Creating Synergies

through **Shared Services**

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Creating Synergies through Shared Services and the Cloud

Over the last 3–4 years, global organisations have been adopting cloud computing initiatives and shared services programs as a means of managing scale and efficiencies as well as dealing with the complexity and variances of recent business cycles.

Both of these change programs are typically seen to be 'mutually exclusive', seldom being implemented together. Through our collective experience of running large-scale change and transformation programs globally, we explore the 'why' and underlying drivers for cloud computing and shared services.

To comprehend how this would work in practice, one must first acknowledge the importance of cloud computing and shared services in today's business environment. Globally, cloud computing has become more than a buzzword; according to Forrester, cloud computing is a thriving market expected to generate revenues of R2.5 trillion by 2020[1]. While uptake in South Africa has been slower compared with other global economies, there is certainly evidence to suggest that cloud computing will become more relevant to African businesses over the next decade. By way of comparison, the shared services market in Africa has had a very positive uptake. Businesses are expanding their SSC models to not only achieve their cost reduction objectives, but to also support their growth into the larger continental African market.

[1] Source: Forrester Research. 2011. Sizing the Cloud

We looked at the underlying drivers behind adoption of cloud computing and shared services and saw that there was much commonality to be found:

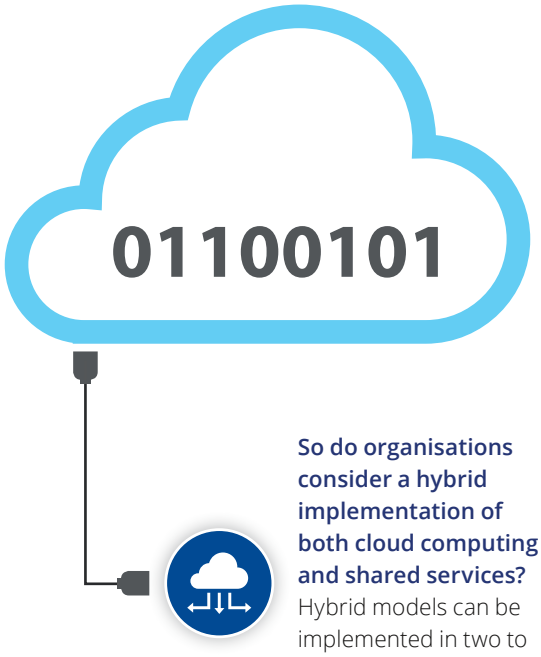
- **Flexibility and Pay-as-you-Go:** Organisations across the world are facing complex business environments – changing consumer behaviour and business cycles that are creating rapid peaks and troughs in their business. This is placing immense pressure on organisations to effectively manage their SG&A functions; in turn, this is leading to increased adoption of 'pay-as-you-go' operating models. Both the shared services and cloud computing platforms are becoming critical enablers in this regard. They provide the necessary resources and services as and when required. Clients are increasingly embracing the flexibility associated with and the advantages of converting fixed costs into variable costs.

  Cloud computing provides the ability to ramp-up capability as required without having to make significant internal investment. Today, if organisations require additional data storage capacity, external IaaS solutions can be utilised rather than investing in an entirely new data centre.

- **Economies of Scale:** Both cloud computing and shared services are platforms of choice to bring in economies of scale when running organisational processes and infrastructure. This is a pertinent example of 'doing more with the same'.

- **Easy and seamless deployment:** While this does not seem as apparent upfront when considering SSC and cloud computing platforms, both initiatives over time provide the ability to implement change easily, seamlessly and rapidly. Consider a company that has a well-established shared services team for finance and HR with common governance and policies. Should the company now acquire a new entity in another geography, the common processes and outputs established due to shared services could easily be extended to the new entity, allowing for quicker integration and time to steady state. Similarly, cloud platforms allow for quick deployment given the ability to flex storage and technology infrastructure to meet an increase in demand.

- **Simplification of organisational structures:** Both cloud computing and shared services allow for simplification and streamlining of organisational structures. Centralisation, consolidation and rationalisation are central to these initiatives and remove any internal redundant positions and layers within organisations.



So do organisations consider a hybrid implementation of both cloud computing and shared services?
Hybrid models can be implemented in two to three organisational scenarios.

The first is where cloud-based infrastructure is already being utilised by an organisation. In this case, principles of shared services might be applied to centralise people and processes. The combined and rationalised synergies of people, process and technology would result in significant gains for such organisations. Any future change to an organisation's design and operating model could be implemented easily due to a strong foundation of an enterprise-wide SSC and cloud platform.

The second scenario would be one in which shared services has been set up, but the IT applications and infrastructure remain in-house within the separate divisions of the organisation.

In this situation, cloud-based solutions might be considered as a means to consolidate the various technologies. The advantage of an existing shared-services team in this scenario is that the management and leadership of the shared services would have a view of the 'best practices' across business groups. This knowledge could be effectively used to develop the 'best case view' of business requirements and define the ideal IT applications and infrastructure platforms.

Finally, the third scenario would be the one in which an organisation has not implemented both. Here the choices in terms of implementation are many. While a parallel run in terms of cloud-based technology platforms and moving to shared services may be aggressive, the implementation could be effectively managed through a phased approach – by business function or business group – depending on the organisational complexity.

To conclude,
we believe that both cloud computing platforms and shared services are excellent levers of change. They are aligned to current market trends and changing behaviour of consumers. Both programs require careful planning and strong change management amongst employees. However if implemented well, they allow long-term, sustainable and effective management of bottom-line costs and processes.

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