities for all SSC staff, and those at the local sites who interact with the SSC. The detailed process documents will form the basis of much of the organisational and HR-related work to be done as part of this phase and can also support training. Once this has been completed it will be necessary to define and implement the appropriate level of access security to the ERP system for each of the different job descriptions identified.

Final testing of future processes is an important part of this phase, and is normally performed during the integration/user acceptance test, along with all the other components of the shared service solution. This is discussed in more detail in the next section, Implement and roll out.

## Technology

At the end of the design phase, you should have chosen any enabling technologies, completed the ERP configuration, prepared detailed design specifications for development of all new programmes (including interfaces, screens and reports) and designed methods for converting data in the legacy systems to the new ERP system. The next steps are outlined below.

### Build custom programmes and interfaces

As mentioned previously, this workstream can be lengthy and complex. Key factors influencing the timelines include the amount of application customisation; number of interfaces; stability of ERP solution; functional scope; and complexity of transactions.

This workstream is often critical to the success of the project and therefore timely completion is essential.

Typical success factors include:

- Allocating enough resource to this task.
- Strong programme and project management to ensure deadlines are met.
- Careful management of scope and in particular management of changing requirements.
- Effective liaison with other sites, particularly when language difficulties are evident.
- Liaison between IT and other teams so that when delays do occur, everyone knows why and what to expect.

Give careful consideration to the technical resources required at this stage, particularly in light of any other IT initiatives underway. Existing systems from which data is to be extracted are often 'in house' developments, and older legacy systems often have limited support within the IT department. Securing these resources, often in competition with other projects, will be essential to ensure the timely completion of the SSC build.

Whilst internal IT departments often have experience of this type of system build work, working as part of a multi-country SSC project can add additional complexities:

- Interfaces must be developed not only to local legacy systems, but also to legacy systems at each site involved in the SSC.
- External parties may be involved in testing, such as e-invoicing using a third party provider. Again, these external parties are likely to be from a number of countries, and cultural and language barriers can prove problematic.
- Foreign language reports or system outputs from the SSC may need to be printed at a remote local country office.





- Outsourced communications infrastructure, such as wide area networks, may need to be coordinated for testing and system set-up.
- Appropriate ownership of the project needs to be built across the user base to avoid the build and test phase being seen as solely a 'systems' project.

The key factors to help manage these issues are ensuring continuity of the team and building relevant systems knowledge in the finance user base. We have often seen projects suffer when the key people who built up knowledge during early design and systems prototyping were not involved in the build and test phase.

A robust change control process, which integrates the technology and process teams, is also vital at this stage. Any changes to the design resulting from technical issues encountered during the build should be put through a comprehensive change control process, with detailed review and sign off of any changes to be agreed with the process team and any other relevant parties, such as internal audit.

Continuity and systems skills ensure a good understanding of how similar issues have been resolved previously. They also provide a common understanding across the technology and process teams of where responsibility lies and joint ownership for proactively resolving issues.

#### **Prepare data for conversion**

Masterfile, historical and operational data from the legacy systems (for example from customers and suppliers, and opening general ledger and sub-system balances) must be transferred onto the new system. This process sounds simple but in practice is time consuming and fraught with difficulties. For most companies, the lengthiest task will be 'cleansing' the data, so that it is accurate and consistent across all sites and in a standard format to be converted.

This task is made more complex in an SSC environment as the information is likely to:

- Come from a variety of sources (e.g. sales, marketing, customer service and finance departments).
- Date back a number of years.
- Be inconsistent from country to country.

Masterfiles in the legacy system are dynamic and change with day-to-day business – in effect, you will be trying to convert a moving target. And although leading ERP systems have built-in conversion tools to help the process, these tools are not enough: you will need key users who understand the source data and the key information required for the new processes.

This task should be guided by an expert in the new system who understands the detailed requirements of the data conversion, can define the standard format of the masterfile and determine how much cleansing is required of historical data.

Do not assume that all data conversion must take place electronically. In some cases, particularly where data volumes are low, manual data conversion can be done at significantly less cost. It is also possible to combine data conversion with activities such as training. For example, you could allow buyers to convert data of the suppliers with whom they have a relationship. This trains the buyers in using the new system and ensures that the supplier masterfile data conversion exercise is executed in a controlled manner by knowledgeable users.

#### **Implement technical infrastructure**

Of primary concern during the implementation of technical infrastructure are the network connections between the different locations supported by the SSC and the SSC itself. Whilst in many companies the required wide and local area networks will already be in place, it is important to check that these have sufficient capacity to carry the extra information required by the SSC. Where necessary, additional network capacity, such as leased lines, will have to be acquired.

At the SSC itself, all the technical hardware and software must be acquired and installed. Depending on the size of the SSC, this can be a major undertaking. Early in this phase, you will need to purchase and fully install the server to run the production version of the software or use cloud computing if that is your company policy. In addition, PCs for all SSC staff should be acquired and configured with the appropriate software. Remember that the standard character set varies from country to country and that you will need the appropriate, character set-specific keyboards.

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**It is also possible to combine data conversion with activities such as training.**

Critical to the success of the SSC will be the ability of the SSC users to communicate effectively with the local sites. Similarly, the local sites and external customers and vendors must be able to communicate easily with the SSC. To facilitate this, many companies are installing complex telephony systems within their SSCs that involve interactive voice recognition software.

At the local sites, all users of the new software must have the appropriate changes made to their PC desktops. You will also need to configure printers to generate reports or system outputs from the SSC and print them at the remote local country office. In most cases, the SSC will also have its own intranet page which can be configured to include key process documents such as policies and procedures and/or training manuals as well as a key contacts page.

### Test all components

Though testing is a critically important activity, its timeline is often underestimated. Activity is focused on ensuring that the technology tools, the processes and the key users are ready for the SSC to 'go live' operationally.

All components of the SSC solution must be tested. For example, the process and ERP configurations are often tested in a process simulation or conference room pilot environment. The technical infrastructure may require quite complex volume testing as well as more mundane testing to ensure that, for example, all the PCs at all of the sites can access the new software.

The testing of the overall technology solution is often the most complex. Indeed, the effort required for testing will depend on the amount of change – the bigger the change, the more testing needed to ensure that processes and systems operate as designed.

The table above illustrates the different types of testing that may be needed.

It is unusual for all the tests to be explicitly conducted during the implementation of an SSC. Instead, some tests (particularly the system, integration and user acceptance tests) are often combined into a single test. The degree of change being implemented and the known stability of the final solution determine which tests can be combined.

### Types of testing required

Test type	Purpose	Areas addressed
Unit	To test individual programmes and custom developments.	Technology
System	To test a suite of programmes/ custom developments.	Technology
Data conversion	To test accuracy and completeness of data conversion.	Technology
Infrastructure	To test completeness of technical infrastructure (hardware and software), and user accessibility.	Infrastructure (hardware and software)
Volume/stress	To ensure that hardware and technical infrastructure can accommodate required data volumes.	Technology
Process simulation/ conference room pilot	To test that the 'to be' processes and system can support the needs of the business.	Process, technology
Integration	To ensure that all components of the technology solution fully integrate.	Process, technology
User acceptance	Final acceptance test by the business, to ensure that process, technology, organisation and infrastructure provide the solution required acceptance test by the business.	All components (process, technology, organisation, infrastructure)

Outlined below are a number of examples of testing-related issues and complexities that need to be carefully managed during this phase:

- Tracking and prioritising issues raised during testing against their relative importance for resolution before the SSC 'goes live'. Resolutions should be recorded to build implementation knowledge to support future implementations.
- Independence of the testing manager from the project workstreams, to ensure an objective view is maintained over the severity of issues and the responsibility for resolution.
- Availability of good test scenarios and test scripts to facilitate the testing process – incomplete test scenarios and scripts add unnecessary time and resource to the plan and can easily demotivate testers.
- Coordination, so that users roll in and out for specific scheduled tasks across many different locations.
- Sufficient time between tests to resolve issues (often issues lead to system configuration fixes that need to be built into a new system version release).
- Timing of the testing to ensure full user attention and involvement (it is best to avoid peak activity times such as period end).

- Meaningful data, so testing feels real and reporting is real. Agreeing data sets takes a long time so allow plenty of time to do this in your testing plan.

**Organisation/HR**

The people who operate the SSC and local offices are the key to achieving and sustaining change and creating a service culture within the SSC.

Typically a high proportion of new recruits in an SSC will need to be trained in business awareness as well as knowledge of new processes, technology skills and key customer relationships. A clear factor in successfully creating an SSC is creating the same level of trust that local country offices enjoy with local management. The investment in training and business induction is a key factor in building this trust early and demonstrating a professional first impression to all customers of the SSC.

**Build the organisation and recruit SSC personnel**

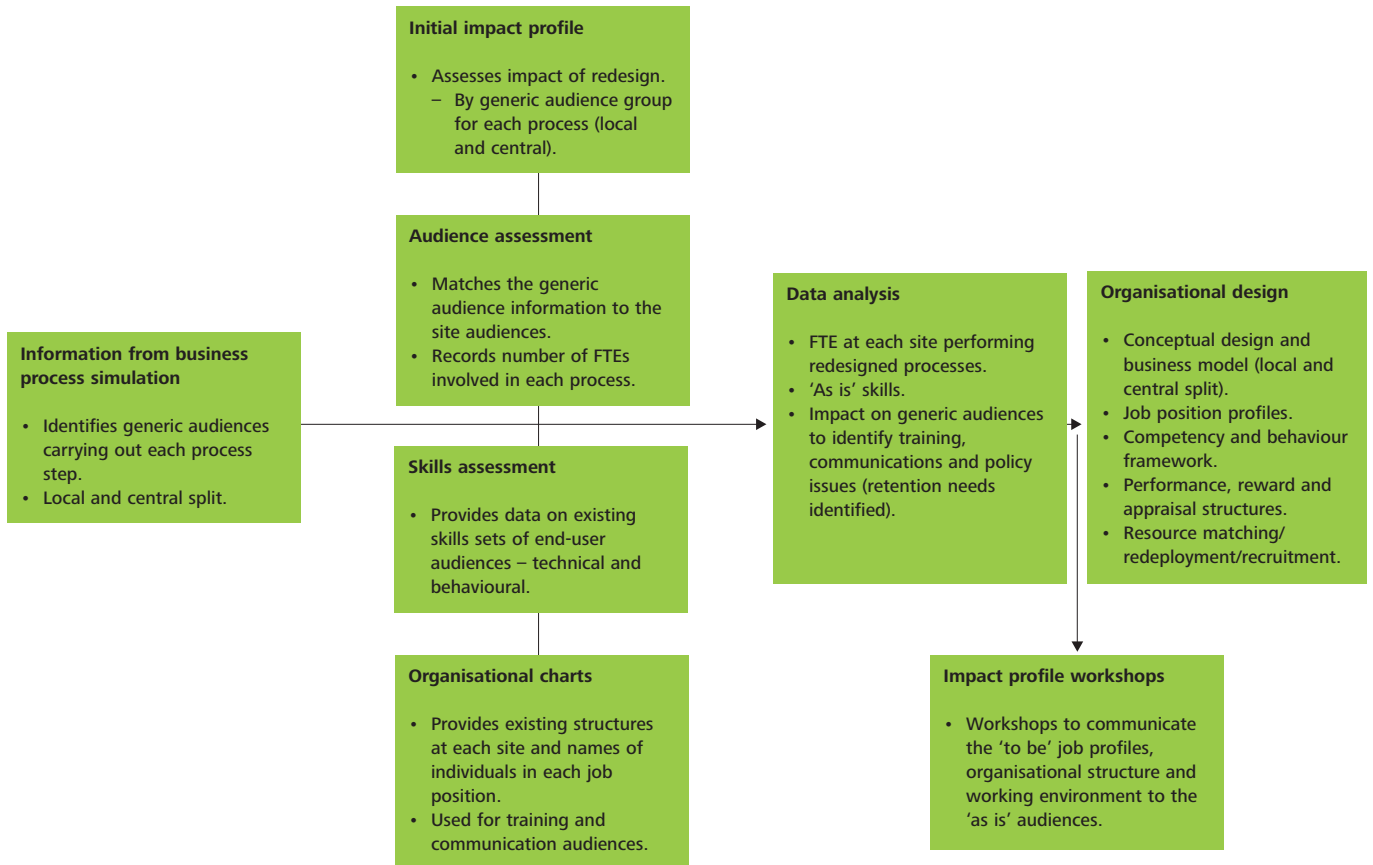
Generally, the area of recruitment, reward and performance measurement requires significant focus.

Remuneration packages and key performance measures should be linked to reinforce the service aspirations of the SSC and meet the demands of customers. Internal SSC measures should also be implemented to facilitate teamwork and rapid skill acquisition.

Building an SSC organisation in which people can operate and have a sense of community is difficult. Critical to making it happen are job descriptions that detail what needs to be done and by whom. Simple reporting and decision-making lines ensure the SSC and local organisations work together effectively across distances.

When developing the recruitment plan, it is important to agree start dates and allow some people to start before the SSC go-live date. This allows early recruits (generally team managers and some clerks) to join the SSC implementation team, get involved with project work, support testing, attend training courses early, support transition activities that require liaising with the local businesses and start to build rapport.

**Organisational design framework**



All levels of the organisation design, from the high-level organisation structure to the detailed job descriptions, must be integrated and support the underlying business processes. Tools such as an organisational design framework (illustrated below) can be used to facilitate this.

This is also the time to think about the culture that you want to create in the SSC. Are there particular cultural values to which your organisation aspires?

Culture describes the 'way things are done around here' and encompasses:

- Shared attitudes people have towards their work.
- Behaviours that are predominant and valued.
- Quality of relationships.
- The way people tackle problems and opportunities.
- What constitutes success and how it is recognised.

This is important because it determines people's behaviours, affects how people perform and underpins relationships.

Agreeing the cultural values prior to initiating the recruitment process will allow you to include them throughout the recruitment process, for example, if you want people who can solve problems, you should ask candidates to evidence problem-solving capabilities during the interview process.

Recruitment and training plans identify the types of experience, education and language skills needed to help build the organisation. A matrix that identifies which employees already have these skills and what training will be needed for others is an important element of developing the SSC organisation.

The issue of staff retention should be considered during the recruitment phase and is included in the Implement and roll out section. It is important that the SSC employs a mixture of people to get the right balance, including:

- A majority who are happy to process conscientiously; work in teams; and do what is required to get the job done.
- A minority of "high potentials" who want to get heavily involved in continuous improvement initiatives and have a desire for career progression, either within the SSC or the wider business.

This balance will change through the development of the SSC. The early stages of implementation and constant change might require a greater percentage of "high potentials". Many SSCs in the process of transitioning to a more stable operating environment find that they face the challenge of dealing with retention issues caused by too many "high potential" employees.

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**“If you want to create the right culture in your shared services centre, you need to put people first. At M&S, we have developed a culture of freedom and accountability. Team members are rotated across activities and given space to innovate. The overall culture is progressive and positive based on a ‘win, learn and change’ philosophy.”**

**Gary Critchley**

Head of Business Services and Information, M&S

The key to retaining people within the SSC is to ensure that the jobs provide employees with job satisfaction. This can be difficult given the nature of the jobs within the SSC (which by definition are routine transaction processing jobs). You can facilitate job satisfaction by ensuring people undertake the following activities:

- Becoming responsible for a country or process.
- Making people responsible for internal SSC “team building” activities.
- Being involved in continuous improvement projects.
- Training new joiners to the SSC team.
- Language courses.

For those people who do leave, exit interviews are a good way to identify “problem areas”. More information on retention is provided in the Optimise section.

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“Given the nature of the work in a shared services centre, it’s good to motivate staff by providing some variety in their work. Rotating staff into different process areas can be one way to do this. You can only rotate staff however, if you have standard systems in place and you need to be able to switch people’s access on and off. P&G try and rotate people on a 2-3 year basis to keep a varied career for people. The other advantage of having staff trained in a number of different processes is that you have a flexible workforce that can be deployed to meet business requirements at any time. We call this ‘flowing work’.”

**Alex Buckthorp**

Director Financial Services & Solutions, Head of EMEA Shared Services Centre, P&G

In the past, many SSCs focused on recruiting graduates. Due to the issues of retention and development, many are now changing the recruitment profile to reflect the clerical nature of the job. In some SSC locations, less emphasis is being placed on academic qualifications and more on clerical experience. This has increased the average age of the profile, theoretically providing a more stable environment. However, it is attitude rather than age that is the chief enabler and this should feature strongly in recruitment.

### Conduct training

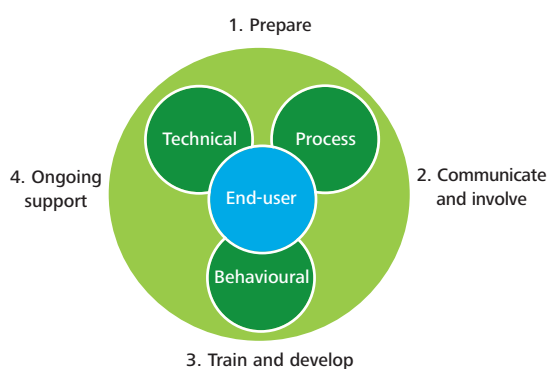
Training and education should focus on building the skills and behaviours necessary for future business success, and enable all employees to operate effectively in their new environment. Your overall approach to training should acknowledge the need to:

- Answer the “what’s in it for me?” question, i.e. people need to understand how they will be affected by the new organisation for them to begin accepting the change and making a shift towards new ways of working.
- Support people throughout the SSC implementation by involving them and providing adequate levels of training.
- Address people’s resistance to the new structure by communicating early in the programme the level of support provided to employees to make a shift into the new environment.
- Begin involving people early on in the SSC implementation, i.e. involve users in other activities such as business process simulation and user testing, rather than limiting involvement to systems training prior to or sometimes after systems have ‘gone live’.
- Place as much importance on non-technical training, i.e. behavioural and process training, as on systems training.
- Vary teaching and development strategies to support different learning styles.
- Implement appropriate support infrastructures to facilitate ongoing training and development of people.
- Ensure people have the necessary skills to use new systems and operate new work procedures.

Whilst developing the training plan and material, bear in mind that you will have a number of different audiences for training and that they will require different types of training. For example, people joining the company to work in the SSC will need induction training as well as training in the new processes, system and culture.

The training model below shows the three elements that are required: technical, process and behavioural.

### Training and development model



For an SSC, the process and technology elements of training are typically combined, so that end users are simultaneously trained in what their new roles and responsibilities are and how to do their job in the new environment using the new toolset.

Behavioural training ('soft' skills) is critical to creating and sustaining a service culture within the SSC. It may include customer service training for SSC staff and team building for teams operating across geographical boundaries. You should also ensure that all staff involved in the new processes have a good understanding of what the SSC is, its role in the organisation and how the SSC helps the organisation achieve its vision.

It is vital that you do not forget to focus on developing the skills of those who will take on business partnering roles in each of the countries supported by the SSC. This is likely to be a longer-term transition, with employees developing the appropriate relationships (and skills) with their customers over several months and years. This area can be neglected in a belief that the transition will be automatic.

However, experience has shown that this is seldom the case. There is a very real risk that financial controllers who are asked to relinquish much of their controlling role, to focus more on providing strategic decision support, are unable to successfully make the transition. A moderate amount of assistance in this area can have a very significant impact in managing the transition for local country finance management.

Local organisations that are not significantly impacted by the change but have an impact on the information flows through to the SSC need to have briefing sessions at a minimum, as they can greatly affect the proper functioning of the SSC. For example where Order to Cash activities are carried out in the SSC, it is very important that customer services and sales know who to contact in the SSC and advise their customers on the correct process. This can be managed via agreed briefings or detailed training sessions for these cross-functional areas.

### Types of training and development needed

Training type	Purpose
Induction training	Provide orientation training to newly-recruited SSC employees.
Awareness training	Provide clarity to those impacted by the change in terms of the magnitude of change and its implications on roles, responsibilities, behaviours, interactions and interdependencies.
Behavioural training	Increase levels of personal and team effectiveness, e.g. communication or team working skills, in order to perform a new task.
Process training	Develop knowledge and skill to perform a sequence of events or simulate a 'day in the life', e.g. understanding when and under what conditions a supplier of certain goods is to be paid, or understanding a responsibility attached to signing off a payment for goods.
Technical training	Ensure adequate prerequisite technical skills are acquired, and then develop knowledge and skill on the use of the new system and other system interfaces.
Train the trainer	To ensure people involved in implementing new processes and systems have the necessary skills to train others.

### Create support systems

At this stage it is necessary to determine how the users, processes and technology will be supported once the SSC is fully operational. Most typically, companies use a combination of a central support desk to resolve more difficult queries, and local 'super-users' to provide immediate assistance both within the SSC and at the local sites.



### Finalise relationship between SSC and the rest of the business

Also as part of this phase it will be necessary to finalise the formal relationship between the SSC and the business as a whole as defined in the Design section (pages 28-48).

Service level agreements (SLAs) are often used to define exactly what services the SSC will provide to the business, the SSC's opening hours, how it will report upon its performance, and how issues will be managed. Equally, SLAs can include the obligations of the business to the SSC in enabling it to perform its activities.

Though SLAs are helpful in establishing the minimum expected performance levels for all parties, they should not replace the best endeavours of both parties, act as a barrier against open and honest communication between parties or block cooperation between parties.

During the first few months of operation of an SSC, it is common for the SLAs to be fairly loosely defined. The process of agreeing an SLA can be useful in communicating the 'to be' operating model and may be the first time that the business gets to interact with the new SSC team, making its efficient execution key to establishing good relationships.

On the other side of the relationship, it must be determined how the business will 'pay' the SSC for the services it receives. Again, during the first few months of SSC operation, a simple allocation is typically made from the local sites to the SSC. However, as the SLAs become more clearly defined, SSCs usually move to a more complex chargeback mechanism. For example, many established SSCs charge the business on a cost per transaction basis.

### Implement physical infrastructure

By the end of the design phase you should have identified and probably acquired or built the premises that will house the SSC. Completing the centre is a major progress step in the eyes of key stakeholders as it turns the SSC concept into physical reality.

During this phase, the SSC needs to be completely fitted out and made ready for occupation. Making the SSC an attractive place for people to work is important for recruiting quality people, especially in locations such as Prague, Budapest and Bangalore, where multiple SSCs compete for the best resources.

The SSC should be open plan where possible, with due consideration given to activities requiring intense telephone usage, possibly in a number of languages. You'll need to factor in meeting rooms and informal breakout areas to encourage employees to work together, and sufficient facilities to accommodate visitors such as internal customers.

Attention here should be given to organising SSC staff in teams to encourage internal communication and provide easy access to the many technology tools they will use. As explained in the Feasibility section, a critical decision is how to arrange the staff in the SSC – by country, by region or by functional area.

The branding of the SSC is also worth considering, in terms of making the SSC feel like part of the company it is serving and also launching the SSC as a new service to the rest of the organisation. This branding could be reinforced through, for example, signage, posters, documentation, pens, desk calendars and promotional videos.



# Checklist

Before proceeding to Phase 4 – Implement and roll out, ensure that you have:

## Process and technology

- Completed and tested:
  - custom developments (including interfaces, reports, new screens, etc); and
  - processes and custom developments (if required) for data cleaning and conversion.
- Fully documented processes in the form of policy and procedure documents, user guides and training materials.
- Comprehensively tested systems, including volume testing, integration testing and user acceptance testing.
- Implemented IT infrastructure to support the new systems and procedures.
- Implemented system operating procedures such as disaster recovery plans.

## Organisation/HR

- Finalised the detailed SSC organisation design and developed detailed job descriptions for each role in the SSC and those roles at the local sites which are impacted by the SSC.
- Communicated with all employees affected by the change regarding their future employment with the organisation and possible relocation to the SSC.
- Matched skills needed for the SSC with current employee profiles, selected staff for new roles and recruited staff for the SSC.
- Developed and given training that covers the role of the SSC, customer service (for new employees, induction to the company), work-shadowing, procedures and systems.
- Agreed appropriate service level agreements that define time, cost and quality performance measures with the business units.
- Established help desk procedures.

## Physical infrastructure

- Fitted out the SSC.
- Organised staff to support teaming and country/regional/functional areas.

## Overall

- Obtained sign-off from steering committee, key users and stakeholders.

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... establishing the minimum expected performance levels for all parties, they should not replace the best endeavours of both parties ...

# Phase 4 – Implement and roll out



## 12 June – Year 2

Richard and Paul were discussing the migration strategy over coffee. “We know the migration will be disruptive. That’s the norm on projects this size. So let’s just do it as quickly as we can. Go through the pain; get the benefits. Otherwise it will just drag on...”

Paul saw Richard’s logic – but also the risks. “That’s very high risk. Our current team simply can’t cope with that scale of change. Let’s do this in stages – a few countries every two or three months. Then we can work out any problems before they get out of hand.” After much discussion, they agreed to start with the Benelux countries (Belgium, the Netherlands and Luxembourg), given their low volumes and low business complexity. Two key countries – France and Italy – would migrate in the next round, to ensure the SSC could demonstrate benefits to its users.

## 6 August – Year 2

Paul congratulated Bridgit, the SSC director, on a job well done. The Benelux countries went live as scheduled. There were some minor issues on the data conversion, but Bridgit’s team was riding high on its success. Three countries down, eight to go.

## 27 September – Year 2

“There’s no way France and Italy can meet the mid-October deadline,” Bridgit informed Paul. Serious reconciliation problems had arisen with the countries and, despite working flat out, the SSC team couldn’t resolve them in time. “We either go live knowing there are problems and deal with the fallout, or we reschedule them.”

“Well, this is the benefit of a phased approach,” sighed Paul. They agreed to push France and Italy’s migration back to January, and brought forward Spain and the UK. “Let’s get started, tracking information so we can communicate the SSC’s benefits.”

## 6 November – Year 2

It turned out that delaying the France and Italy migration was fortuitous. In early October the organisation began due diligence on a potential acquisition, draining resources and diverting attention away from the SSC. Paul had to remind Richard, the CFO, of the SSC’s importance and warn him that if it didn’t remain a priority it would fail. Then there were problems with work-shadowing. The LBU staff seemed more worried about future employment than transferring skills to the new SSC employees. The introduction of ‘pay to stay’ packages including assistance with potential relocation expenses improved morale and convinced them that they were still playing a valuable role.

\* Hi-Tech plc is not a real company. We have written this storyline to illustrate some of the issues that a real shared services implementation might raise.

## 20 January – Year 2

Paul, Bridgit and Jan raised their glasses to toast the successful migration of the last two countries to the SSC. “For all those times we longed for this day but feared it would never arrive.”

## Analysis

### The story so far

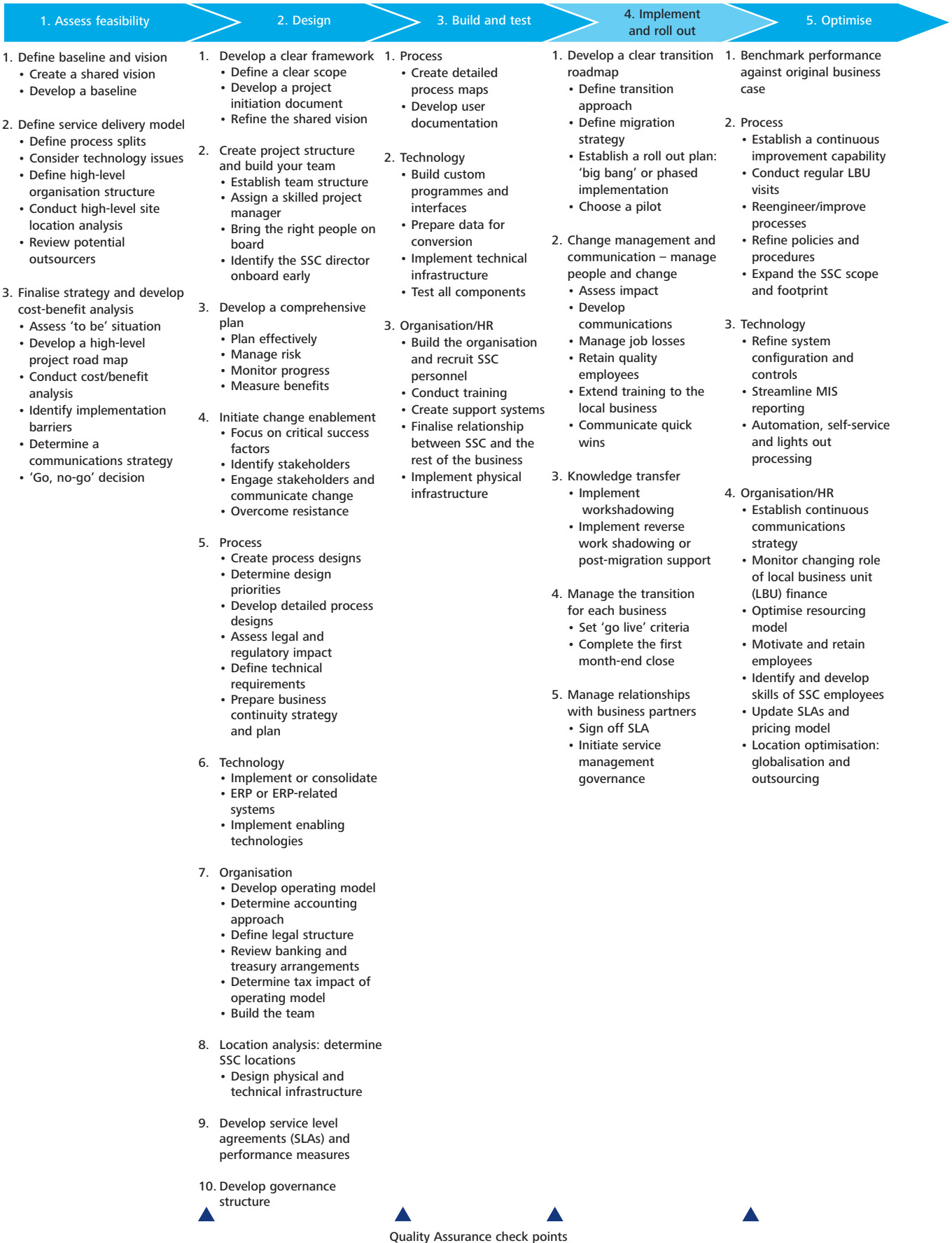
Let’s consider how Hi-Tech\* is doing:

Plus (+)	Minus (–)
<ul style="list-style-type: none"><li>• Successfully migrated all 11 LBUs into the SSC based on phased migration strategy.</li></ul>	<ul style="list-style-type: none"><li>• Not enough preparatory work in France and Italy left Hi-Tech with unrealistic expectations regarding timing.</li></ul>
<ul style="list-style-type: none"><li>• Established order and speed of implementation for each LBU; phased approach allowed flexibility when needed.</li></ul>	<ul style="list-style-type: none"><li>• Continuing resource problems (work-shadowing) and uncertainties about job security.</li></ul>
<ul style="list-style-type: none"><li>• Resolved migration problems and incorporated lessons learned into future migrations.</li></ul>	<ul style="list-style-type: none"><li>• Problems prioritising SSC implementation activities with other projects.</li></ul>
<ul style="list-style-type: none"><li>• Worked with HR to address LBU employee concerns about job security.</li></ul>	

Up to this point, a great deal of work has been done creating ‘on paper processes’ that are efficient in a test environment. Going live, however, will be the acid test. This phase is about making sure your solution actually works, the business is in a ready state to transition and that the migration itself is managed and controlled.

## Tools and techniques

Your first priority will be to develop an overall transition approach and a workable migration strategy to transfer activities from your business units to the SSC in as orderly and seamless a way as possible. It is important to create a positive perception of the SSC from the start, so remember to communicate your plans to the key stakeholders, in particular the leaders of the businesses transitioning to the SSC. When you go live, ensure that you keep up the communication and resolve any problems quickly with the LBUs.



## Develop a clear transition roadmap

As organisations set out to implement SSCs they typically face some of the following challenges:

- Dealing with going live and processing business as usual transactions, whilst stabilising a new solution in a new environment.
- Agreeing a realistic roll-out sequence and plan that will deliver the benefits.
- Understanding the impact of the change and the level of local business unit and senior stakeholder involvement needed.
- Dedicating local resource, when business as usual activities still need to be delivered.
- Implementing a standardised design.

To overcome these challenges, you will need to set a very clear direction, approach and planning. To articulate exactly how local business units will transition to the SSC, you will need to develop:

- **Transition approach** – high-level description of how LBUs will transition to the SSC.
- **Migration strategy and approach** – more detail about the transition approach, including the sequence of processes, timing and dependencies.
- **Migration or roll out plan** – when each LBU will transition to the SSC.
- **Site transition plan** – detailed plan for each LBU including preparation and migration tasks.

### Define transition approach

Shared service implementations often span geographies, business lines, divisions and functions. It is important to understand the structure of the overall organisation and importantly the chain of command to get things done. For example, in order to secure local resource and agreement to a migration date, you may need to agree this with the LBU leadership if migrating at BU level or with the country leadership when migrating at a country level.

Taking time to consider the transition approach is important and can make a significant difference to how the implementation is conducted and its chance of success. The transition approach should seek to answer the following questions:

- What is the leadership engagement process? How will leaders at both the group and business unit level be engaged? In order to agree resource involvement and roll out plans, who needs to be engaged and what are their key activities?
- Will roll out plans be agreed by division, business or country?
- How will the business transition teams be structured? Which decisions will be taken and which transition activities will be performed by the following (if needed):
  - Division/business line transition team.
  - Country transition team.
  - Site transition team.
- What are the overall high-level phases and key activities of transition?

The above should be agreed with the senior business leadership, both to gain their views on the optimal way to engage and also to gain their buy-in to the approach.

### Define migration strategy

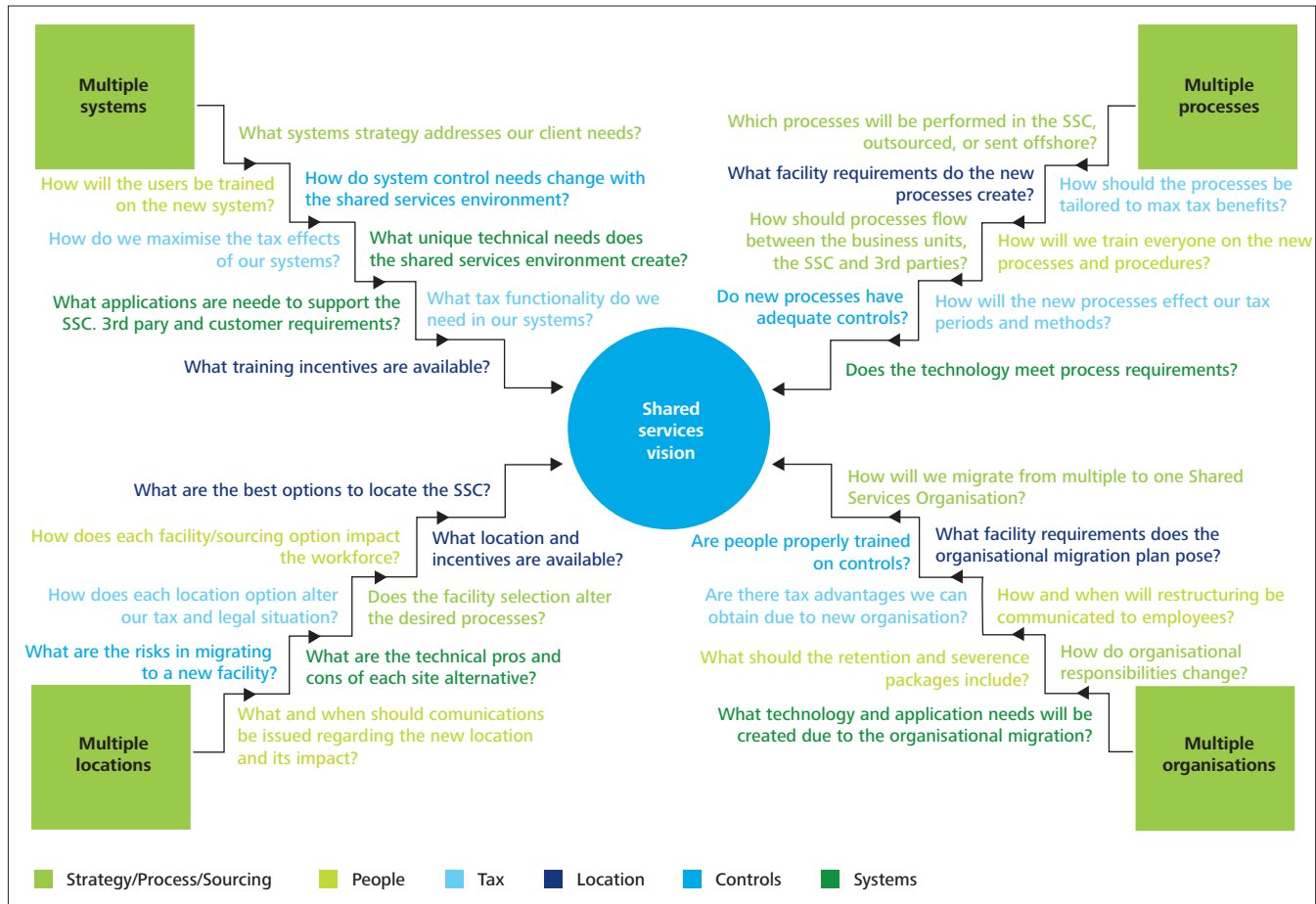
The aim of the migration strategy is to show at a high level the order of the changes that will be adopted for each LBU that transitions to the SSC, i.e. implement system changes first in the current business, or transition to new processes and systems at the same time as the activity is moved to the SSC? The overall order for migration should have been set during the feasibility study.

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Taking time to consider the transition approach is important and can make a significant difference to how the implementation is conducted ...

In general, transitioning to shared services involves consolidating across four dimensions: systems, process, location and organisation, as shown in the diagram below.

**Consolidating across four dimensions**



Of these dimensions, common systems and processes are most critical to achieving sustainable business benefits. Organisational and geographical consolidation alone are not sufficient and may not always be necessary, though moving to a low cost location can achieve significant initial savings.

... in order to secure local resource and agreement to a migration date, you may need to agree this with the LBU leadership if migrating at BU level or with the country leadership when migrating at a country level.

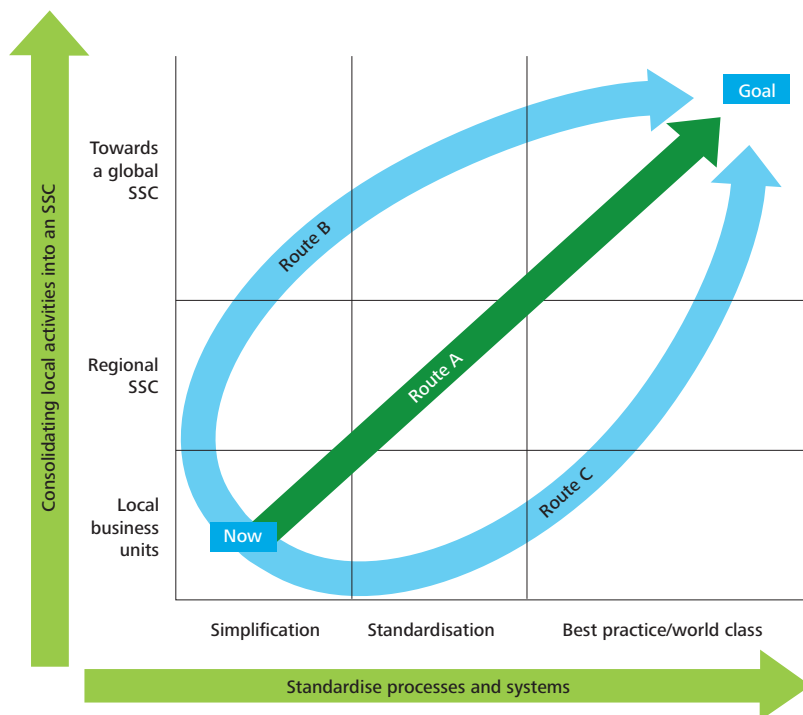


However, in most cases a degree of consolidation is desirable if the potential benefits are to be achieved. To aid debate and agreement on the options, you can simplify this to two dimensions – consolidating local activities into an SSC and standardising processes and systems – as shown below.

Our research shows that the most popular approaches to creating shared services are:

- Moving to shared services and making the technology change at the same time (Route A).
- “Lifting and shifting” the processes first and then making the technology change (Route B-C).

### Different routes to establishing an SSC



The trend is to minimise disruption and implement changes at the same time as implementing SSC (Route A). There are two reasons for this:

- Firstly, there are some changes that are required to enable remote working. An example of this is the implementation of workflow systems. Careful consideration should be given to the extent of workflow implementations launched at ‘go live’ to avoid this delaying consolidation efforts.
- Secondly, applying lean principles in simplifying, eliminating and standardising processes could consolidate processes that otherwise wouldn’t be possible to consolidate, reduce operational risks, reduce training needs on subsequent implementations and improve the reliability of accounts prepared.

### Options pros and cons

Approach	Time to move	Risk	Likely cost	Additional pros/cons
<b>Route A:</b> Migrate to SSC and std systems/processes at the same time.	<b>Medium</b> – migration and implementation simultaneous, but a complex implementation can slow down migration.	<b>Medium – high risk</b> – mitigated by adequate testing and a phased migration. Risk will depend on a number of factors including stability of the systems.	<b>Medium</b> – slowish migration defers labour arbitrage but no duplication of training – staff only learn new standard processes.	+ Clean cut over + PR battle – more visible & significant business transformation + Resolves process issues in one go – Resource requirements and management capability
<b>Route B:</b> Migrate to SSC using legacy systems and processes first, then standardise onto single ERP/std processes.	<b>Quick migration</b> – all processes move ‘as is’ (minor redesign to accommodate local/SSC split).	<b>Medium – high risk</b> associated with accessing old systems/running old processes from new location. Additional risk of new staff learning bad habits.	<b>Low</b> – as changes are made in a lower labour cost environment. But changes may be more difficult, and take longer to implement as workforce not familiar with legacy processes. Some training duplication – new staff learn old and new processes.	+ The eventual process and system change is easier to implement + Potential systems issues are not blamed on the SSC – Organisation may never move to single ERP/std process – Documentation of old processes to facilitate training
<b>Route C:</b> Standardise on to single ERP and processes first, then migrate to SSC.	<b>Slow migration</b> – as local standardisation required before migration.	<b>Low risk</b> – as process changes managed in known, internal, stable, environment before moving to SSC.	<b>High</b> – could be relatively expensive as changes are made in a high labour cost environment, and labour arbitrage benefits are delayed. Duplication of training as staff learn new processes.	– Two separate business changes – Organisation may never move to shared services environment

However, Route B (when you move the 'as is' processes to the SSC before standardising them) and C (when you standardise onto an ERP before migrating to an SSC) have their advantages. The attraction of route B is initial speed, though this is countered by the need to train new staff in both legacy and new systems. Route C is favoured by risk-averse organisations that are willing to migrate slowly and bear the extra expense of changing processes in a high labour cost environment.

### Establish a roll out plan: 'big bang' or phased implementation

The order of the migration of each LBU into the SSC should minimise the risk of business disruption from the transition, whilst at the same time moving to the SSC environment as quickly as possible or maintaining the cost benefit. Lessons learned should be captured after every transition to improve the efficiency of the process and transfer the learning to the next transition.

When deciding on the order of migration of the LBUs into the SSC, consider the following:

- Relative size of the LBUs.
- Size of the benefits.
- Stability of processes.
- Systems issues (implementation complexity, stability of existing systems, production support requirements).
- Complexity of the business model.
- Regulatory environment of the country.
- Management commitment and capability.
- Local management preference.
- People/change issues.

The speed of the implementation can vary from all processes and all countries in one single, relatively quick initiative ('big bang'), to a long-term, incremental integration of processes and countries (a phased approach, as used in our case study of Hi-Tech at the start of each section). The choice of strategy will vary depending on the particular circumstances faced by an organisation, in particular the levels of resistance to change that exist.

A phased approach focuses on overcoming resistance through participation, mutual agreement and buy-in. It is a less aggressive and less confrontational strategy than the 'big bang' approach, and can result in a less traumatic period of change for the organisation.

The risk, however, is that the project is drawn out for a considerable period of time and may eventually run out of momentum and support if results are not seen as forthcoming. The advantages and disadvantages of a phased approach are illustrated overleaf.

The key questions and considerations for developing the plan are as follows:

- What is the overall timeline for migration:
  - When does the first business unit (pilot) need to migrate?
  - When should migration be complete for all the in scope business units?
- How long between each migration?
- In what sequence will the businesses migrate:
  - To cluster LBUs together or not?
  - Country, business unit, process?

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**“Implementing Shared Services Centres at great speed can be done but don't underestimate the challenge. We migrated upscale finance & accounting tasks into our Global Shared Services Organisation from more than 50 countries within 15 months, recruited 1,200 FTEs and realised benefits quickly. If we were to do this again we would focus even more on knowledge transfer, customer engagement and not least ask for more time! What made this successful was working very closely with our business side and getting the right people onboard from the start into a global project organisation.”**

**Karsten Lund**

Director, Finance and Accounting Processes, Global Service Centres, Maersk

## Advantages and disadvantages of a phased approach

### Advantages

- Winning over unions and works councils. A pilot approach may give these groups a chance to see the SSC in action before it affects all employees.
- Gaining buy-in from country managing directors (MDs). The prime concerns of many MDs will be whether the SSC project will deliver the promised benefits whilst not disrupting the business. Successful pilots are a powerful way to ease these concerns.
- Lowering implementation risk. Lessons learned through a pilot can be useful in ensuring a smooth implementation for the rest of the business.

### Disadvantages

- Can be seen as non-committal about SSC strategy. The organisation must understand the pilot is not an opportunity to assess whether to migrate to an SSC, rather a method to best implement the SSC.
- Slower initial migration. Clearly a pilot will mean a slower start, which may not be feasible in every organisation.

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“During transition, it was really important to have a phased approach. So even when the new team in India was operational – we retained a small team in the UK to provide support in case things went wrong. There was an associated cost with retaining the UK based team, but it made a substantial difference to the ability to stabilise the new centre.”

**Doug Stockton**

Service Delivery Leader UK Shared Financial Services, GSK

### Choose a pilot

You may want to consider a pilot strategy for your migration. This usually involves selecting one or two sites to test the implementation and ‘go live’ of the SSC and to iron out any difficulties before ‘going live’ on all sites. A pilot may be more critical if the migration strategy is to move to SSC together with an ERP implementation (Route A) as this will have the highest degree of risk and change.

When choosing a pilot site, it is worth considering the following:

- Adequacy of the pilot and test solution – is it representative of the business? Can all processes or types of business transactions be tested?
- Visibility of success – will success be proactively communicated by pilot’s stakeholders? ,
- Heightened support – you may wish to increase the level of support given to those dealing with new processes and systems, so they can deal with large volumes of issues early on and stabilise operations more quickly. This could include:
  - Dedicated on-site process and technical resources.
  - Dedicated IT support for two to three months following ‘go live’ to resolve IT problems and to avoid a backlog of systems issues.
  - Dedicated issue management procedures.
- Sufficient local management support, as the pilot is likely to be the toughest transition?
- Benefits realisation – do you need to demonstrate benefits immediately, and can the first site deliver those?
- Proximity of resources – will the pilot site be close to project site resources, as this can be very useful?

## Change management and communication – manage people and change

### Assess impact

Irrespective of the level of detail that you gather on existing processes and business practices during the build and test phase, it is unlikely that your project team will have the complete picture of all impacts the transition to shared services will have on the people, processes and systems of the local business. Failure to spot process exceptions or key customer requirements can lead to processes failing in the SSC. Impact assessments can be an effective way to build a complete picture and provide the first detailed view of what life will be like once the SSC is up and running.

**Sample outputs from impact assessments**

Process	Impact type	Impacted audience	Description	Action
Accounts payable	Process/Systems	Retained finance	50% of invoices received are on paper. It is not realistic to send the paper to the SSC as that will add time to the cycle. This means that the retained organisation will need to scan all invoices and attachments so they can be sent to the SSC. This is a new process for finance.	Investigate the scanning technologies that can be used. Check job profiles to ensure there is a resource responsible for this process.
Accounts Payable	Process	Procurement	As we now require purchase orders (POs) on every job, if POs are not on invoices they will need to be created retrospectively by procurement. This is a new process for them.	Provide training and communications to procurement regarding this new process.

Impact assessments are typically run after the process designs and process splits are complete and shortly after the business has been fully engaged with the project. Impact assessments involve gathering together the LBU personnel currently responsible for the activity and talking them through the future processes one at a time – highlighting the splits between the retained organisation and the future SSC. At the end of each process overview, the impact assessment facilitator typically asks the group questions such as: “Who is impacted by the change to this process? What is the impact of this change? What do we need to do to minimise any issues when this goes live?” This should be an interactive discussion during which current process owners use their detailed process knowledge to raise issues and identify workarounds.

The outputs of the impact assessments should be a list of activities that need to be completed to be able to ‘go live’, each of which should be allocated to an owner to resolve it. A number of issues are likely to contribute to communications, training and cut-over plans. The table below provides an example of some impact assessment outputs.

**Develop communications**

This phase is when you start engaging the wider organisation through communications. As covered in the Design section, the timing and method of communication will differ by audience.

Here are some things to consider:

- **Timing** – You are more likely to build trust and credibility with your audience if you communicate early and are upfront about the SSC’s likely impacts. To win hearts and minds you need to create a clear vision for the project and focus on specific impacts. Don’t forget, your sponsors might be interested in a lower cost service and standard processes, but your end users in the business are more likely to be won over by the prospect of a more consistent service, simpler processes and faster response times.
- **Legislation** – If you are working in an environment with a strong employee legislative process, that may dictate the timing of your communications and subsequent pace of change. Ensure you are aware of any restrictions before launching employee communications.
- **Stakeholders** – Try to identify the ‘key influencers’ within your business. If you can win them over as sponsors, they can positively influence the buy-in of others.
- **Communication methods** – Use a variety of communications vehicles. Introducing a count-down clock on your intranet site may have a bigger impact than a stream of emails.

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## Where possible involve your resisters in the process as much as possible to minimise the feeling that shared services is being ‘done to them’.

It's not uncommon for resistance to surface during the implement and roll out phase, or for that resistance to come from finance leadership. Where possible involve your resisters in the process as much as possible to minimise the feeling that shared services is being ‘done to them’. However, there's no point in setting unrealistic expectations as a means of countering resistance. You need to be honest about the fact that the SSC will initially take away some control and resources from the local business. When resistance continues, you may well need support from your senior sponsors to manage and overcome it.

### Manage job losses

When implementing an SSC, a reduction in headcount in your local organisation is inevitable and this is likely to influence the moral and motivation of your team. Despite this negative outcome for existing finance personnel, it's highly likely that you will need their cooperation to support operations during the transition period, as well as help with the capture and transfer of knowledge. Therefore, it is crucial that these employees feel as though they are being treated in a fair and appropriate way. When planning your approach to managing redundancy it's important to bear the following things in mind.

- **Timing** – Whilst there are a number of factors that will dictate the timing of your redundancy announcements (e.g. local labour laws), employees appreciate early communication. This needs to be supplemented with regular updates so that employees feel part of the process and the establishment of regular ‘drop in sessions’ where employees can talk to managers about fears and concerns can be very helpful.

- **Redundancy payments** – The base redundancy package may be dictated by the local environment in which you are operating or by your company policy. However, as a gesture of good will, it may also be appropriate to supplement the redundancy payment with other benefits such as the extension of medical benefits for a period of time beyond the termination of their contract – or if you are dealing with expats, sponsorship of a work visa.
- **Internal recruitment** – Opportunities in other areas of the business where finance people may be able to be redeployed (e.g. customer services). Supplementing their existing skills with outplacements can help with this process.
- **Resume/CV/interview support** – It is good practice to offer employees training that will help them find employment externally. Resume/CV writing workshops and interview skills training are examples of this. Some organisations also choose to engage the services of a specific recruitment agency to give employees a helping hand.
- **End dates** – The initial few days, weeks and months following ‘go live’ is a key period during which time business knowledge and experience is essential. To avoid a sudden loss of experience and knowledge from the organisation, schedule leaving dates for key LBU personnel for at least one to two months following the ‘go live’ date if this is possible. These employees are particularly helpful in dealing with third party customers or suppliers who have developed strong relationships over a number of years.

On implementations that last a number of years, it's important to get your approach to redundancy right, as it's likely it will attract attention from parts of the business that will be in scope in the future. If people don't see employees being treated appropriately, then it may impact your current and future attrition rate.

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“When GSK decided to outsource operations, it was important that we looked after the staff whose jobs were impacted by this. We launched an initiative called ‘leaving with pride and dignity’. As part of this, there was a retention scheme and training sponsored to enable people to go on and do something different. We monitored employee feedback during this period carefully and about 95% of the feedback we received was extremely positive. Staff felt that they had received better communication than ever in their career and attrition was very low.”

Doug Stockton

Service Delivery Leader, UK Shared Financial Services, GSK

### Retain quality employees

The type of retention activities that you implement will depend on the level of support you need from your local organisation. When retention is important, a mixture of 'hard' and 'soft' benefits are needed. Hard benefits usually include giving cash bonuses to affected employees who are needed to support knowledge transfer or operations during the transition period. Where cash bonuses are being paid to all employees, they should be linked to performance and be time specific. Not all organisations go down the route of retention bonuses and in some instances soft benefits are sufficient, such as:

- Careers counselling.
- Vocational training to prepare staff for the external job market.
- Organising outplacements in other areas of the business.
- Social activities and team awards.

Failure to manage this process effectively can result in local team members leaving in advance of the 'go live' date or resistance – passive or otherwise – to transition activities.

### Extend training to the local business

At this point, training and education activities should be extended to include the local business users who will be affected by the shared services centre going live. For details on SSC training, please refer to the Build and test section.

Anyone within the local business who needs to engage with the SSC after the 'go live' will need some form of communications or training. Training for the local business should focus on providing employees with the skills required to operate effectively in the future alongside the SSC. This would typically include both systems training and process training. For your retained finance organisation, it's also advisable to invest time in cultural and behavioural training, which may extend to how to work under SLAs or customer services skills.

Good practice when training the local organisation is to combine all the above mentioned elements into one session that can be repeated on a number of days for different audiences. This is likely to improve attendance and cause the least disruption to the business.

Crucially, in advance of running the training sessions, it is important that you 'sell' the benefit of the training to the heads of the impacted departments and ensure they input into the attendee list. Where possible, the employee's manager should be in attendance at the session. Without the backing of the manager, you are unlikely to get the level of attendance that you require.

### Communicate quick wins

Where the implementation of your SSC is taking place over a number of months or years, it is not uncommon for your organisation to experience 'change fatigue' or lose sight of the end prize. This situation can be aggravated if country CFOs are talking to each other about any difficulties they experience during migration. It is therefore important that you plan for quick wins and share success stories with your key stakeholders on an ongoing basis.

These early success stories are essential to create credibility for the SSC amongst LBUs that have already transitioned and those that are about to do so. These communications should also be used to highlight the resolution of any issues that have surfaced. When planning communications on quick wins it is worth considering a variety of formats. For example, videos that focus on the new team can be a great way to sell your service and the culture you are creating.

Offering to host pre-planned finance leadership team meetings in your shared services location can also help build relationships with your future and new customers and create credibility for the team.

## Knowledge transfer

### Implement workshadowing

SSC implementations generally involve the recruitment of a substantial number of new personnel and the release of an equally substantial number of existing personnel from the LBUs. This situation can potentially result in a sudden loss of knowledge and experience from the organisation, with a significant and adverse impact on the day-to-day running of the business. A key challenge during this phase is how to capture as much as 100 years' worth of combined experience from the local team and transfer it to the newly recruited SSC employees.

Workshadowing is an effective way to achieve this. It involves locating the SSC employees in the LBUs for a period of time, typically between two weeks and four months prior to the 'go live' date. (In some cases, this may be extended to include, for example, quarter close). During this period, the SSC employees sit with and 'shadow' local team members as they perform their day to day activities. Through this process, the SSC personnel gain live, operational experience of the business itself, identify process exceptions and how to manage them and gain exposure to the way that the finance team interact with other departments, suppliers and customers.





Below we illustrate one approach to managing workshadowing. The time you spend on each stage typically depends on the time available and the complexity of the process.

**Stage 1:** the SSC team member observes the LBU team member perform a specific process. The SSC team member asks questions until they are confident they understand the process.

**Stage 2:** the SSC team member performs the process whilst being supervised by the LBU team member. The LBU team member asks questions of the SSC team member to verify their understanding.

**Stage 3:** the SSC team member performs the process unsupervised by the LBU team member. The local supervisor observes the SSC team member and confirms that the workshadowing is complete.

**Stage 4:** the SSC team members complete all process documentation with support of the LBU team member (if required) corresponding to the process and sends it to the local supervisor for sign off.

Note: the above four stages are repeated for every process.

The SSC team should use workshadowing to update all the process documentation/manuals. Updates should include information around handling exceptions, handy hints and tips and screen shots. Process documentation should be updated on an ongoing basis and signed off by the local organisation to indicate that all of the information has been captured appropriately (as per stage 4). It's crucial that the process document that serves as an output of the workshadowing period is user friendly and accurate. These documents will act as future reference guides for your team, as well as training in the future. They also safeguard your investment in workshadowing in the event that you lose any of your team.

#### **Implement reverse workshadowing or post-migration support**

Reverse workshadowing or post-migration support can also be highly effective in ensuring that the knowledge transfer continues and to provide support to the shared services team in resolving issues after the 'go live' date.

Reverse workshadowing involves placing a select number of LBU employees in the SSC post 'go live', in order to strengthen relationships between the SSC and their future LBU customers. LBU employees chosen to support this process should have specific process expertise, strong relationships with the local business and be part of the retained finance organisation.

During the reverse workshadowing, the LBU personnel observe processes being carried out, offer general support, answer questions and also assist in the resolution of any issues. Throughout this period, the role of the LBU employee is as 'coach' rather than operator. Where possible, the reverse workshadow team should also be encouraged to identify any training needs, as well as develop and deliver content.

The reverse workshadowing team needs to be managed carefully through this process by the SSC director. As a minimum, formal meetings should be held weekly with the reverse workshadowing team to capture issues and training requirements and to ensure that the team are providing the necessary support. Failure to manage this process can result in reverse workshadowing employees providing adverse feedback to the local organisation, or in employees reverting to operational roles rather than providing guidance and coaching.

## **Manage the transition for each business**

The aim is to have a repeatable approach and plan of work for each LBU, which takes each site from initial engagement through to handing over operations to the SSC. The transition plan approach needs to take into account:

- The wider business transition activities that need to be completed so that all LBUs are aware of the changes taking place and are engaged at the relevant time throughout the roll out.
- The localised activities that need to be completed regarding the physical establishment of the SSC and mobilisation of the SSC workforce.
- Key milestones and dependencies on other transformation programmes that are underway.
- Appropriate timescales for local consultation and retention of affected staff during the transition.

The transition plan can be broken down into the following phases:

- **Plan and mobilise** – This phase focuses on ‘mobilising’ the key stakeholders and local country transition managers to ensure they are clear on what changes will be taking place and what will be expected of them to drive the transition forward.
- **Prepare** – The objectives of this phase are to carry out the necessary activities within the local offices to prepare for the SSC’s ‘go live’ date. Key tasks include conducting impact assessments, developing action plans to transition from the ‘as is’ to the SSC and launching or continuing consultations with the workforce. It is especially important to close out any unresolved transactions, as these have been shown to hinder the success of the SSC implementation. For example, make sure finance staff complete up-to-date reconciliations for the general ledger and clear suspense accounts.
- **Migrate** – This phase involves a detailed ‘go live’ assessment and cut-over planning to ensure a successful migration of the processes to the new SSC and business continuity. The cut-over plan defines who will process what, on which system and where. Here the critical issues are ensuring accuracy of data conversion and setting a clear timeline for ceasing to update the legacy system masterfile data following the final test phase of the conversion programmes. Inattention to either of these issues could cause the final conversion process to fail.
- **Stabilise** – This phase will involve the country team working to support and manage any issues that arise as part of the ‘go live’ in the new SSC.

#### Set ‘go live’ criteria

To avoid any surprises and ensure all stakeholders are involved in the decision of when to ‘go live’, criteria for going live should be established at least three months before the first implementation.

The following groups should be represented at an executive level: the SSC director, the LBU CFOs, the organisation’s CFO, the project implementation team and project director.

**Continuous checks will ensure early corrective action and no surprises at go live.**

This will ensure that the decision is collective and that questions and issues can be raised at an early stage and be resolved before the final go or no go decision.

Below are some sample readiness criteria.

#### Readiness assessments

- **Process readiness** – Do we know what to do?
- **Knowledge transfer readiness** – Do we know how to do it?
- **SLA readiness** – Do we know what standards to operate to?
- **Communication readiness** – Do we know how SSC and local country will work together, daily communications, escalation paths and regular performance reviews.
- **Systems readiness** – Are the systems ready and possible to use in the SSC and locally?
- **SSC readiness** – Is the shared service centre organisationally ready to receive the new work?
- **Local business unit readiness** – Does everyone know what is going to happen, when and how it will impact them, what they will do differently from go-live and trained to operate the new process?
- Overall go, no-go sign off.



Key considerations when setting and using readiness criteria:

- **Review criteria** – It is good practice to review the criteria two to three times during the month before 'go live'.
- **Ownership** – Each criterion should have an owner responsible for ensuring agreement across stakeholder groups.
- **Evaluation process** – Simple traffic light system for readiness can be used to evaluate the process, with particular actions required to achieve a green.
- **Risk management** – Whilst not everything has to be perfect or in place to migrate, it is important that risk is clearly understood and managed. For example, all processes should be documented and agreed but training could be arranged for specific items during the first week of 'go live'.
- **Prioritisation** – Each item on the readiness assessment checklist should be classified into categories for critical, important and nice-to-have items. If any critical element is absent, the 'go live' must be postponed. If other elements are missing, these should be recorded and an assessment made by the project management & transition teams as to whether 'go live' can proceed and what mitigating actions, and/or post 'go live' enhancements must be put in place.

#### **Complete the first month-end close**

There is often a temptation, due to time pressures brought on by the migration, to complete a 'soft' close (i.e. closing the books without a detailed reconciliation and review of the closing balances) for the first month end.

We recommend completing a full, detailed close procedure for at least the initial few months following 'go live'. A full close will reveal any existing issues that need to be resolved before they become material reporting errors. Indeed, many issues will only become apparent as a result of completing the close for the first time in the live environment. This may well require an extension to the reporting timetable and this should be agreed in advance with corporate and clearly communicated to all those involved to set expectations at the correct level.

You may find that developing a detailed close timetable is a useful tool in ensuring that the close procedure is completed in an accurate and timely basis. A close timetable is a document that lists all of the processes and procedures, both automated and manual, that need to be completed, who is responsible for completing each task and when each task needs to be completed.

As the relationship between the SSC and LBU in terms of roles and responsibilities is often quite complex, it needs to be fully documented, communicated and understood by the two groups.

The timetable also highlights any dependencies and allows the effect of any delays to be assessed. The close timetable documents the close process from start to finish and is most useful as an online resource, which can be accessed and updated in real time by both SSC and LBU personnel.

## **Manage relationships with business partners**

When migrating from an LBU environment to an SSC, relationships with external business partners (suppliers and customers) must be managed carefully both during and after the transition. There are a number of steps you can take to protect your suppliers and customers from any negative consequences of this transition:

- Communicate early the impacts of the project on customers and suppliers. Ensure the communication focuses on the 'what's in it for me' question, and what the supplier or customer needs to do differently as a result of the change. Don't set unrealistic expectations in terms of short-term benefits. It is not uncommon for suppliers or customers to experience some disruption to service during the transition. Be honest and upfront with your customers and suppliers about this whilst stressing potential longer term advantages for them.

- Create critical care teams (CCTs) with responsibility for ensuring that all business processes and procedures relating to certain key customers are carried out in an accurate and timely manner. The teams help to maintain customer service levels during the transition, by tracking all activities relating to key customers from the point of placing an order through to invoicing and receipt of cash. This way, any issues that arise can be quickly identified and resolved.
- Communicate upfront to other areas of the business that may also be interacting with your customers and suppliers. Provide them with a list of questions they may receive from customers or suppliers about the SSC and guidance on how to respond to them. It's crucial that suppliers and customers receive a consistent message about the importance and impact of the project regardless of who they are interacting with. If their key contacts don't know about the project, it's unlikely your customers or suppliers will take any requests seriously.

### Signing off SLAs

During the build and test phase, you would have agreed SLAs with customers and identified the key performance indicators (KPIs) used to measure the level of service. In this phase, you should be ready to review and sign off the SLAs with each of the LBUs transitioning to the SSC in advance of the 'go live' date. In fact, this can be included as part of the readiness assessment checklist above.

It is fair to assume that SLAs and KPIs may change once the SSC is fully operational; all changes need to be agreed by both the SSC and the customer (LBUs).

### Initiate service management governance

In addition to signing off the SLAs, you should also initiate the service management procedure and governance model agreed in the design phase. Key individuals from the SSC should be in place to work with LBU stakeholders to manage day-to-day service issues (e.g. invoices not being paid on time due to the time taken to resolve mismatches) and also more tactical process improvement issues (e.g. improve the way debt is collected).

The service management governance structure should also include a strategic element. The SSC director should be responsible for setting the strategic direction of the SSC with the CFO and LBU CFOs (if appropriate). Strategic objectives may include expanding the scope of the SSC or reviewing other service delivery models such as outsourcing to complement the SSC.

## Checklist

When performing the Implement and roll out phase, ensure that you have:

- Developed a clear migration strategy and plan.
- Developed a clear transition approach.
- Developed a site transition plan.
- Completed impact assessment to understand the level of change at the LBU.
- Completed training at the LBUs.
- Implemented workshadowing to ensure the transfer of business knowledge from LBU personnel to SSC personnel and developed process partner relationships.
- Agreed and closed off all the items in the readiness assessment check list.
- Clearly defined and communicated the roles and responsibilities of the LBU and SSC personnel and the lines of communication between the two groups.
- Allocated sufficient IT resources to provide post 'go live' on-site IT support at the SSC.
- Retained sufficient LBU personnel to provide post 'go live' on-site business support at the SSC.
- Developed detailed close procedures and a close timetable.
- Signed off SLAs.
- Initiated the service management governance process.

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**The service management governance structure should also include a strategic element ... this may include expanding the scope of the SSC or reviewing other delivery model.**

# Phase 5 – Optimise



## 31 January – Year 3

“Having those key performance indicators (KPIs) for our meeting with country MDs was a stroke of genius,” Paul told Bridgit, the SSC director. “They had no idea we’d been tracking performance measures since migration – and it really helped to dispel their perception that service levels had dropped since they joined the SSC. I wasn’t sure about your insistence on using KPIs from the beginning, but you were right.”

Bridgit agreed. “I knew the SSC had only made a limited number of errors, but those KPIs proved it. Anecdotes are never enough – executives trust facts.”

They also discussed the noticeable drop in morale at the SSC after various ‘go live’ dates, and agreed to bring in the HR director to brainstorm a comprehensive training programme that would stimulate learning and enhance skills throughout the year. Several key employees also mentioned an interest in project work. Bridgit was enthusiastic. “They’ll give the existing team a useful boost.”

## 3 March – Year 3

Resource problems were again plaguing the SSC. Bridgit presented the results of her benchmark study of SSC performance against the original business case. “I’ll give you the good news first – we met expected savings targets, even before the last two countries joined the SSC. All that extra effort on France and Italy really paid off! But the bad news is we haven’t made any improvements in the four months since then.”

It transpired that there were insufficient resources to implement process improvements and reengineering. This meant that the planned opportunities to increase efficiency, productivity and achieve further headcount reductions were missed. Once again, Paul got on the phone to lobby for additional resources. At last, he secured a dedicated reengineering project team to ensure the organisation continued to accrue benefits from its investment.

## 12 March – Year 3

Richard, the CFO, appeared in the doorway of Paul’s office. “Have you heard? We’re back on track with the acquisition of another US competitor, AStar Inc. I looked at the due diligence work this morning: AStar doesn’t have an SSC and their finance and administration costs are up where ours used to be. How much can we reduce AStar’s operating costs if we integrate them into our SSC?”

“It could affect the whole economics of the deal – let me know asap. If we do add a US firm as a client for our Shared Services Centre we should definitely look at outsourcing again or another low cost location like India. We would have the critical mass of English-speaking jobs for a pretty quick payback, whether we did it in-house or outsourced the whole thing. And another thing, how about moving order entry and customer service into the SSC? Let’s start thinking about that, too.”

As Richard walked away, Paul realised that nothing would be quite the same again. The SSC initiative had only just begun.

## Analysis

### The story so far

Let’s consider how Hi-Tech\* is doing:

Plus (+)	Minus (–)
<ul style="list-style-type: none"> <li>Used KPIs effectively to disprove false negative perceptions of customer service levels.</li> <li>Created dedicated teams that are beginning to achieve the benefits of reengineering.</li> <li>CFO keen to expand the role of the SSC.</li> </ul>	<ul style="list-style-type: none"> <li>Did not appear to have implemented SLAs.</li> <li>Insufficient resource to implement processes reengineering.</li> <li>Limited understanding about what future additional benefits the SSC could bring to the organisation.</li> </ul>

An acquisition could affect the whole economics of the deal ...

\* Hi-Tech plc is not a real company. We have written this storyline to illustrate some of the issues that a real shared services implementation might raise.



Successful implementation is not the end of the shared service project. Once the SSC is running smoothly, you should reappraise your performance to see if it is in line with your expectations. Stay focused on your customers, the LBUs. Are they satisfied with the level of service they are receiving? Investigate how it can be improved still further, and feed back the results of your survey. Make sure customer service and continuous improvement are built into the culture of the SSC to ensure it develops to better serve your business needs.

We are currently witnessing a growing trend where the more mature centres are revisiting their shared service models to derive higher levels of service and cost efficiency. Technological advances, organisational changes and the availability of more cost-effective locations all present new challenges and opportunities. Full benefits will only be realised by retaining a permanent focus on improvement and by dedicating capable resource.

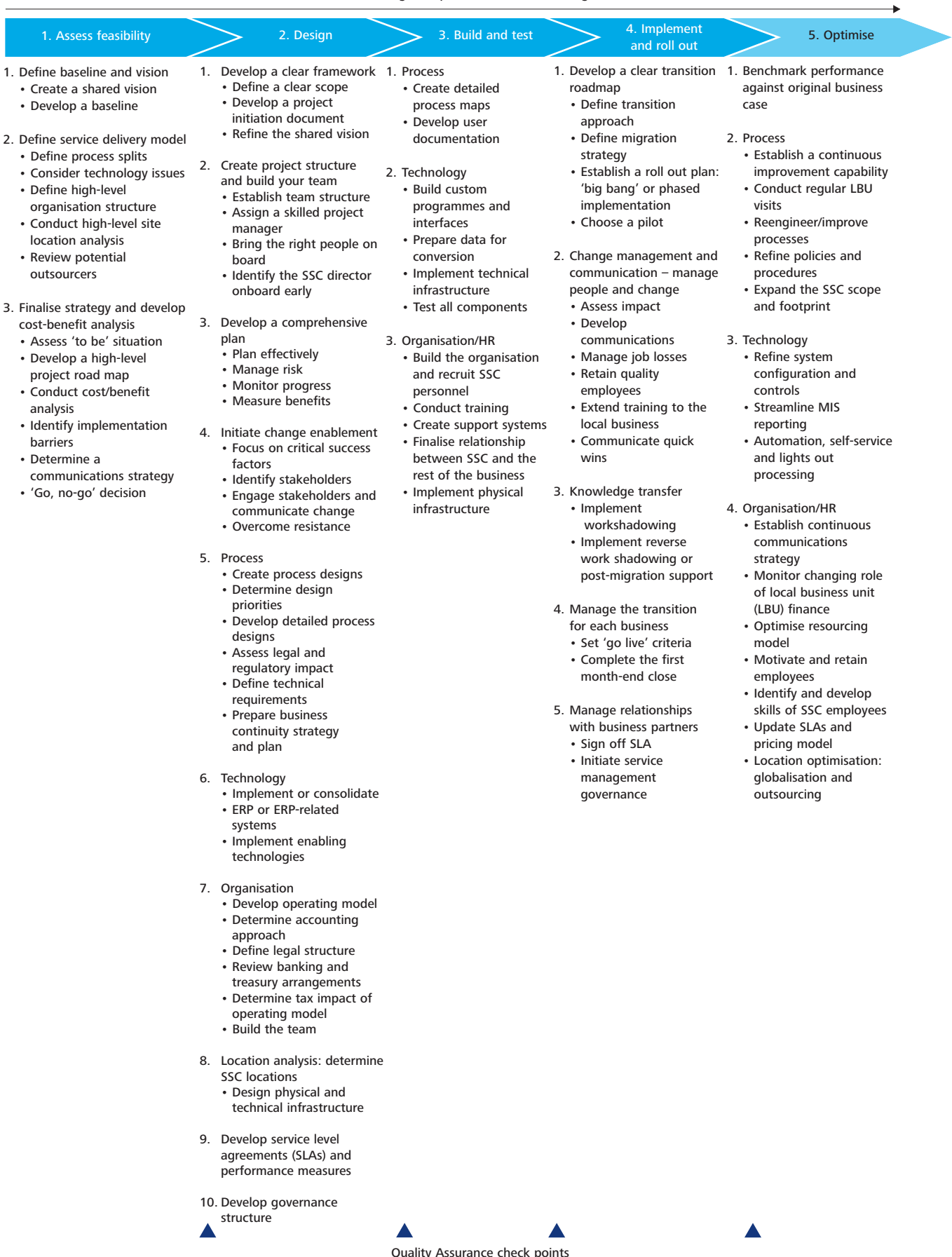
## Tools and techniques

### Optimise

It is a common misconception at this stage that the objectives of the project have been achieved. A great degree has certainly been accomplished – a new centre has been created, business processes have been consolidated, a common ERP has been implemented and services are being provided to all LBUs/countries as promised. These achievements may deliver and even exceed the level of benefits anticipated, but they signify the beginning of the shared services journey rather than the end. The energy and enthusiasm of the implement and roll out phase must be sustained in order to establish a permanent culture of continuous improvement.



Manage the process and enable change

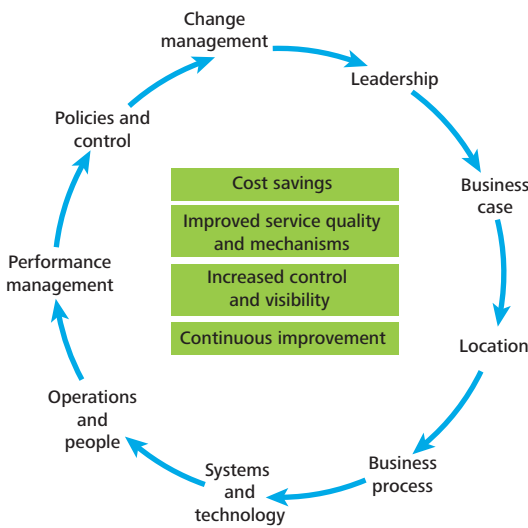




The concepts and techniques referred to in this chapter are as relevant to new SSC as they are to established ones, and it is never too late to create a culture that supports continuous improvement.

The optimisation framework shown below displays the key attributes common to best practice implementations and the achievement of targeted benefits. Whether your objective is to deliver higher cost savings, better decision making or increased service levels, your continuous improvement programme should address each of these areas.

**SSC optimisation framework**



Many SSC initiatives will need a period of time to stabilise and settle in, following the enormous effort required to achieve the initial two goals of standardisation and consolidation. Once the SSC and LBU organisations have stabilised, it is then possible to move forward with the third goal of optimisation to achieve further cost savings. This third goal should be thought of as a separate project in its own right.

Establishing a continuous improvement programme and applying it consistently across these areas maximises your SSC's chance of success and minimises disruption as people leave and new people join the organisation. Though a few tasks will fit in with operational staff's duties, many optimisation projects will require dedicated teams of people with a mix of IT and process skills. They should be assigned on a full-time basis to reengineering projects in particular. In our experience, organisations that leave larger optimisation projects to the already fully occupied operational staff of the SSC almost always fail to achieve the full benefits available.

The SSC optimisation framework can be expanded to include detailed delivery maturity or health assessments to guide continuous improvement initiatives and remind people why they started the journey in the first place. These frameworks also provide a structured method of measuring health in key capabilities (illustrated below are four areas of the SSC optimisation framework – strategy, service delivery, organisation and operations and technology), and to gain a sense of the SSC's current level of maturity.

Additionally, it provides a way to compare internal performance as well as benchmark against other organisations. This will ultimately yield prioritised recommendations for improvement that target key performance gaps and improvement opportunities.

**SSC optimisation maturity framework**

**Strategy**  
The extent by which the organisation's vision and strategy are aligned to take advantage of emerging trends and add value.

**Service delivery**  
Structures in place focussed on improving performance, customer satisfaction, service quality and cost efficiency.

**Organisation**  
The effective management and organisation of people to foster a culture of customer service.

**Operations and Technology**  
Key activities and technologies associated with managing processing, customer interactions and operations management.

Strategy	Capability stage				
	1	2	3	4	5
Scope of services		◆		◆	
Location of services		◆			◆
Business planning		◆		◆	
Mission/Vision		◆			◆
Value			◆		◆

Service delivery	Capability stage				
	1	2	3	4	5
Performance management			◆		◆
Governance and issue resolution		◆			◆
Customer and vendor relationship management	◆				◆
Sourcing			◆	◆	
Continuous improvement		◆		◆	

Organisation	Capability stage				
	1	2	3	4	5
Organisational structure		◆			◆
People management		◆			◆
People development		◆			◆
Culture		◆			◆
Recruiting			◆		◆

Operations and technology	Capability stage				
	1	2	3	4	5
Process			◆		◆
Technology		◆			◆
Controls	◆				◆
Programme management			◆	◆	
Facilities and infrastructure		◆			◆

■ To-be    ◆ As-is

### **Benchmark performance against the original business case**

The euphoria of an SSC's implementation is often replaced by complaints from LBUs that service levels have dropped. Perception or reality, this situation must be dealt with as quickly as any other customer complaint – remember, the LBUs are now your customers. Frustrations previously dealt with at a local level are now your responsibility to resolve. Distance only serves to increase this frustration and shared service employees must understand at the outset that their reactions will set the scene for all future communications.

To prevent these problems, the performance of the SSC should be regularly assessed using a maturity model framework (as above) and results benchmarked against the original business case and communicated to all of the LBUs. Although SSC management may be reluctant to share this information, both the SSC and the LBUs need a point of reference for service delivery and effectiveness. Ideally, this will help to disprove any misconceptions at the LBU level; failing that, it will highlight where performance needs to be improved.

Of primary importance is the development of a business partner relationship between the SSC and LBUs. Issues are far easier to resolve once a team relationship has been established between the two groups, with strong, ongoing lines of communication, instead of an uncooperative 'us and them' environment.

Service level agreements (SLAs) and key performance indicators (KPIs) can help to build this relationship by managing perceptions and providing factual reference points. KPIs should be measured before migration to the SSC and again at regular intervals afterwards. This data will allow factual comparisons of the pre- and post-SSC performance levels and demonstrate whether the agreed SLAs are being adhered to by both the SSC and LBUs. These comparisons should be widely publicised on a monthly basis to show the positive impact of moving to an SSC environment.

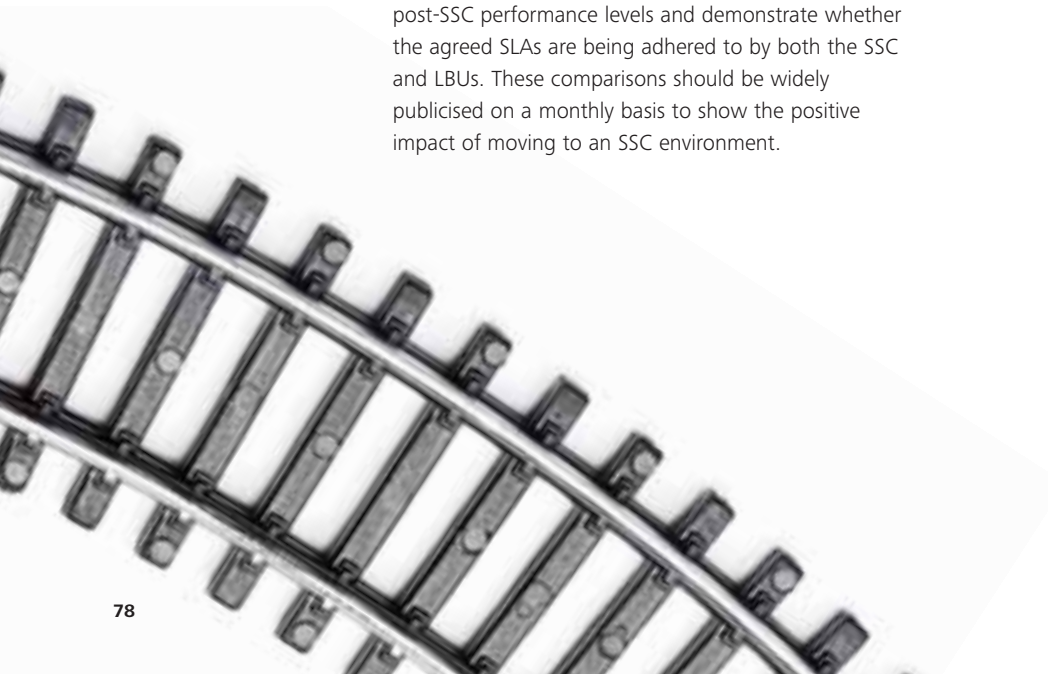
In addition to SLAs and KPIs, customer surveys are also an effective method of generating credibility and creating a positive image of the SSC among its customers. The use of customer surveys demonstrates that the SSC is focused on its customers and is committed to providing good levels of service. Again, the output of the customer surveys can be used to determine areas that require further attention and highlight the need to refine SLAs in line with changing customer requirements.

### **Process**

#### **Establish a continuous improvement capability**

The business environment is constantly evolving and no migration will ever be perfect. There will always be an ongoing need to further optimise working practices and to further standardise and streamline business processes in line with industry best practices. The benefits of these activities can be maximised if they become a normal part of the day-to-day routine in the SSC. For these reasons many SSCs are building a continuous improvement capability, often using as six sigma and/or lean approach.

Your continuous improvement programme should be based upon a framework that can be applied consistently across all improvement opportunities. Though all staff do not need to be trained in delivering the end-to-end process, it is helpful if they understand the underlying principles so that everyone can identify areas for improvement. Giving staff a chance to step back from the work they do and to look at it from a different perspective often unearths improvement opportunities.



“All SSC staff have productivity savings targets and are Business Process Improvement (BPI) trained. Typically staff will be involved in at least one BPI a year which will take 5-10 days (3 to do the BPI and then the additional days to implement). Because we don’t have Six Sigma Black Belts in our organisation, everyone is made accountable for process improvement.”

Ian Yule  
Director, EMEA Accounting Operations, Eaton

**Conduct regular LBU visits**

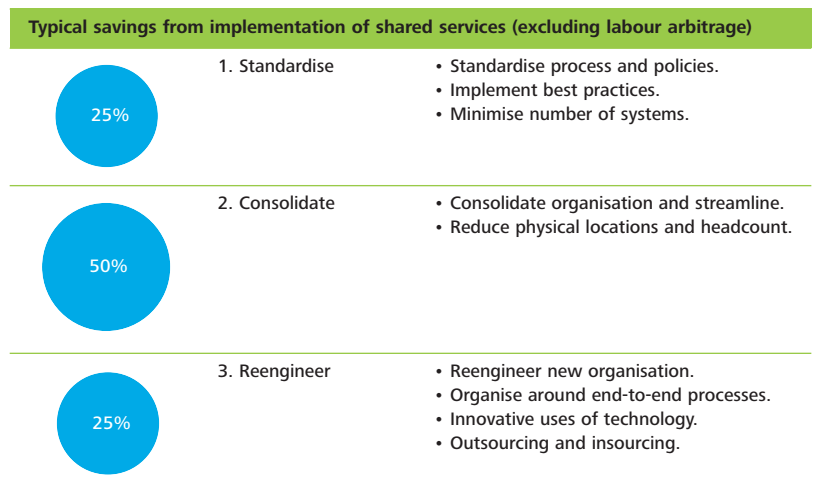
The existing SSC model should be reviewed through regular site visits to confirm whether the outputs from the design phase have been implemented effectively and are working as efficiently as anticipated. It is essential to check that the consolidated model is standardised across all LBUs so that further consolidation can be performed. Regular site visits not only boost morale but also help to determine where extra cost and service efficiencies can be achieved through:

- Identifying potential technology enhancements.
- Improving organisational deployment.
- Identifying opportunities for training and skills enhancement.
- Implementing world class business processes.
- Extending and improving the scope of shared services.
- Assessing change management barriers and enablers.

**Reengineer/improve processes**

Once your people, processes and systems have been consolidated into a single location, standardisation and reengineering of the processes is far easier to achieve. It is at this point that the processes as a whole become truly visible from beginning to end. It soon becomes apparent where poor performance originates, which is often when processes cross functions rather than within functional areas themselves.

The reengineering phase is an opportunity to optimise processes, particularly where they cut across functions, and achieve further cost reduction and increased service levels. Experience suggests that many organisations that have implemented ERP packages as part of an SSC initiative have yet to fully exploit the package’s reengineering potential. The diagram below illustrates where savings, other than labour arbitrage, are typically generated.



**Refine policies and procedures**

Over time, the SSC’s policies and procedures will need to be updated to reflect changes to operations. These revisions will need to be approved by corporate or the appropriate governing body prior to being implemented; all affected resources will also need to be informed about the changes through clear communications.

Any controversial revisions should be supported by a solid business case prior to attempting to gain buy-in and prior to any communications with the LBUs. The business case should be based on service level improvements and cost efficiencies that can be demonstrated to the LBUs. Do not assume that just because it makes sense to you in the SSC that it will be welcomed by your customers.

“After you are live with your shared services centre, you need to start demonstrating how you are creating value for your customers. In BP, we are creating value for the organisation by improving visibility to process performance and how this affects business outcomes.”

**Philip Whelan**

Head of European Business Service Centre, BP

### Expand the SSC scope and footprint

The move to shared services is primarily been driven by a need to consolidate expensive finance functions – the argument being that one highly-skilled team can provide more efficient and more cost-effective support. This argument is increasingly being applied to a much broader range of processes as the potential cost and service level benefits of an effective SSC are realised. As the improvements from process reengineering eventually become more marginal, organisations are focusing on where else the concept can be applied. Following this trend, you should consider the scope of your SSC and whether it should expand to encompass sales, marketing, customer service, HR or procurement, to name but a few.

The benefits of expansion			
	Functional benefit	Organisational benefit	Customer benefits
<b>HR</b>	<ul style="list-style-type: none"> <li>Improved control of resources</li> <li>More consistent employee</li> <li>Communication</li> <li>Reduced administration and duplication of data</li> <li>Faster access to consistent and reliable information</li> <li>Greater strategic focus and more value adding work</li> <li>More time to understand and analyse the business</li> </ul>	<ul style="list-style-type: none"> <li>Single source of integrated employee data across the group</li> <li>Improved information and less senior management time spent on data preparation</li> <li>More formalised and consistent procedures</li> <li>Increased availability of HR people/advice</li> <li>Single point of contact for employees</li> <li>Specialised and deep knowledge and advice</li> </ul>	<ul style="list-style-type: none"> <li>Increased responsiveness to employment and HR enquiries</li> <li>Single point of contact (customer care)</li> <li>Consistency of brand</li> </ul>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>Control of spend</li> <li>Contract compliance</li> <li>Efficiency of PO generation</li> <li>Effective query management</li> <li>Standards for content management</li> <li>Efficient content management</li> <li>Authorisation management</li> <li>Central data repository</li> <li>Central data analysis capability</li> </ul>	<ul style="list-style-type: none"> <li>Commonality of interface</li> <li>Availability of contracts</li> <li>Best prices available (comparisons)</li> <li>Greater choice</li> <li>Speed of ordering</li> <li>Budget updates</li> <li>Visibility of authorisation</li> </ul>	<ul style="list-style-type: none"> <li>Lower cost of supply</li> <li>Guarantee of order</li> <li>Increase in volumes</li> <li>Accuracy of match</li> <li>Improved creditor days</li> <li>Clarity of contract terms</li> <li>Accurate ordering/billing information</li> <li>Central query point</li> </ul>
<b>Sales, marketing &amp; customer service</b>	<ul style="list-style-type: none"> <li>Ability to coordinate targeted pan-European CRM campaigns</li> <li>Reduced CRM operating costs through economies of scale</li> <li>Improved customer satisfaction and relationships</li> <li>Lower churn rates; more repeat customers</li> <li>Ability to report across the organisation through common data model</li> </ul>	<ul style="list-style-type: none"> <li>Single customer data set across the group</li> <li>Improved data due to integrated front and back office systems and processes</li> <li>Standardised procedures based on best practices</li> <li>Tools to facilitate multi cultural/lingual interactions</li> <li>Increased opportunity to cross and up-sell based on improved sales intelligence</li> <li>Decreased order error and stock-out rate</li> </ul>	<ul style="list-style-type: none"> <li>Increased responsiveness</li> <li>Single point of contact</li> <li>Full visibility of interaction history</li> <li>One-call resolution – faster fulfilment of requests</li> <li>Multi channel access, with consistent experiences at every contact point</li> <li>More tailored, personalised marketing offers</li> </ul>

## Technology

### Refine system configuration and controls

Post implementation, the IT configuration should be refined to enable further standardisation of business processes. If the configuration allows any room for interpretation, you can be sure that SSC resources as well as those in the LBUs will find their own ways of doing things. Any shortfalls or overlaps in functionality should be assessed and documented along with the complexity of any modification that may be required to overcome them. It is critical at this stage that the underlying IT infrastructure supports the objectives for standardisation by minimising any room for error. Although common oversights such as incorrect security levels, non-customised user menus, insufficient concurrent user licences may seem small, they can very quickly affect service levels, customer satisfaction and staff morale.

### Streamline MIS reporting

Once the process reengineering is under way, it is time to review the current and future management information system (MIS) reporting requirements in line with changing business needs. MIS reporting across all LBUs should be streamlined and standardised, to ensure consistent data formats are being applied and to make it easier for end-users to compare and analyse data on a regular basis. A library of management reports should be created that are automatically generated on authorised user demand. Ad hoc reporting queries will still be received and in many cases need to be serviced, but these should be the absolute exception rather than the rule.

The availability of reporting tools should be strictly limited to a small number of authorised and trained users. If people have access to reporting tools, they will use them. This will lead to the creation of unnecessary and often inaccurate reports, duplicate work being carried out in other parts of the business and a reduction in the efficiency of your network resources.

You must regularly review the security and controls for creating or accessing MIS reports across the organisation. The perceived need for reporting will always significantly outweigh the actual requirement – the difficulty you face is persuading your new customers of that fact. Optimising MIS reporting capabilities will deliver significant benefits to the organisation in terms of information consistency, resource utilisation, network performance and most importantly strategic decision-making. Leading-edge organisations are using web based reporting portals to enable simple rapid access to a standard set of key financial and operational information.

## Automation, self-service and lights-out processing

Traditionally, shared services have been used to maximise the efficiency of repetitive transaction processing. Technology advances in ERP solutions, the use of enabling technology to automate and improve processes and the advent of cloud computing will continue to enable some companies not just to improve the efficiency of their manual transaction processing but eliminate some manual transactions altogether.

With the right IT solutions in place, automation levels can be optimised so that some functions can move towards an environment of 'lights-out' processing – i.e. with very little human intervention. And while the bulk of the processing is being carried out automatically, employees will have more time to add value to the business by providing advisory services through analysis and decision support.

During the design phase, a number of decisions were taken about the level of automation that your shared service solution should now be delivering. During optimisation, it is essential to review how successful your SSC has been and to ensure that it is actually minimising the need for user intervention. The level of automation exceptions is always a good measure of the effectiveness of your standardisation and reengineering programmes.

Until recently virtually all interaction with internal support functions was manual. The ability to securely access corporate ERP systems through web-based tools means that all internal and external customers and suppliers can now interact with these support functions electronically. The advent of self-service allows employees to monitor and maintain their HR records and compensation arrangements, and suppliers and customers to maintain their records and have transparency of order information. An SSC can be the hub of a fully web enabled organisation – where all of the key linkages with internal and external stakeholders are fully automated. This is often a bridge too far in the early stages of implementation, but should form a core focus for your continuous improvement and optimisation teams going forward.





Some good examples of automation or effective use of enabling technology solutions used across processes by leading SSCs are indicated in the following table:

### Organisation/HR

#### Establish continuous communications strategy

To secure acceptance of the revised structure by both internal and external customers, good communications can make the difference between success and failure.

A continuous communications strategy should be established, which includes reviewing the status of the SSC implementation and assessing which type of information is needed by the business and when. Key LBU and SSC employees should be interviewed to identify areas of success and weakness. Key customers and suppliers should be communicated with to ensure that the service levels are being met.

Order to cash process	Purchase to pay process	Hire to retire process	Accounting to report process	General
<ul style="list-style-type: none"> <li>Internet ordering</li> <li>Intelligent scanning (OCR) and document management of order forms and fully automated entry in ERP AR</li> <li>On-line credit check</li> <li>Automated revenue and receivables recording</li> <li>Electronic bill presentment via EDI or internet (XML, HTML)</li> <li>Credit management software</li> <li>Payment by Internet</li> <li>Automated bank receipts recording and reconciliation in ERP</li> </ul>	<ul style="list-style-type: none"> <li>Ordering and authorisation by E-procurement system</li> <li>Automated entry of invoices in AP by EDI or internet (XML, HTML)</li> <li>Intelligent scanning (OCR) and document management of AP invoices and fully automated entry in ERP AP</li> <li>Work flow management to control workflow</li> <li>Global payment factory</li> </ul>	<ul style="list-style-type: none"> <li>Use of corporate credit cards</li> <li>Credit card company delivers expenses electronically to ERP</li> <li>Web based travel and expense system for employees</li> <li>Automated authorisation based on embedded company expense policies</li> <li>Employee self service for HR transactions</li> <li>Outsourced salaries (gross-net calculation and salary statement production)</li> </ul>	<ul style="list-style-type: none"> <li>Internet based consolidation software</li> <li>Virtual close</li> <li>Data-warehouse for financial and operational data</li> <li>Web based analytical tools for controllers and management</li> <li>Web based personalised scorecards</li> <li>Access to KPIs via mobile phone and or PDA</li> <li>Global treasury and cash management</li> </ul>	<ul style="list-style-type: none"> <li>Centralised hardware</li> <li>Centralised technical and functional maintenance</li> <li>Centralised helpdesk</li> <li>Manuals, instructions and procedures available on intranet</li> <li>Outsourcing of F&amp;A and IT</li> </ul>



“When moving work into a shared services environment it is important to follow through on the chosen strategy and ensure there is a compelling rationale for any proposed changes to that model. Over the last few years we have made credible progress and we have now entered into a mature stage where the SSCs are operating the bulk of the originally targeted processes and associated controls. Delivery has been enabled by structured methodologies that initially migrate the work and then realize post migration efficiencies. We are now truly managing by process and our continuous improvement program is delivering significant and sustainable benefits. It’s important that the leadership capability develops with the evolving and maturing organization and that structural and collaborative connectivity with the onshore organisations are maintained.”

**George Connell**  
 VP Finance Operations Strategy, Shell

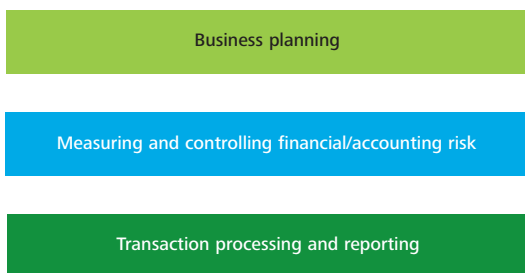
**Monitor changing role of LBU finance**

One of the key benefits of implementing shared services is a new role for LBU management. By stripping out non-strategic processes from the LBUs and consolidating them into an SSC environment, LBU management is able to focus a greater portion of its time on issues of strategic importance. The role of the retained LBU

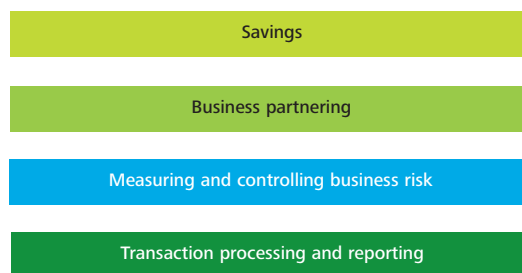
finance function shifts from predominantly transaction processing to business partnering, as local finance staff provide business leaders with analysis to support revenue growth, strengthen cost management and optimise capital investment. This relative shift in the role of finance is indicated in the diagram below.

**Changing role of finance**

**Without SSC**



**With SSC**





### **Optimise resourcing model**

The needs of workshadowing and knowledge transfer often lead to a temporary increase in headcount; it is important that this does not become permanent. During the optimise phase you should revisit the initial business plan to ensure that the targeted headcount reductions have in reality been delivered, a point that is often missed.

Resources within the LBUs whose roles have now been replaced by those at the SSC should no longer be involved in the process. Their continued presence within the LBU is often both disruptive and counterproductive. Whilst they remain, there will always be a tendency for the LBUs to duplicate activities thereby undermining the role of the SSC. This is not to say that multi-skilled staff cannot be redeployed to different parts of the organisation, just that they should be fully engaged in different activities.

Although the chief goal of the SSC is to deliver improved service levels to customers, this must be underpinned by cost effectiveness. SSC management must continually review the level of resources deployed to determine whether their model is optimal. Increased effectiveness should lessen the need for resource levels through technology, process and organisational changes that push down the costs of transaction processing.

### **Motivate and retain employees**

After the excitement of implementation, a very dynamic and challenging time, it can be a challenge to motivate and retain staff. People involved in the project over a number of months or years can find it very difficult to transition into the steady state of a structured, repetitive, transaction processing environment that characterise an SSC. In addition, the skills that people develop over the course of a major project implementation increase their market value and the range of opportunities available to them.

Management needs to carefully plan and manage this transition as part of change enablement and throughout the optimisation phase.

This can be achieved through measures such as:

- Incentive bonuses linked to pay and development programmes.
- Recruiting foreign nationals in the SSC country rather than from abroad. These individuals are more likely to have links to the country and therefore will be more stable to employ.
- Involving 'key achievers' in stimulating project work, such as process reengineering. The extent to which this is possible and practical will vary from organisation to organisation. As well as acting as a means of retaining employees, these projects are also an effective way of developing individuals and improving service levels and productivity.
- Using ongoing training as an important part of employee motivation and development.

### **Identify and develop skills of SSC employees**

It is important to continually develop the skills of the SSC employees, for example through identifying opportunities for them to transition to other teams. Many SSCs offer training and skills enhancement as part of daily operations and this can have a significant impact on lowering attrition rates in the SSC.

Do not assume that once the SSC is operational there is no need for further employee training. Experience has shown that many organisations investing in costly application software often fail to allocate sufficient resources for ongoing user training, so don't forget to budget in regular ongoing training for both SSC and LBU personnel on the application software and business processes following 'go live'. This will raise the level of user application skills and reduce the frequency of errors and time spent resolving them, creating a strong platform from which to implement process improvements and reengineering. Training is also an important element in the development and motivation of staff.

Many successful SSCs have holistic training programmes that typically include team working; communication; customer management; business process improvement; application skills; and functional skills. For example, business process improvement training could include process analysis techniques such as Pareto analysis and fishbone analysis, which can be used to identify and analyse the nature and source of errors that occur. By directing training resources at these specific areas, it is possible to see results quickly in terms of error reductions.

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**Do not assume that once the SSC is operational there is no need for further employee training.**

### Update SLAs and pricing model

Perhaps the greatest hurdle in the implementation of shared services is the introduction of pricing mechanisms to govern the delivery of service. Often ignored during first wave implementations on account of complexity, SLAs and pricing mechanisms are essential elements of a long-term shared service solution. It is essential that the LBUs understand what they are getting, how much it costs them and how those costs are broken down. Many leading SSCs also use the charging structure to govern behaviour in the process by charging LBUs a lower activity cost when process policies have been followed and there is a lesser requirement on the SSC to chase for missing information. The figure below outlines some of the potential charging strategies that can be employed.

Potential charging strategies		
	Billing strategy	Comments
<ul style="list-style-type: none"> <li>• Degree of implementation effort</li> <li>• Easy</li> <li>• Difficult</li> </ul>	<b>No billing for service</b>	Provide LBUs with no visible recognition of service value. May lead to unrealistic service expectations and incorrect P&L decisions.
	<b>Location of service costs</b> (e.g. flat rate charge per business unit)	Provides no relationship between services and costs to LBU.
	<b>Direct charging – full cost recovery</b> (e.g. cost per transaction/consumption of resources)	Provides visible relationship between service volumes consumed and cost to the LBU. Incentivises LBUs to assess needs/volumes and SSC to reduce costs.
	<b>Market-based pricing</b> (e.g. cost per transaction. consumption of resources)	LBUs can now compare the quality and level of service between internal and external services.

### Location optimisation: globalisation and outsourcing

SSCs are increasingly providing their services to wider and wider geographical regions. Leading-edge companies now have global SSCs providing a significant part of internal support services to their global operations sometimes on a 24/5 or even 24/7 basis. Outsourcing providers have increased their competencies and many organisations are now turning to outsourcing as an option for their support functions.

Outsourcing providers have increased their competencies and many organisations are now turning to outsourcing as an option for their support functions.

## Checklist

In the optimise phase (some of which never really concludes), ensure that you:

- Benchmark performance against original business case including the use of SLAs and KPIs.
- Establish continuous improvement policies.
- Create dedicated, skilled teams to focus on process reengineering.
- Allocate resources to provide ongoing IT and business process training of both LBU and SSC personnel.
- Establish customer satisfaction and needs monitoring.
- Implement HR policies to motivate and retain personnel.
- Redesign the role of the LBU finance function to focus on being business partners.
- Optimise resourcing.
- Realign remuneration with performance measurement.
- Update SLAs and pricing model.

# Some closing thoughts



Companies have been implementing shared services for over 20 years and yet it seems to be as topical as ever. Of course much has changed over this period. While the core objectives often remain the same – transforming support services to lower cost whilst maintaining or improving service levels and data quality – the structures being implemented are bolder. More companies are outsourcing instead of building captive shared services centres. Others are looking to put higher value activities into their shared services centres, and while finance is often the starting point, multi-functional centres are often now the end game.

## Make or buy?

Although companies started outsourcing their finance functions in the early 1990s, it wasn't until after the year 2000 that the trend really took off. Around that time India and then Eastern Europe started to become popular with outsource providers who were able to provide a compelling, labour arbitrage-based, business case. Today the market for finance business process outsourcing is relatively mature and there are dozens of providers able to support companies of all sizes from delivery centres not just in India and Eastern Europe but also South America and other emerging countries.

Whereas ten years ago, perhaps one in ten companies seriously considered outsourcing, now it's more likely that five in ten will at least consider the possibility. The outsourcers have the infrastructure in place, have learned a great deal when it comes to setting up and running world class SSCs, and have developed useful tools and technologies that can be used across their client base.

But this does not mean there is no future for captives. Many companies do not want to outsource if they feel that their processes are not yet stable or sufficiently standardised, or if there is insufficient critical mass. For this reason there are many examples of companies building captive SSCs first and then, when the processes are relatively efficient and stable, seeing whether there are further benefits from outsourcing.

In some cases, captive SSCs have outsourced transactional processes while moving up the value chain and becoming centres of excellence. Such hybrid solutions often have an outsource provider in low-cost offshore locations with one or more centre of excellence run on a captive basis onshore or nearshore in places like Prague or Budapest.

## Moving up the value chain

Implementing shared services is a journey, and one that is by no means complete once you have gone live. The burning platform that typically drives the need for an SSC in the first place usually continues to at least smoulder once the SSC is built. There is continued pressure to further reduce costs and/or add value to the organisation. The continuous improvement of existing SSC processes is one response to this pressure.

But typically SSC leaders will also look to bring further activities into the SSC. Once transaction processing has been brought in, the move up the value chain will start with advisory and controlling processes being the next candidates. These processes are more challenging to share and resistance will often be greater from the LBUs as a result, but if handled carefully they can be successfully integrated. The SSC will typically already have several years successfully providing transaction processing and for many LBUs will have earned the right to handle more challenging activities.

Many organisations are now looking closely at business partnering activities. Often there will be as many business partners across the organisation providing various business intelligence and management accounting services to the LBUs as there are SSC employees. The key is determining how much of this business partner activity really needs to be face-to-face with LBU customers, and how much could be stripped out and consolidated into an SSC. Typically any data extraction, manipulation and reporting activity can be shared while genuine decision support which requires a local presence should stay local. Many of these higher-value activities may be candidates for captive shared services centres but not necessarily for outsource providers, given the strategic importance and sensitivity of the work.

## The advent of Global Business Services

The majority of large multinational organisations have now implemented finance shared services. Many will also have HR and IT shared services, along with a mixture of captive and third party run centres. Some organisations are now questioning why these different functions are running separate SSC initiatives, with multiple project teams using different approaches and building SSCs in different locations interacting with their customers in many different ways. Surely there is an opportunity to standardise and consolidate these initiatives?

Global Business Services (GBS) could be the answer to this question. The idea is to create one support services organisation to provide services to all of an organisation's LBUs around the world across all relevant functions – for example finance, HR, IT and procurement.

The advantages include the ability to use common sites and infrastructure such as local IT and HR support for each SSC, the ability to improve end-to-end processes (for example across finance and procurement) and the ability to create an organisation with a single 'look and feel' to it – i.e. with one way of interacting with its customers.

While it sounds great on paper, there are many obstacles and issues in reality. There are not that many end-to-end processes between the different functions and the functions are often at very different levels of maturity and readiness for such an initiative. Getting the management commitment to implement a finance SSC on its own is difficult. Trying to get commitment for a GBS programme is exponentially more difficult and determining a governance structure that management agree with and support is particularly challenging.

#### **Have SSCs or outsourcing become obsolete?**

Are shared services or outsourcing beneficial in an environment where few people are required for transaction processing? If organisations can move to a lights-out or near lights-out processing environment, why bother with the cost and effort of migrating to an SSC or outsourcing?

We believe that there is still a role for SSCs or outsourcers, for a number of reasons: to achieve standardisation and thereby enable various web-enabled activities; and as a home for those tasks involved in the management of shared processes that cannot be fully automated.

Some organisations are now thinking of adopting 'virtual shared services' whereby the role of the SSC in terms of objectives and processes performed does not change, but the people are left in their native countries to avoid the relocation and/or redundancy issues. Whilst attractive in principle, and seemingly feasible given the recent advances in the functionality of remote processing systems, in practice it would be very difficult to achieve process standardisation in such an environment. Also, you would not benefit from the span of control or low labour rate advantages that typically accrue in an SSC or the continuous improvement benefits achievable when people working on similar issues are co-located.

We hope this handbook has been helpful, wherever your organisation is on its shared services journey. Most organisations will need help at some point from people who have seen the various options and implemented each of them before. If you do not find a Deloitte contact sheet at the back of this handbook, one of Deloitte's Regional Shared Services Leaders listed in the Foreword will be happy to put you in touch with the appropriate Deloitte SSC country leader.

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**Once transaction processing has been brought in, the move up the value chain will start with advisory and controlling processes being the next candidates.**

# Shared services – contacts

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