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Aligning perception with reality in shared services governance

Insights from Deloitte's 2014 Voice of the Customer and Voice of the Shared Services Leader surveys

Introduction

When it comes to perceptions of customer satisfaction and performance, leaders of shared services organizations may be looking at the world through frosted glass. Findings from the *2014 Deloitte Voice of the Customer and Voice of the Shared Services Leader Surveys* indicate shared service center (SSC) leaders tend to think their customers have an overly negative view of their performance while the same leaders hold an overly positive view of the SSC's contribution to the enterprise. What accounts for this split between perception and reality? A deeper dive into the survey results suggests the answer might lie within governance, more specifically its maturity and the tools being used.

Deloitte conducted two international surveys of SSC leaders and their customers in 2014. The objectives of the surveys were two-fold: 1) to see if SSC leaders and their customers held a common perception of the value the SSC provides; and 2) if their perceptions did not align, to find out why. These insights would ideally allow SSC leaders to adapt their practices to better serve their customers, and ultimately, get recognized for what they do.

The findings revealed a perplexing dichotomy. SSC leaders overestimate their customers' dissatisfaction and underestimate their satisfaction — all while giving themselves more credit than is due. (Please see Figure 1.)

Shared services leaders should take note of the divergence of opinions revealed by the survey because they present potential opportunities to increase service effectiveness and improve customers' overall perceptions of value received. In many instances, these opportunities can be realized simply by modifying customer interactions. A deeper examination of quality and cost insights, specifically those pertaining to the governance elements of metrics, service management, and Global Process Owners (GPOs), illuminates these opportunities in more detail.

Figure 1

25%
of customers have an unsatisfactory/neutral view of the contribution shared service organizations provide

56%
of SSC leaderes believe their customers have an unsatisfactory/neutral view of the value they provide

75%
of customers were satisfied with the work provided

56%
of SSC leaderes believe their customers are not satisfied with their work

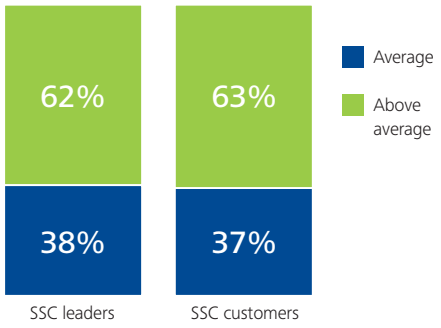
5%
of customers gave their SSC leader the highest satisfaction rating

21%
of SSC leaderes gave themselves the highest satisfaction rating

Quality

Surveyed customers and leaders have similar views of service quality. About two-thirds of both groups (62% of leaders and 63% of customers) rate the quality of work and level of customer service provided by the SSC as being "above average." Furthermore, more than half of surveyed customers (52%) believe the quality of service has improved following the implementation of shared services, while only 9% believe it has declined.

Figure 2 — Customer service quality perceptions



Costs

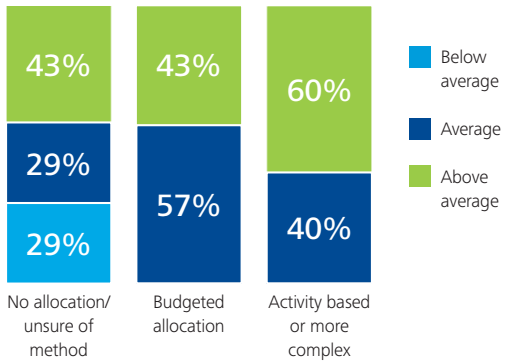
Although SSC leaders and their customers appear to be in synch on perceptions of quality, their views on costs diverge — so much so that this is likely driving the overall perception gap between SSC leaders and their customers. Less than half (48%) of customers indicated they are very satisfied with the SSC's ability to control costs, but more than three-fourths (76%) of leaders gave themselves a "very satisfactory" rating.

Why do leaders view themselves as more effective at controlling costs than their customers do? It may be a matter of "seeing is believing." The survey results suggest a correlation between pricing transparency and customer perceptions of ability to control costs. Eighty-four percent of SSC leaders report allocating costs to their customers, and surveyed customers indicated general satisfaction with the current allocation approaches. While no particular allocation method stood out for its ability to align perceptions, the more pricing detail provided, the more likely customers were to rate their SSC as above average in its ability to control costs. Nonetheless, a word of caution is in order: This finding may seem to imply "the more complex, the better" in terms of the granularity of pricing methods and reporting on costs, when the implication may actually be, "the more they understand, the better." For SSC leaders, the "secret sauce" appears to be ensuring customers understand the costs included and the method employed.

Validating the Reality: Shared services heightens quality and lowers costs

Findings from the *2014 Deloitte Voice of the Customer and Voice of the Shared Services Leader Surveys* validate one of two main reasons for pursuing shared service strategies: better quality. The findings of the Deloitte's 2013 Global Shared Services Survey (GSS) further validate the other main reason: lower costs. The GSS Survey denoted an overall cost reduction from the implementation of shared services. More specifically, the findings indicated an average initial headcount savings of 13% and on-going annual productivity increases of 8% on average.

Figure 3 — Transparency vs ability to control costs



Governance elements

The survey also sought to understand how governance elements are utilized and valued, as well as how they influence perceptions of performance. A closer look at these elements (i.e., metrics, service management and GPOs) reveals insights that SSC leaders can leverage to further engage their customers in meaningful dialogue.

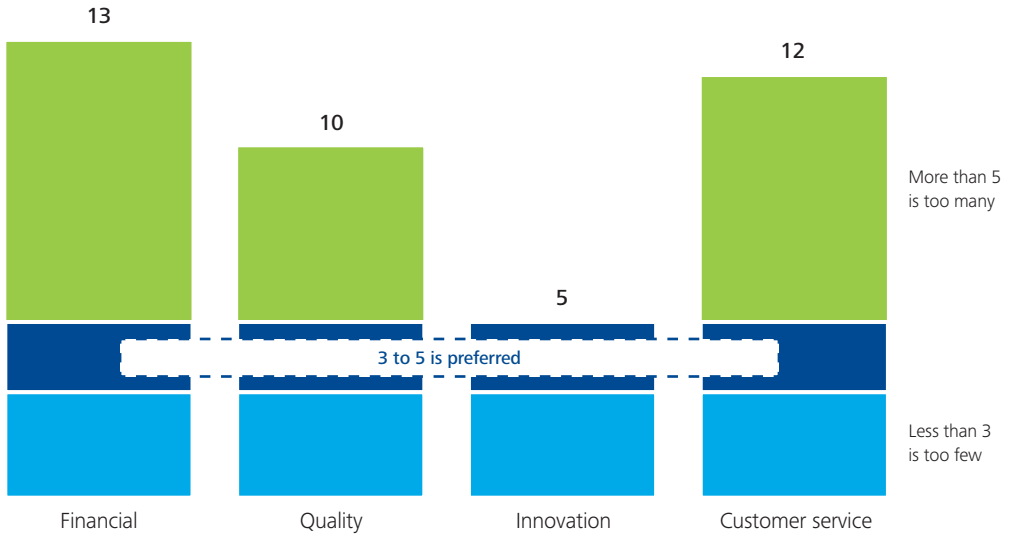
Metrics

When asked, 80% of SSC leaders indicated their organizations track and report performance metrics, with 40% having surveyed their customers to determine how many and which metrics they find the most valuable. Interestingly, both groups, those who have solicited customer input on metrics and those who have not, tend to report too many metrics.

How many metrics do customers prefer? Cited by approximately 40% of customer respondents, 3-5 emerged as the dominant preference across each of the surveyed scorecard elements (i.e., financial, quality, innovation and customer service). Nevertheless, 82% of SSC leaders track and report five or more per scorecard element, with about one-quarter (24%) reporting 20 or more. Here, the common misperception that "more data leads to greater understanding" appears to be alive and well.

Regardless of the number of metrics provided, the survey results suggest that engaging customers when developing performance metrics tends to increase their overall perceived effectiveness. Nearly two-thirds (65%) of customers who had been asked about what type of metrics they prefer said their metrics were effective, compared to less than half (46%) of those who were not asked to provide input. This points to an opportunity for business and SSC leaders to work together to streamline the metrics scorecard.

Figure 4 — Average metrics reported by function by type

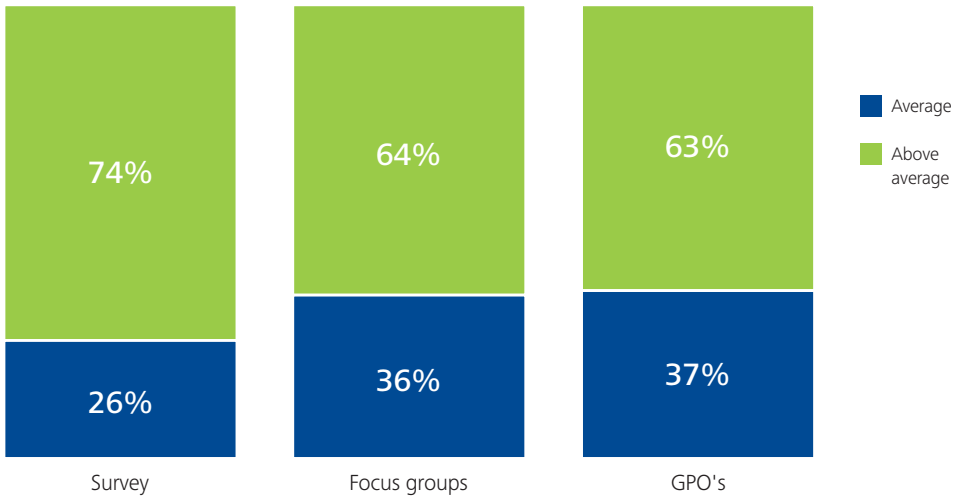


Service management

Soliciting customer input also plays a role in perceptions of service management. When customers are simply asked about their satisfaction, they tend to report higher levels of it. Nearly three-quarters (74%) of customers who were surveyed about their satisfaction gave their SSCs an "above average" rating, while only one-quarter of those who were not surveyed gave their SSCs an above-average mark. In addition, there appears to be a correlation between the frequency of feedback solicitation and the levels of customer satisfaction, with more frequent interactions corresponding to higher ratings. For instance, 67% of customers who are asked for their feedback monthly report above-average satisfaction, while 62% of those who are polled annually give their SSCs an above-average rating.

Methods of collecting feedback vary from the simple (i.e., surveys) to the complex (i.e., GPOs), with the simplest not surprisingly being the most common. However, the survey findings indicate that the more engaging methods of interactions, such as GPOs, are often worth the extra effort required.

Figure 5 — Communication type with SSC and customer satisfaction levels



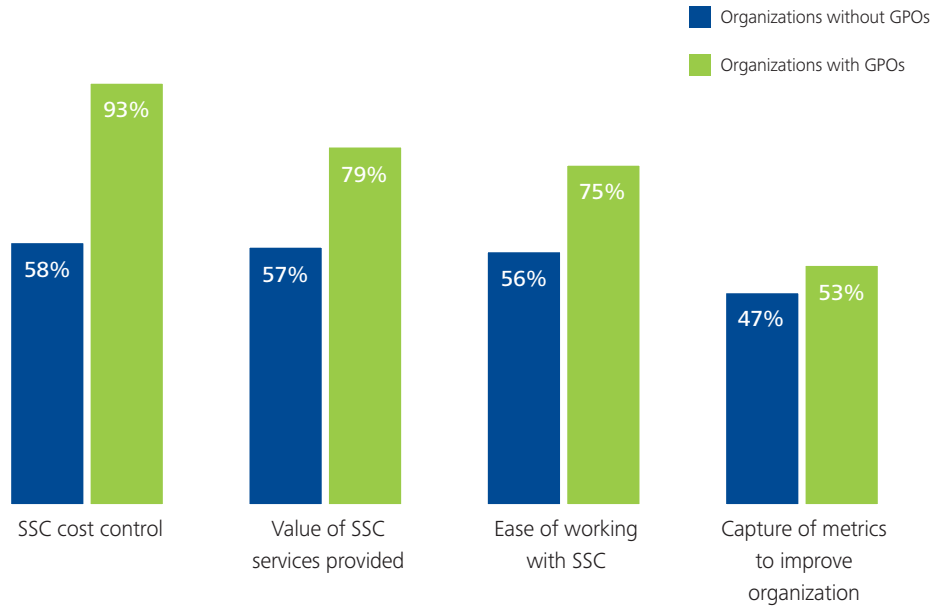
Global process owners

Even though few shared services organizations report presently using GPOs, the survey findings suggest their inclusion within governance enables effective cost control and value delivery. For instance, 93% of the customers having GPOs gave their SSCs average or above-average scores regarding cost-control, compared to 58% of those without GPOs. Similarly, 79% of the customers with GPOs rated their SSCs as average or above-average regarding the value their SSCs provide, compared to 57% of those without GPOs.

GPOs should be on the "to-do" list for SSC leaders who are serious about more meaningful customer engagement, and ultimately, higher levels of customer satisfaction. While GPOs require an investment of time and effort, ROI can be achieved rather quickly in our experience. Even more, this ROI is usually not hard to demonstrate since it is reflected in better customer satisfaction ratings.

Why is a GPO such an effective governance mechanism? The survey suggests it all comes down to focus. Among the shared services organizations that utilize a GPO, about half (47%) indicated more than 75% of the assigned employee's time is dedicated to activities to improve and manage the processes related to the center. Common GPO roles include process improvement (reported by 94% of SSCs that use GPOs), performance management (63%), and metrics design and alignment (56%).

Figure 6 — Average or above average effectiveness



Considerations

The survey results provide insight into the roles governance mechanisms play in managing the relationships with shared services customers and in aligning perceptions regarding performance. In an effort to improve the effectiveness of these mechanisms, SSC leaders may wish to consider:

- Providing more transparency, not complexity, around costs
- Presenting fewer metrics based on the value customers associate with them
- Establishing a GPO within the governance structure, which often correlates to better cost and quality perceptions

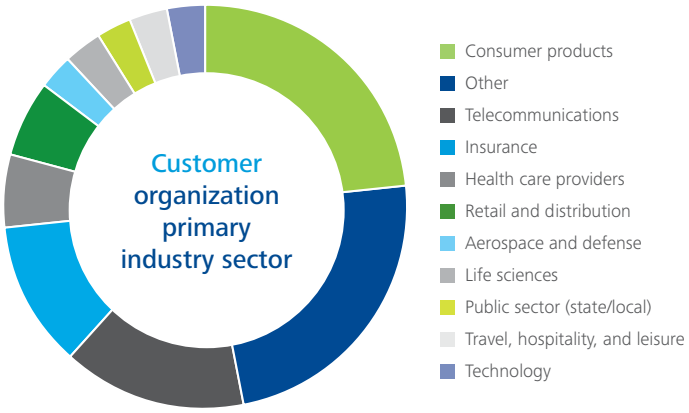
Regardless of the governance mechanism employed, communication stands out as the common thread in aligning the perceptions of SSC leaders and their customers. Regular engagement, but not an overwhelming amount of it, appears to be the main ingredient in improving customer perceptions of performance, and ultimately, in enabling SSC leaders to get the recognition they deserve.

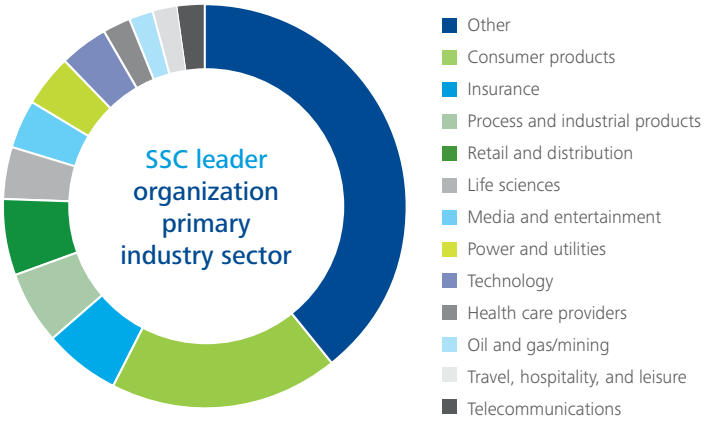
Appendix: About the surveys

The *Deloitte Voice of the Customer and Voice of the Shared Services Leader Surveys* polled 49 shared services leaders and 33 of their customers in January and February 2014. The international surveys were conducted across industries, with representation from companies of different sizes and levels of shared services experience.

Respondents were asked 26 questions relating to their overall perceptions of the value received from, or delivered by, the shared services organization as well as regarding quality, cost, and the governance elements of metrics, service management, and GPOs.

Figure 7 — Industry representation





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