Achieving high performance through shared services

Lessons from the masters

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Introduction

Whether run as an insourced or outsourced solution for common service delivery, shared services as a business model is here to stay.

For several decades now, shared services has delivered impressive results for companies in terms of cost, quality, productivity, customer service and other key business metrics. Organizations have already seen that shared services works.

Now, Accenture's 2009 global shared services study, *Achieving high performance through shared services: Lessons from the masters,* shows that demand for expanding shared services' scope and geographic reach has truly exploded.

More than half of our survey respondents operate shared services organizations with global reach, and seven out of 10 plan to expand the geographic coverage of their shared services organization within the next three years. Fueled in large part by the ailing global economy, which not only keeps cost reductions a top priority but also spurs organizations to look for additional value from existing investments, high performance through shared services has become even more important. Shared services is a critical enabler of businesses' survival during the downturn through its dual focus on efficiency (primarily through economies of scale and skill) and effectiveness (allowing management to focus on business issues; sharing information, best practice and resources across the business; and bringing value drivers beyond productivity—such as customer service, business agility and support for new capabilities—to the fore).

Yet for all the benefits shared services has delivered and could potentially deliver, it is certainly possible to build a bad solution. Shared services' history has its fair share of attempts that have fallen by the wayside.

That a significant number of shared services organizations never live up to expectations should not surprise anyone familiar with the model's complexity. Shared-service centers face a number of challenges once the actual migrations are over, including stabilizing the service after the go-live date, establishing a service culture (and not just a transaction-processing culture) quickly, creating compelling shared services career paths and building continuous improvement with material results, regardless of how the external environment changes.

Longer-term, shared services leaders must continue to deliver on the promise of their original business case, achieving and maintaining the balance between scope, cost and service quality, and turning shared services into a true strategic enabler by extending the scope into more insight-based activities.

Shared services masters are succeeding in these objectives. Not only have they moved more functions to be performed through shared services, their shared services are meeting their expectations better than we see in most other organizations. Given the heightened importance of shared services today, what can be learned from these masters?

Achieving high performance through shared services: Lessons from the masters attempts to answer this question. Accenture undertook a global, cross-industry study of more than 275 executives with responsibility for shared services in their organizations to identify trends, priorities, issues and opportunities in shared services today. We sought to identify what characteristics mark those companies that have been extraordinarily successful in their use of shared services—to provide a snapshot of shared services mastery. In addition, we aimed to provide a look to the future of shared services and how it will differ from today. (See sidebar, *Our research methodology in brief.*)

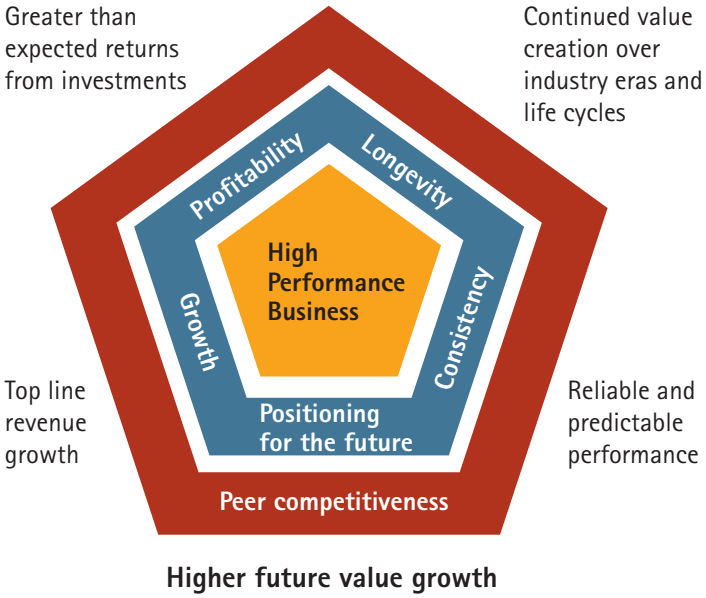
Successful shared services take nurturing, as those that excel at shared services know well. Essentially, these shared services masters operate in accordance with the principle that for shared services to contribute to high performance in business, they essentially must be run as high-performance businesses themselves.

A shared framework for high performance

Accenture's extensive and ongoing research program into what defines high performance began in 2003. Since that time, we have studied more than 6,000 companies, including more than 500 that meet our criteria as high performers. What we have learned is that high performance is definable, quantifiable—and achievable. High-performance businesses effectively balance current needs and future opportunities. They consistently outperform peers in revenue growth, profitability and total return to shareholders. And they sustain their superiority across time, business cycles, industry disruptions and changes in leadership.

How they do it is through a combination of the right market focus and position, the right capabilities and the right performance anatomy. These elements combine into a framework that gives the organization growth, profitability, longevity, consistency and positioning for the future. (See Figure 1.)

Figure 1. The Accenture framework for high performance



Shared services that achieve high performance share this same framework. From a profitability perspective, they lead to a dramatically lower-cost operating model for the parent organization. From a longevity perspective, shared services brings sustainable traction not achievable through reengineering alone. Shared services' contracted service agreements and measurable service predictability yield consistency, while shared services' ability to accommodate volume changes without an equivalent increase in cost foster growth. Finally, shared services' ability to adapt to changing business environment and goals give the organization using shared services a platform for strong future positioning.

From our research, we found that shared services masters operate within this framework for high performance. They stand apart from other organizations operating shared services models in that their shared services themselves are organized and operated as entities on par with the operating units served. Their actions contribute to growth, profitability, longevity, consistency and/or positioning for the future. An elite group of our survey respondents (less than 10 percent) demonstrated shared services mastery—showing an unmistakable ability to use the operating models, workforce management techniques, technologies and industry-recognized best practices to achieve the ambitious objectives they set with much greater frequency than other respondents.

More specifically, we found:

1. The masters view shared services as high-performance businesses in their own right and craft their shared services strategy and investment plans accordingly.

2. Shared services masters demonstrate a superior ability to target and secure their objectives.

3. Shared services masters understand the value of different sourcing models and are far more likely than others to deploy these models in combination to achieve business resilience.

4. While the majority of respondents rank talent management as one of the most significant criteria for success, the masters are more likely to take definitive steps to build the workforce they need.

5. Shared services masters judiciously invest in the shared services best practices and technology tools that will sustain lower cost over time.

In the sections that follow, we discuss each of these findings in more detail and use the framework for high performance to articulate what Accenture believes is coming next in the future of shared services.

Our research methodology in brief

We conducted an online survey of more than 275 respondents between November 2008 and February 2009. Respondents were those with responsibility for managing the shared services organizations at their companies—directors, vice presidents and other executives. These executives came from companies in more than 20 industries operating in North America, Central America, South America, Western Europe, the Middle East, Asia and the South Pacific. Sixty percent of the organizations report revenues in excess of $5 billion. Our research was supplemented by an extensive literature review, as well as by Accenture's own extensive experience on more than 500 shared services implementations worldwide over the last 20 years.

Five findings

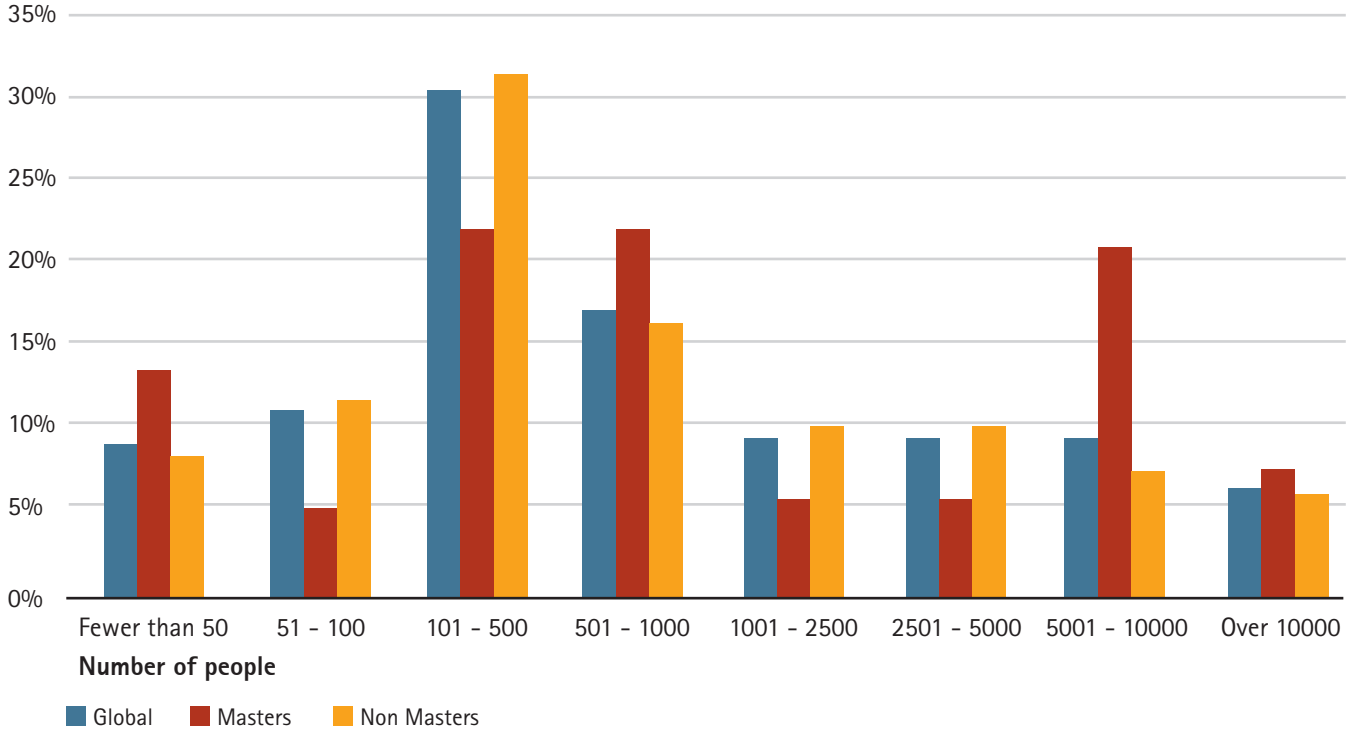
Finding 1: The masters view shared services as high-performance businesses in their own right, and craft their shared services strategy and investment plans accordingly.

Despite the challenges to making shared services successful, a few organizations consistently shine. These are the shared services masters—organizations that have turned their shared services operations into high-performance businesses in and of themselves. For these masters, shared services has moved beyond a vehicle for mere transaction processing and has become a core element of their overall strategies for growth.

Interestingly, what defines these masters is not who they are, but how they behave. A look at the shared services masters as determined by our survey reveals no commonalities based on the parent organizations' size, revenue, industry or geographic location. Likewise, the size of the masters' shared services organizations varies greatly. Shared services masters are as likely to employ 1,000 people in their shared services organizations as they are to employ 10,000 (see Figure 2).

Figure 2. The number of employees in shared services organizations does not determine shared services mastery.

Within your shared services organization, approximately how many people do you employ?

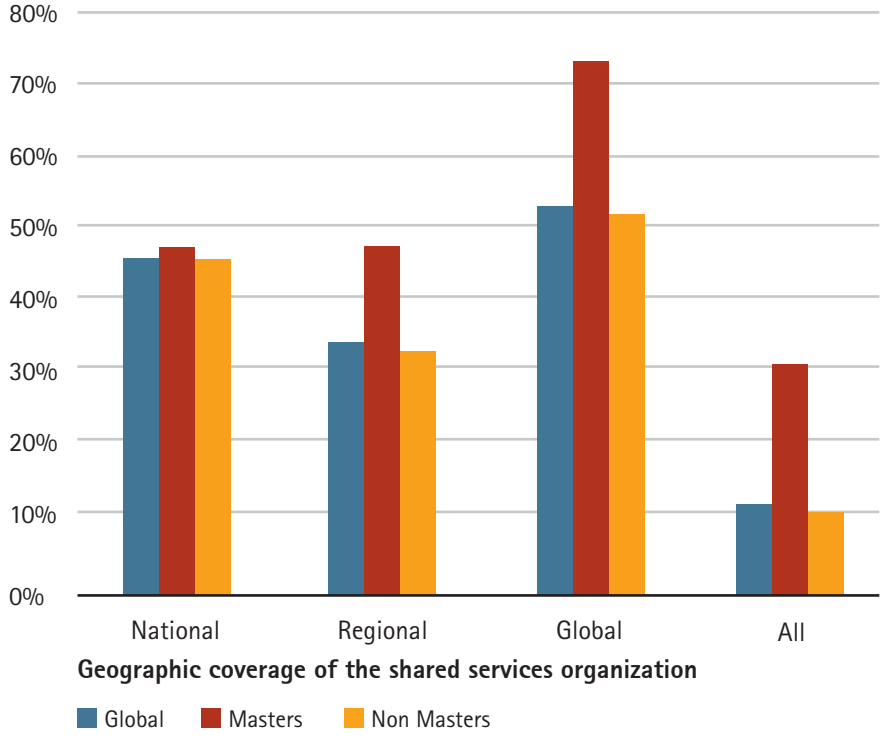


What the masters do share however is an identifiable enthusiasm for the shared services model. Masters are set apart first and foremost by the extent to which they have embraced shared services. Shared services masters are old pros; they are much more likely to be seasoned veterans at running shared services when compared to their counterparts. Thirty-five percent of the masters have been running their shared services model for more than 10 years, versus 20 percent of the other survey respondents. Additionally, while approximately 15 percent of the other respondents had fewer than three years' experience running their shared services organizations, none of the shared services masters did. Perhaps it's not surprising that when it comes to mastery, experience matters.

These longevity statistics also demonstrate the masters' dedication to the shared services model. They are committed to shared services, and what we see through our research is that they are now pushing the boundaries of the quantities and types of services they want their shared services to deliver. First, shared services masters operate more shared services centers than their counterparts. More than 60 percent of the masters (as compared to 35 percent of the others) operate five or more shared services centers. Additionally, the masters' shared services operations are more likely to have global reach. In fact, the number of masters having global and regional, as well as national, shared services coverage is three times that of the other respondents. (See Figure 3.)

Figure 3. Shared services masters are three times more likely than other respondents to have shared services operations that offer national, regional and global coverage.

What broad geographical areas does your shared services organization cover?



Further, the masters are leading an evolution in how organizations use shared services. Our premise about the future of shared services is that if organizations are going to sustain their advantages—if they are really going to leverage a shared services model to achieve and sustain high performance—then they need to start treating their shared services organizations as high-performance businesses themselves. They need to start thinking bigger and executing in new ways. We see the masters doing just that.

For example, shared services masters attach significantly more importance than other survey respondents to their shared services organizations' objectives, both now and in the future. As part of our survey, we provided a list of 15 shared services objectives and asked participants to rank their importance, now and three years into the future, on a scale of 1 to 8 (with 8 indicating extremely important and 1 indicating not at all important). For every objective, both today and the future, masters ascribed more importance than their counterparts. These objectives range from the traditional (cost cutting) to the visionary (using shared services to facilitate mergers and acquisitions).[1] For the masters, the average importance given to objectives today was 6.51 and in the future, 6.53. In contrast, the average importance the others ascribed to these objectives today and in the future was 4.88 and 5.45, respectively.

Aside from the overall higher importance masters give to their shared services objectives initially, also notable is the small change in importance over three years time. In light of the much larger change we see in the importance other respondents give to their objectives today and in three years, we see further indication of the masters' maturity: masters seem to have a better ability to define what they care about and stick to their objectives over a longer term.

Shared services masters back their sentiments with action. Not only do they consider shared services objectives more important, but we also found the masters significantly more likely than their survey counterparts to plan to invest in improvement initiatives for their shared services organizations, both today and three years into the future. Again, the differences here were striking, particularly in the way masters were already investing today as compared to their counterparts. For the majority of improvement initiatives, masters were about twice as likely than their counterparts to plan investments over the next year—a testament to the weight they give their shared services organizations (see Figure 4).

Finally, and perhaps most important in terms of mindset, the masters reported themselves to be significantly less daunted by the challenges shared services present. With the exception of eroding wage arbitrage (which the masters were as likely to view as a challenge as the other respondents), in every instance masters considered the barriers to shared services success less significant than their counterparts (see Figure 5). If one way to identify high-performance businesses is by the way they see opportunities where others see obstacles, the masters certainly fit the criterion.

Masters have created a shared services approach geared toward achieving high performance. They value shared services as a critical avenue to achieving a whole range of business benefits and are investing accordingly. As explained in the next section, they are seeing the results as well.

[1] The next section deals with specific shared services objectives in greater detail. For a full list of these 15 objectives, see Figure 6 on page 11.

Figure 4. Comparison of shared services investment plans over the next 12 months (masters versus others).

What are your shared services organization's plans to implement the following initiatives? (in the next year)

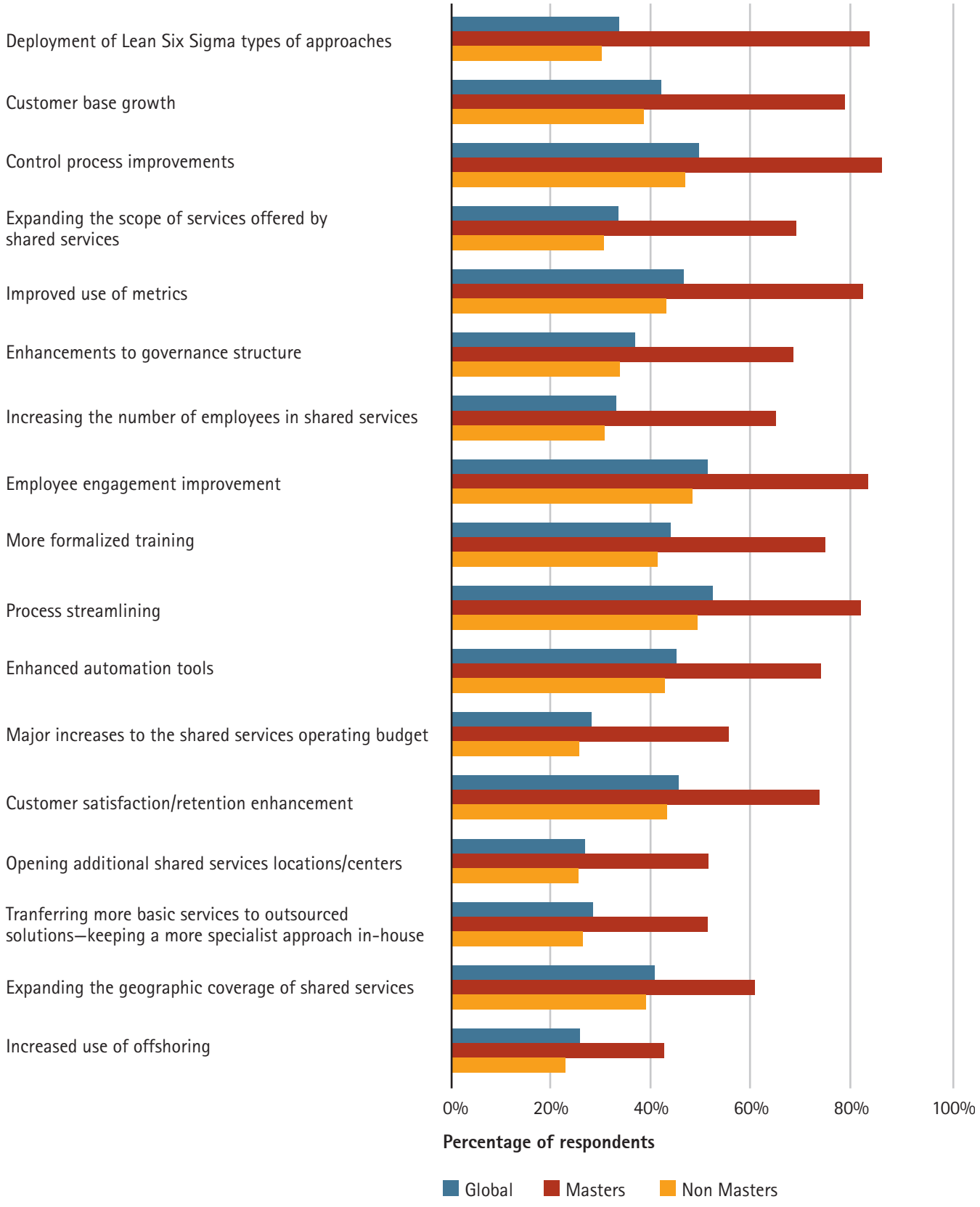
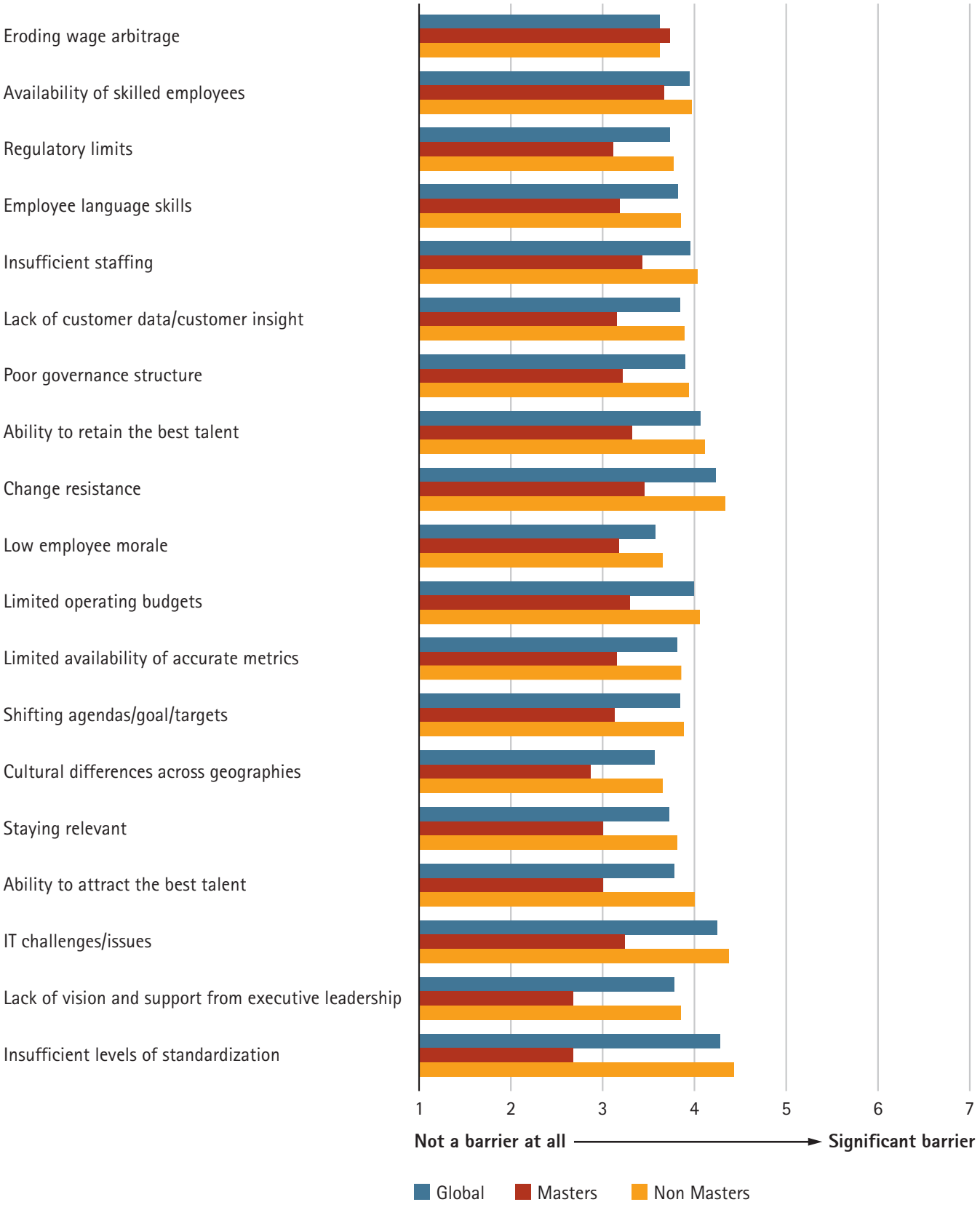


Figure 5. Comparison of attitudes toward significance of barriers to shared services success today (masters versus others).

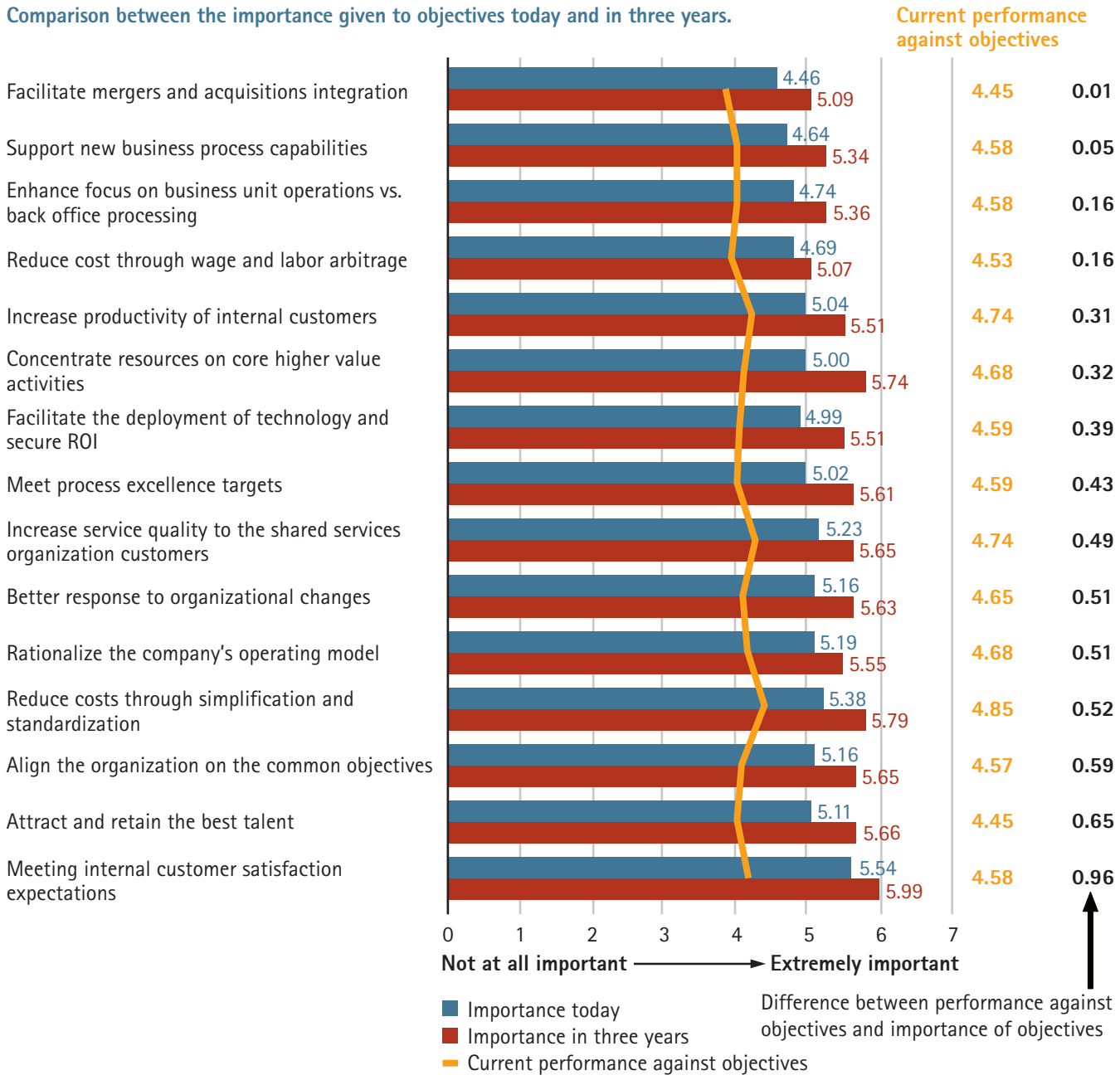
Please indicate to what degree you feel that each of the following issues are barriers to the success of your shared services organization today.



Finding 2: Shared services masters demonstrate a superior ability to target and secure their objectives.

As well as asking survey respondents to rate the importance of 15 shared services objectives, we also asked them to rate their performance against these objectives. Interestingly, across all 15 areas, we saw a gap in how important the objectives were rated and how well our respondents believed they had actually achieved them (see Figure 6).

Figure 6. A comparison of the importance given to 15 shared services objectives, both now and in the future, and respondents' performance against these objectives.



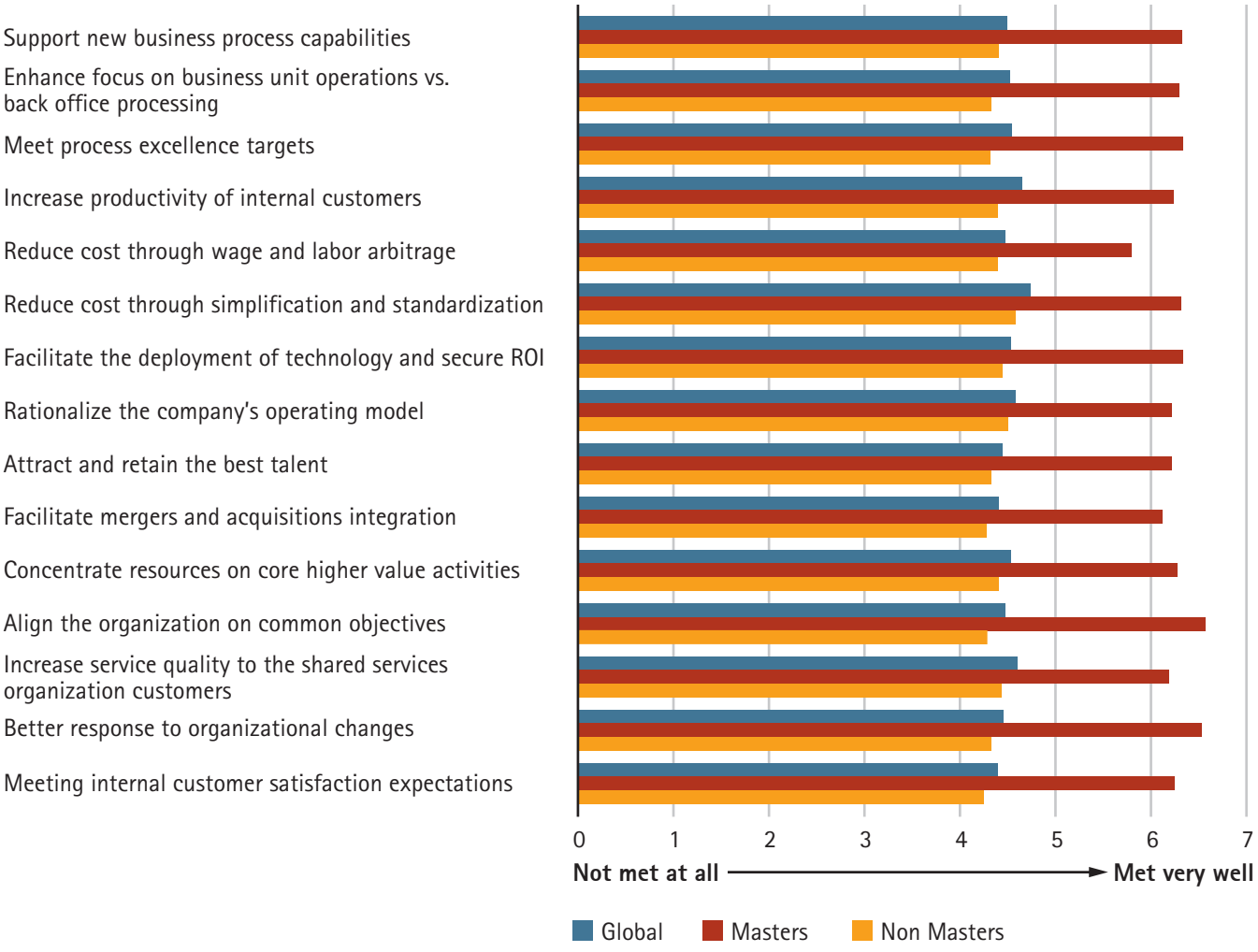
These survey findings demonstrate how common it is to build a shared services model that does not live up to expectations, particularly as the objectives expand in sophistication beyond cost cutting. (In our survey, the three largest gaps between importance of objectives and performance against objectives were in "meeting internal customer satisfaction," "attracting and retaining the best talent" and "aligning the organization on common objectives.") We can theorize why so many organizations have difficulties: shared services is a long-term model and the improvement process for a shared services organization is perpetual. Often the business case—and the savings, costs, resources, timing and risks that are integral to it—was never thoroughly vetted. Certainly Accenture's own experience has shown a direct relationship between pre-implementation planning rigor and the level of success in achieving shared services objectives.

Whatever the reasons, many organizations clearly are struggling to get their shared services centers to perform the way they had originally planned. Yet given the considerable investment needed to set up shared services in the first place, these organizations cannot simply revert to old ways or change to different models if their shared services does not perform as originally envisioned. They need to commit to making the model work. The question is how to do so. Again, the answer may be to look to the masters for inspiration and guidance.

While no respondents claim they have fully met their shared services objectives, masters report significantly better performance against the objectives they initially set. In fact, they rate their performance against initial objectives roughly 40 percent higher, on average, than the other respondents across all objectives (see Figure 7).

Figure 7. Comparison of performance against objectives (masters versus others).

How well would you say you have met your expectations on the objectives initially set?



While these results could speak to the masters' greater experience (we noted earlier that as a group, masters tend to have been running shared services organizations longer), we also believe other factors are at play. First, masters seem to recognize the importance of retaining key leaders. The percentage of masters reporting that their shared services leadership had been in place six or more years was approximately double the other respondents (65 percent versus 33 percent). Ample research performed by Accenture and other organizations has demonstrated the criticality of effective leadership to effective shared services. We will not duplicate what has been written on the topic of shared services leadership here, other than to reiterate that shared services works best when leadership is consistent over time.

In addition, our research shows masters are working all the structural levers in unison: they have focused considerable energy on getting their shared services operating models, workforce models, best practices and technologies right. (The sections that follow go into greater detail about each of these important elements and what masters are doing in each case that sets them apart.) The masters' proficiency in the shared services fundamentals has given them an edge in securing their original objectives.

The question is whether mastery of the fundamentals will be enough to secure future objectives. Our survey findings indicate that as their shared services centers mature, organizations across the board are starting to want more from their shared services organizations, in terms of both cost reductions and scope increases. These increased expectations are again likely due at least in part to the current global financial situation: More than 50 percent of respondents in the survey believe the recent economic uncertainty has significantly influenced them to expand and/or further leverage the benefits of shared services in their organizations. (Not surprisingly, cost takeout remains a top objective both now and in three years.)

However, as their shared services mature, all respondents' objectives for the shared services also become increasingly sophisticated. As Figure 8 shows, the objectives that show the most dramatic increases in importance in three years are "concentrating core resources on higher value activities," "supporting new business process capabilities" and "facilitating mergers and acquisitions." Given the difficulties so many organizations have had to date meeting their arguably simpler objectives, what do the increasingly complex demands on shared services organizations portend for performance?

Again we see trends among the masters that the others would do well to note. As described previously, masters are more likely to consider improvement initiatives to be important to the success of their shared services organization and they are more likely to invest in these initiatives. Among these initiatives, we note that shared services masters have placed significantly more emphasis on deploying Lean Six Sigma and other continuous improvement approaches within the next year than their counterparts. Continuous improvement initiatives such as these are critical to ensuring the shared services organization's longevity (one of the five key dimensions of high performance). While more than 80 percent of the masters plan to implement these continuous improvement approaches in the near term, less than 30 percent of the others do. Similarly, masters are significantly more likely to have immediate (within the next year) plans for control process initiatives and improved use of metrics (87 percent versus 47 percent and 83 percent vs. 45 percent, respectively).

In short, the masters are positioning their shared services organizations to run like high-performance businesses over the long term, with real process management discipline and an eye toward keeping their edge.

The good news for the others is that they seem to be making some thoughtful moves to shrink their own performance gaps. Specifically, in our research we see some close matchup between what factors they perceive as absolutely critical to the success of their shared services and initiatives the majority plan to implement in the next year. As Figure 9 shows, our survey respondents consider attracting and retaining the best employees as among the top five critical factors to ensuring the success of their shared services organizations over the next three years. Correspondingly, employee engagement improvement ranks among respondents' top five planned initiatives in the next year. Rounding out the top five success factors and planned initiatives we see some more close matchups, including a desire for improving end user satisfaction and plans for customer satisfaction and retention initiatives; a desire to standardize processes and plans for process streamlining initiatives; and a desire to reduce operating costs and plans for control process improvement initiatives.

Figure 8. Comparison of the importance of shared services objectives, today and in three years.

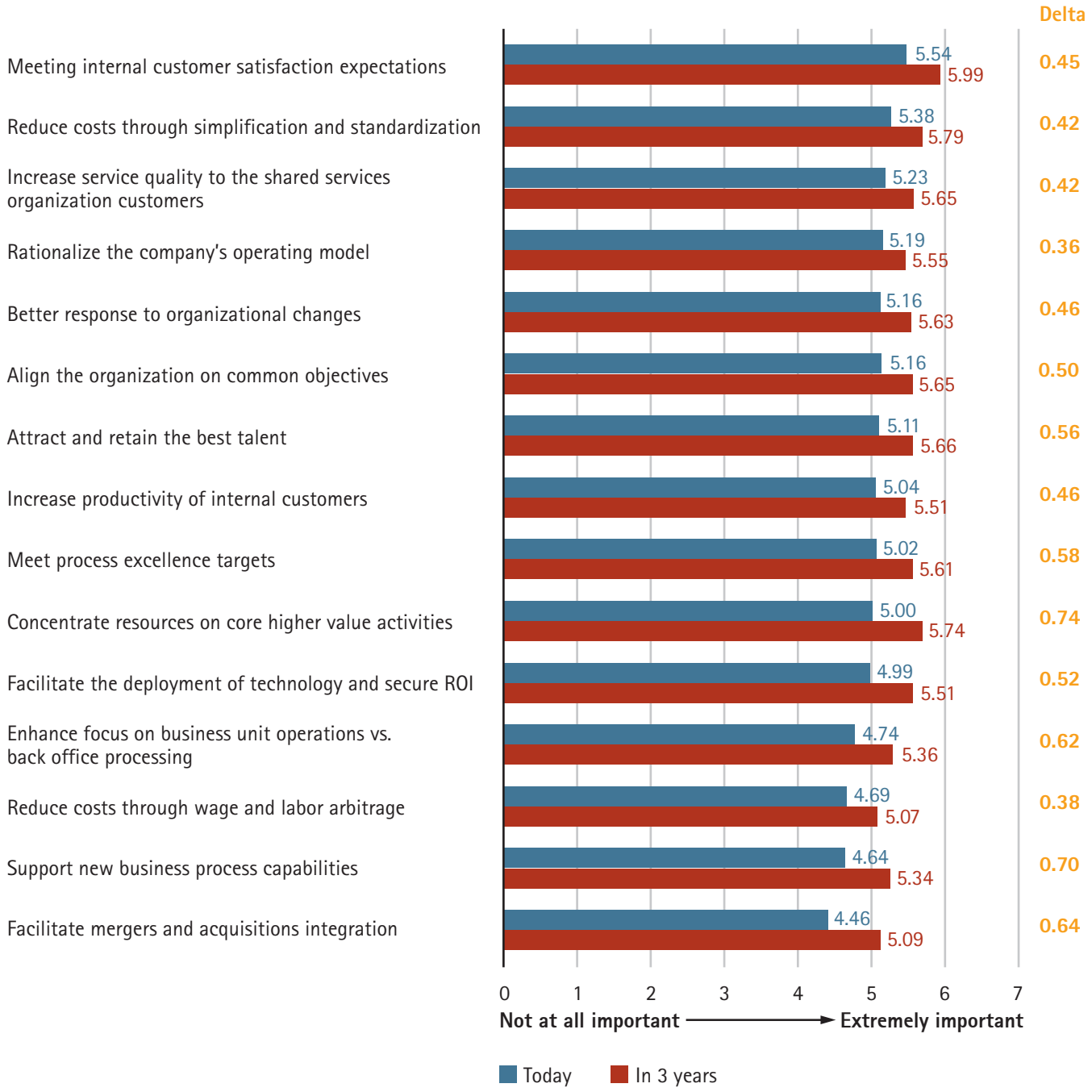
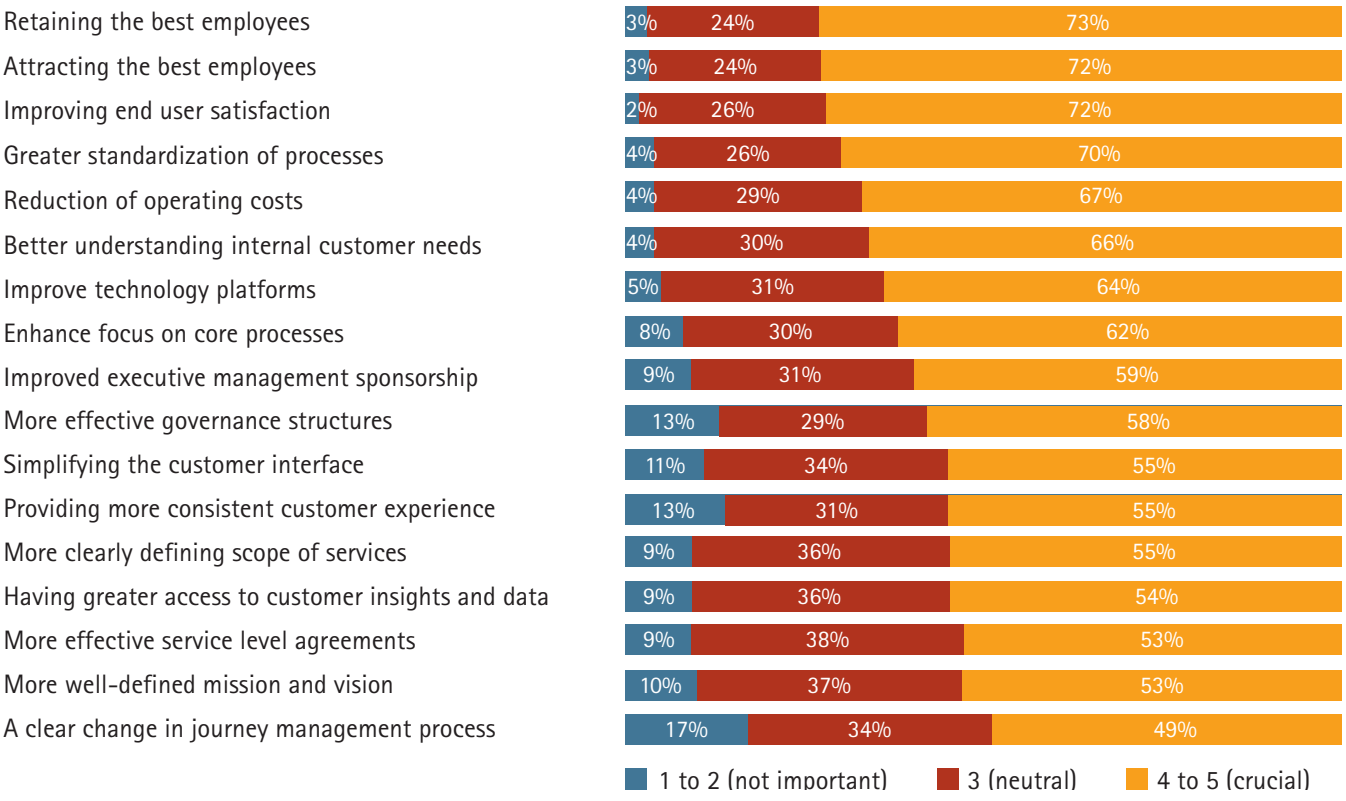
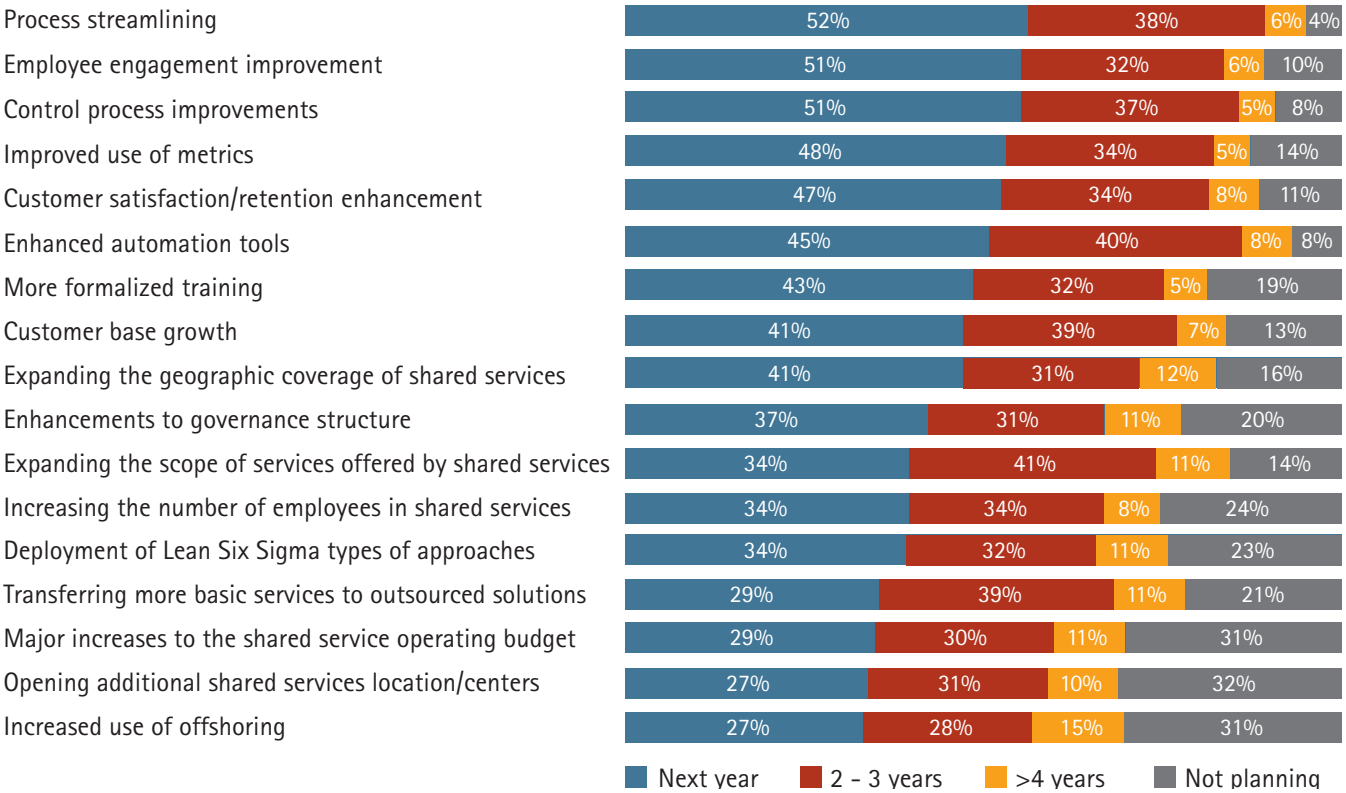


Figure 9. Comparison of success factors and implementation plans.

How important do you think each of the following are going to be to ensuring the success of your shared services organization over the next three years?



When are your shared services organization's plans to implement the following initiatives?

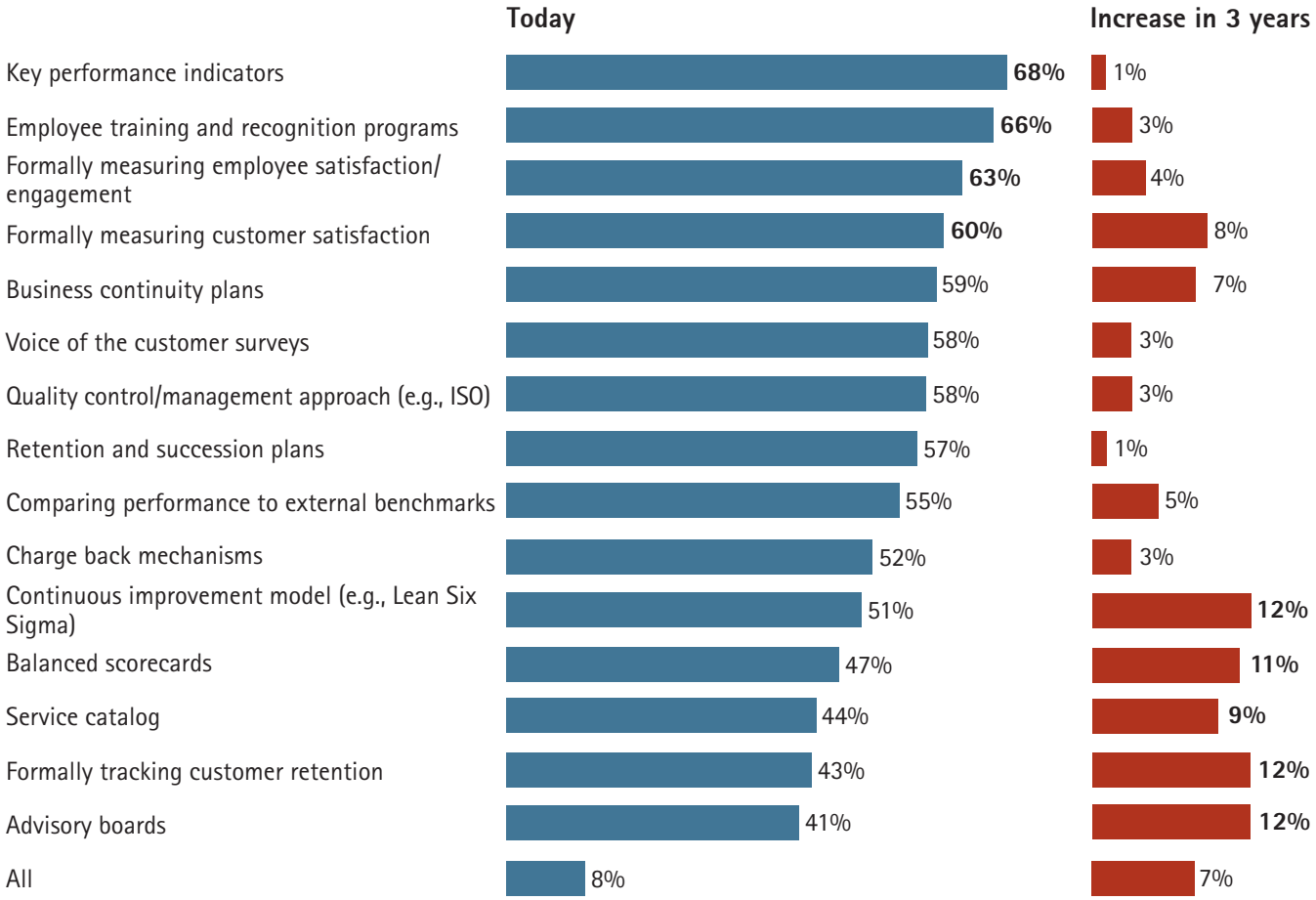


While currently not weighted as heavily as among the masters, we do see increased emphasis among the other survey respondents on continuous improvement and governance initiatives within the next three years. The percentage of respondents using continuous improvement models, advisory boards and balanced scorecards is expected to increase in the future by more than 10 percent each (see Figure 10).

These trends indicate that as organizations aspire to achieve high performance, they seem to be planning to impart new rigor and discipline to their shared services operations. The trends also point to a dawning realization that to be successful, an organization must nurture its shared services as an asset and invest in it to make it work. Shared services mastery is transient—the challenge for masters is to maintain levels of mastery over time. One key way they maintain mastery is by building resilience into their shared services organization operating models, which we discuss in the next section.

Figure 10. Change in percentage of respondents planning to implement shared services best practices over three years.

Please indicate which of the following best practices your shared services organization employs today and will employ in three years.



Finding 3: Shared services masters understand the value of different sourcing models and are far more likely than others to deploy these models in combination to achieve business resilience.

Shared services is a service delivery model for both captive (insourced) and outsourced solutions. As shown in the matrix in Figure 11, each sourcing model has its own benefits.

For now, our survey shows that the in company, onshore shared services sourcing method predominates, with 75 percent of the respondents employing that model (versus 25 percent using the outsourced, offshore model).

One model is not necessarily better than others; each model answers specific organizational needs. Real shared services mastery comes from the ability to find the right mix of models dependent on business needs. By using an optimal mix of different models, an organization gains resilience in its shared services in the face of changes in economic conditions in one area, changes in workforce demographics, eroding wage arbitrage and so on. This resilience is a key to longevity: as with any endeavor, an organization that uses a mix lowers the risks associated with having "all the eggs in one basket." Masters actively choose to use a mixture of insourced and outsourced, demonstrated by the fact that the number of masters currently employing all the sourcing methods is more than twice the others (26 percent versus 11 percent).

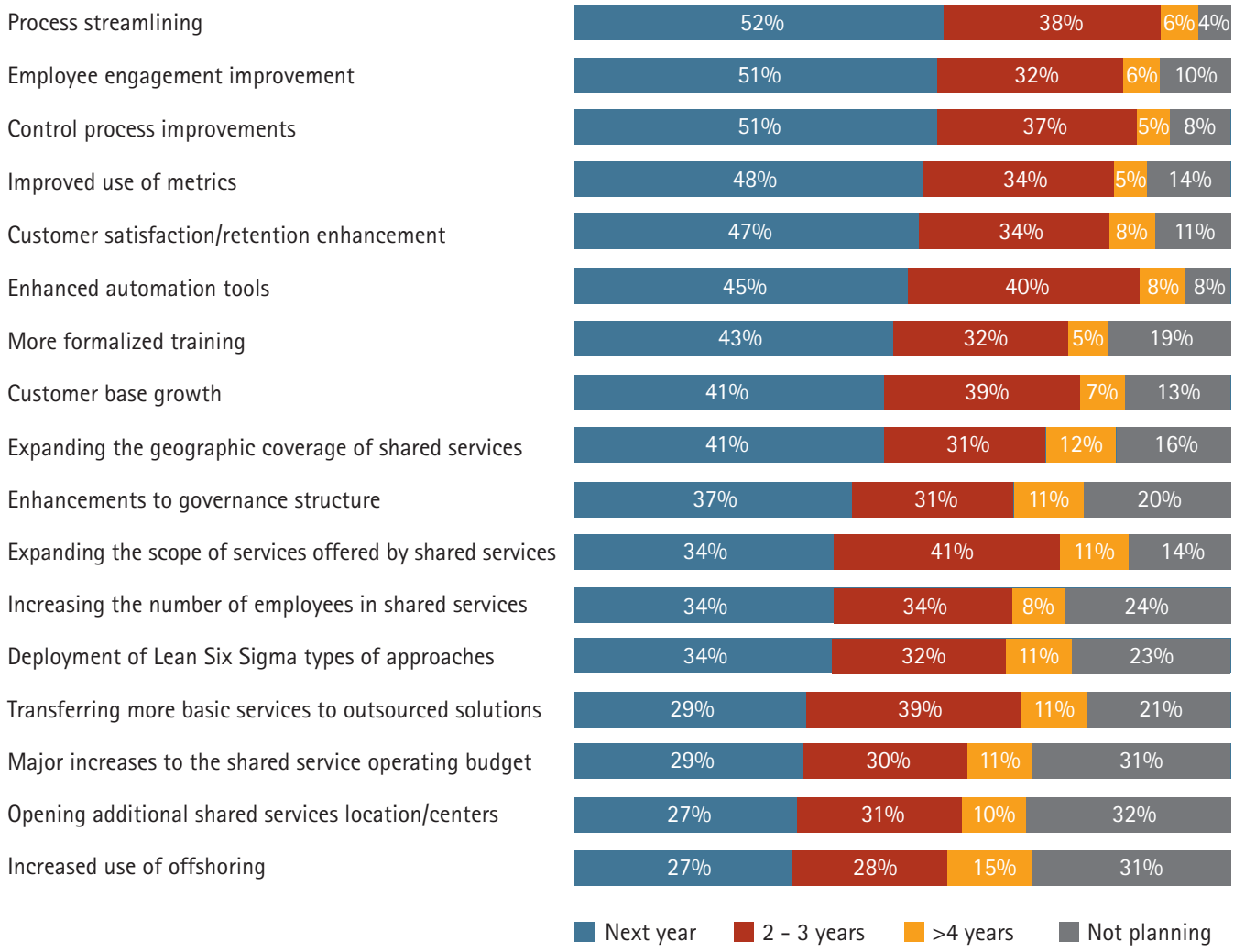
Although the majority of respondents (70 percent) are considering adding offshoring to their mix over the next few years, for now, other initiatives rank higher priority. For example, 96 percent of the respondents plan on implementing process streamlining initiatives in the next few years, with more than half (52 percent) planning on undertaking these initiatives within the next 12 months. Likewise, 89 percent will be turning their attention to improving employee engagement, with 51 percent undertaking these initiatives in the next year (see Figure 12).

Figure 11. The comparative benefits of different shared services sourcing models.

Sourcing model	Benefits
In company, onshore	Sole ownership and the superior customer experiences associated with a local model
In company, offshore	Scalability and the benefits of labor sourcing, yet still with ownership
Outsourced, onshore	Predictable costs, superior customer experiences and contracted outcomes
Outsourced, offshore	Most predictable low costs, flexible global model and contracted outcomes

Figure 12. Organizations' plans for shared services initiatives.

When are your shared services organization's plans to implement the following initiatives?



Why? The research indicates that companies have a lot of clean up to do with their existing shared services, and they know it. As Figure 12 shows, fixing processes, controls and customer service are top of the agenda. Organizations want to thoughtfully reengineer their processes and then decide what makes sense to move offshore, probably sometime two or more years into the future.

Certainly we have seen a trend over the past decade toward increased use of the offshore, outsourced model, thanks largely in part to the proven success of captive (in house) shared services that has enabled outsourcing to become more widespread and the outsourcing success stories visible in the marketplace.

Interestingly, masters are nearly twice as likely as other respondents to plan on increasing their use of offshoring over the next year (43 percent versus 25 percent). We believe that this finding provides further evidence of their mastery over the shared services model for a number of reasons. First, as mentioned previously, the masters have gotten the fundamentals right and so have been able to stabilize their shared services model. Their comfort with shared services has grown to the point where it can be turned almost into a "lights out" model; the masters feel ready to hand off the running of these stabilized functions in return for a more predictable cost structure. When they outsource their shared services, organizations also transfer the risks of increasing costs to the outsourcing provider (who must make it their business to capitalize on wage arbitrage and their own continuous improvement programs in order to deliver contracted services at contracted prices and still make a profit).

Second, as masters squeeze productivity out of their shared services, their next step is to account for potential variability in their cost base. With outsourcing, they can grow or shrink and gain access to new skills or language capabilities without having to scale up their back office or carry extra capacity.

Finally, outsourcing also facilitates a global model. In fact, that is what we see among the masters: Given the ability to source and manage work globally, they no longer feel constricted by the need to set up the organization near any particular office or manufacturing facility. They can establish a shared services operation, or leverage the delivery locations of their service provider, wherever it makes sense organizationally and financially.

Accordingly, we see that high-performance businesses are increasingly moving toward a hybrid approach that enables the shared services organization to gain the advantages of being both local and global. That is, a hybrid approach offers the scalability and the benefits of labor sourcing associated with a global model and the customer intimacy and superior customer experiences associated with a local model.

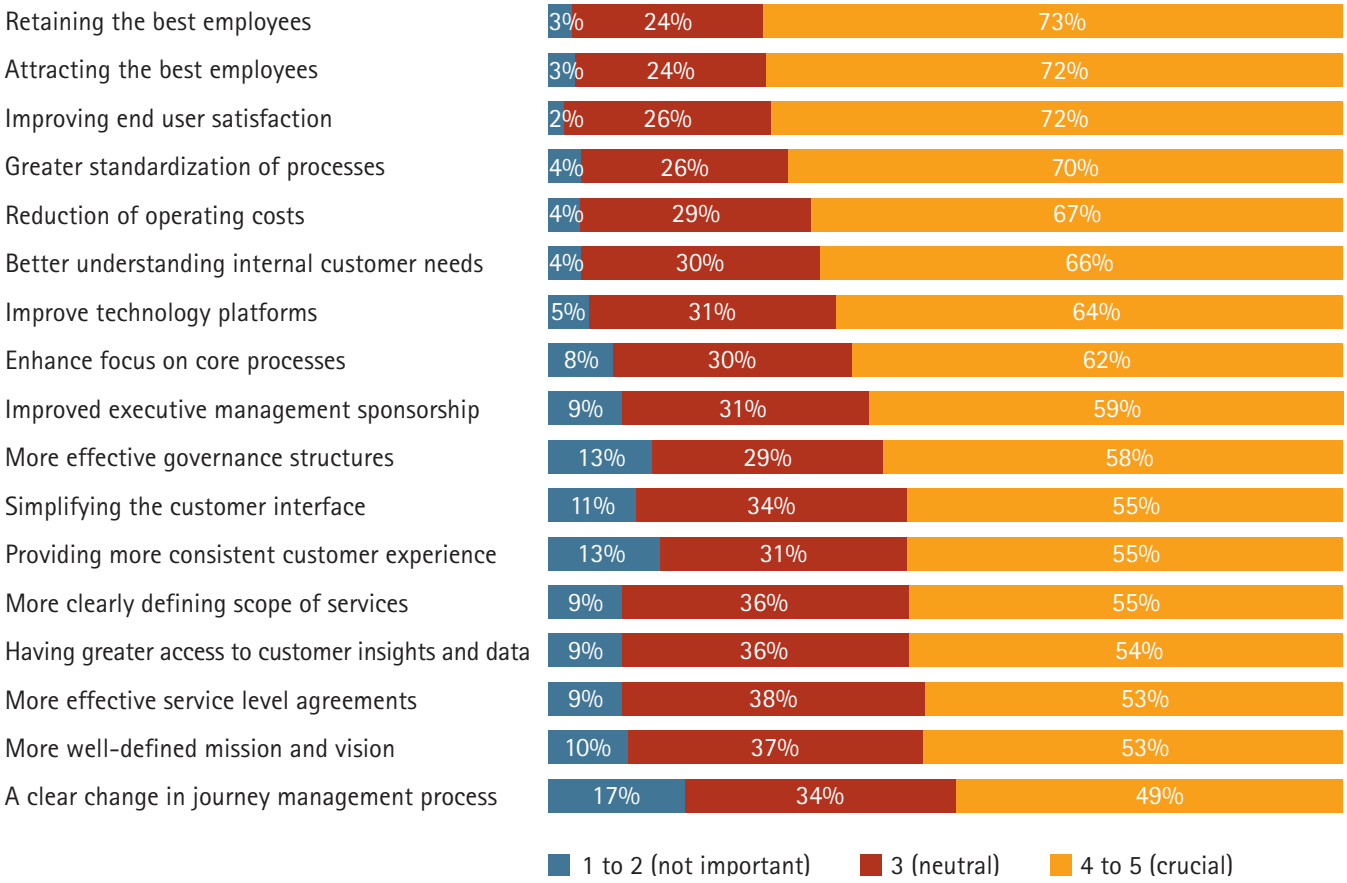
Mastery in sourcing is about the ability to best leverage a hybrid model of in house and outsourced operations to meet business needs. Making the chosen sourcing model work, however, necessitates mastery in other areas, including superior talent management, vigorous use of shared services leading practices and reliance on key technologies. We describe how shared services masters approach these factors in the sections that follow.

Finding 4: While the majority of respondents rank talent management as one of the most significant criteria for success, the masters are more likely to take definitive steps to build the workforce they need.

The quality of the workforce ultimately determines shared services success: Talent management is key to quality and consistency of service, which in turn impacts profitability and growth. The respondents in our survey clearly recognize the criticality of aligning the development of talent with the shared services organization's performance and cultural objectives. In fact, attracting and retaining employees were the two factors rated by our respondents as most important to ensuring the success of their shared services organizations over the next three years. More than 70 percent of respondents rated these factors as either very important or absolutely critical (see Figure 13). Forty-three percent say talent management already is a very important objective today; 64 percent believe it will be a very important objective within three years.

Figure 13. Relative importance of different factors to shared services success.

How important do you think each of the following are going to be to ensure the success of your shared services organization over the next three years?



At the same time, securing skilled employees looms as the highest expected barrier to success over the next three years. The ability to retain talent, already considered a top barrier today, continues to grow in importance even as other top barriers become much less significant. For example, current top barriers, including IT challenges and change resistance, all diminish (see Figure 14). As organizations become more confident with the shared services model, they solve these essentially one-off challenges. Talent management, on the other hand, remains an ongoing issue because of the dynamic nature of a shared services organization's workforce.

For example, for commodity transaction processing, shared services organizations frequently experience high turnover. Particularly in the type of shared services-saturated locations where it is virtually an industry, high workforce turnover is especially pronounced.

The fact this turnover is an issue may seem counterintuitive in times of economic downturn, when presumably the talent pool grows bigger and shared services organizations should experience little difficulty in replacing employees who leave. And in fact, it is important to have enough turnover within a shared services center, not only to help keep costs low, but also to renew the organization through the new energy and new ideas that come from new people. But turnover brings associated costs in recruitment and training. Good employees make all the difference in the customer service experience, which in turn will make or break the organization. The balance is in attracting, training and retaining the good people—making sure every person on payroll counts by managing turnover so that the shared services organization finds and keeps the cream of the crop.

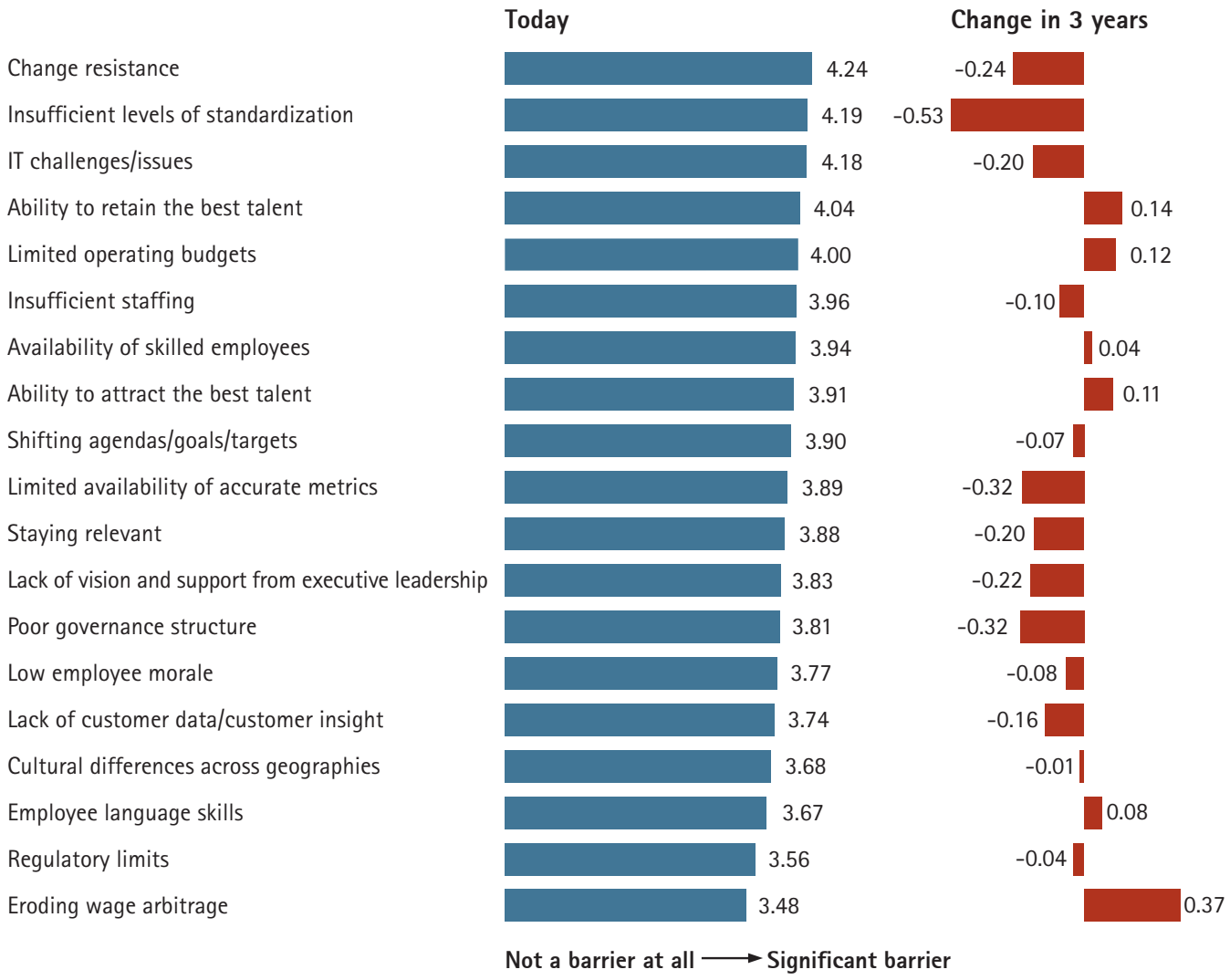
The talent management issue is also complicated by the fact that for higher end processes, which is where shared services organizations are beginning to set their sights, resource availability is more challenging. When you associate this shift in objectives to the higher time to proficiency required to build an employee's higher-level skills, the talent management challenge becomes more clear.

Once again, what sets the masters apart is how they approach these challenges. Shared services masters are more than twice as likely than other respondents to plan on increasing the number of their shared services employees within the next year (65 percent versus 31 percent). Likewise, they are nearly twice as likely to have plans to introduce more formalized training for their shared services employees over the next year (74 percent versus 40 percent). And they are more than 50 percent more likely than other respondents to plan initiatives that improve employee engagement (83 percent versus 49 percent).

Again, these findings (and the expenditures they imply) seem counterintuitive in today's environment. But what they point to is the master's strategic approach to shared services. Despite the overall downturn in the economy, masters are making the choice that investments in their employees at shared services centers actually becomes a strategic investment for the business overall. A downturn, in fact, can be seen as an opportunity to upgrade skills from a wider talent pool. Given the expanded roles they expect their shared services to take on in delivering business value, we believe masters make their talent management decisions with the idea that investments in this area will bring the downstream benefits of cost reductions and greater agility for the business overall.

In the next section, we investigate other key investments the masters are making in the areas of best practices and technologies.

Figure 14. Relative magnitude of barriers to shared services success, now and in three years.



Finding 5: Shared services masters judiciously invest in the shared services best practices and technology tools that will sustain lower cost over time.

All of the respondents in our survey recognize that eroding wage arbitrage is becoming a serious barrier to their shared services success. In fact, it is the one barrier that both masters and other respondents see as equally serious now and growing most significantly in importance. For example, on a scale of 1 to 5, with 1 representing "not a barrier at all" and 5 representing "a very significant barrier," wage arbitrage grows in significance from an average of 3.48 today to 3.85 in the future—an increase of 11 percent. In comparison, as barriers, issues of governance decline in significance by 8 percent and issues of standardization decline in significance by 13 percent over the next three years. (Figure 14 on page 23 in the previous section compares barriers to the success of shared services organizations today and in three years.)

The consequence of these trends? Shared services masters understand that wage arbitrage-driven benefits realization is not sustainable over time. Therefore, they must leverage all avenues (albeit slower in this economic environment), to sustain their performance. As noted earlier, these avenues include a mix of sourcing models and talent management. They also include judicious use of shared services best practices and enabling technologies.

Not surprisingly, we do in fact see a significantly higher number of shared services masters employing best practices than other respondents, both now and in the future. We provided survey participants with a list of 19 well-recognized shared services best practices. In all 19 cases, shared services masters are more likely to employ the best practice than their other counterparts by margins ranging from 20 percent more likely (service level agreements) to 146 percent more likely (advisory boards). While 39 percent of the masters report employing all of the best practices we listed, only 5 percent of the other respondents are putting all practices to use.

In the future, gaps will likely remain; however, if the other respondents follow through on their reported plans, these gaps in best practice usage will shrink considerably. For example, within three years, masters will only be about one-third more likely to employ advisory boards than the others (see Figure 15a & b).

Figure 15a. A comparison of usage of shared services best practices, today.

Please check which of the following best practices your shared services organization employs today.

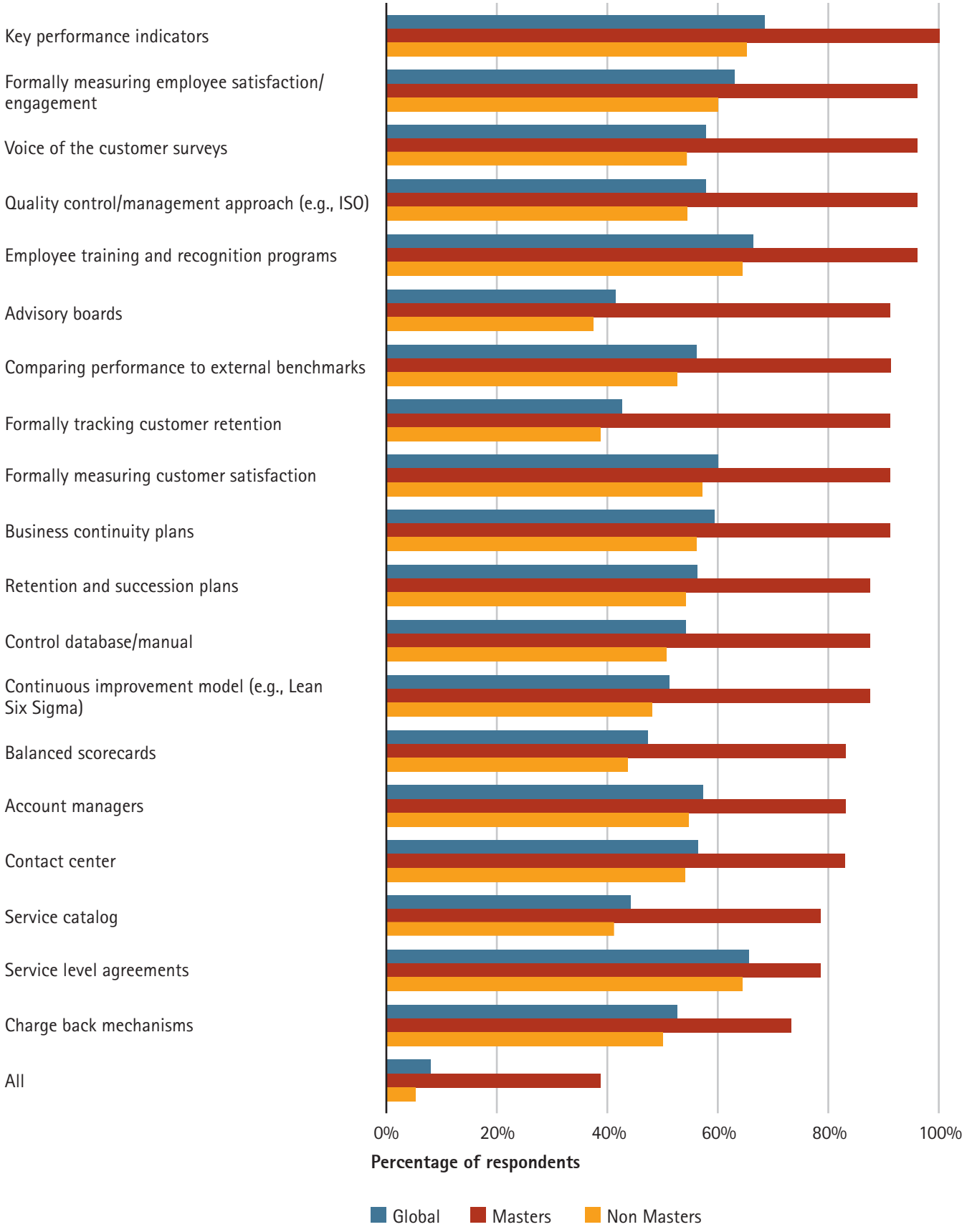
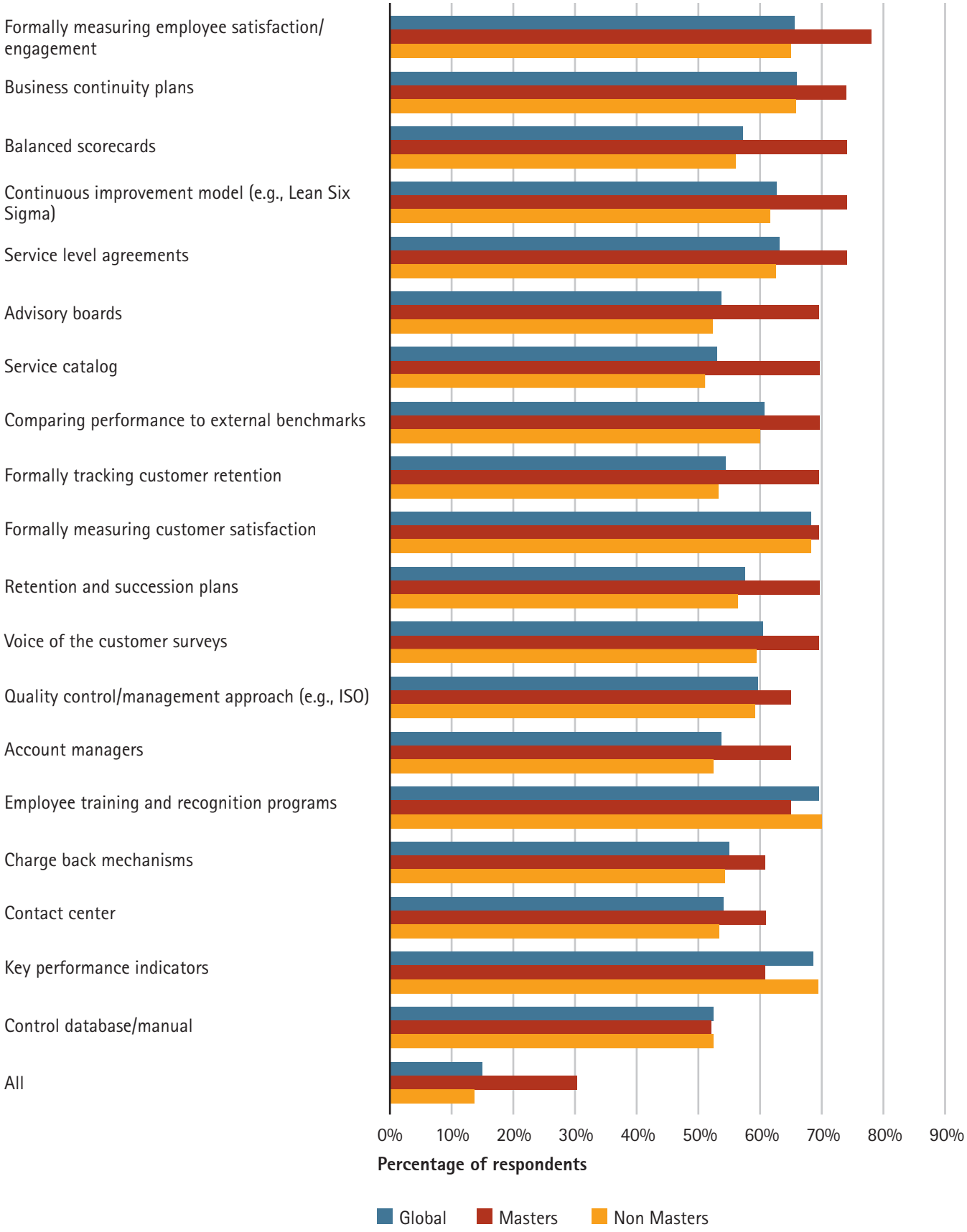


Figure 15b. A comparison of usage of shared services best practices, in three years.

Please check which of the following best practices your shared services organization will employ in three years.



As with shared services best practices, shared services masters are significantly more likely to employ enabling technologies than other respondents, and are likely to continue doing so in the future. In many cases, masters were twice as likely as other respondents to make use of the enabling technologies we included in our survey. While overall, the current gaps in technology usage between the masters and other respondents are not as large as they are for best practice usage, the gaps in technology usage also do not close as dramatically as the gaps in best practices usage in the future. (See Figure 16.)

Among enabling technologies, the ones most likely to be employed by the masters now tend toward tools that increase efficiency through automation and self-service (automated service-management tools; optical character recognition; and employee, supplier and customer self-service tools). In contrast, other respondents are more likely to be focusing on data warehouses, data analysis and reporting tools and financial consolidation and reporting tools.

While less a matter of right and wrong focus, the masters' technology focus areas are another indication of the greater maturity of their shared services operations; they have some of the more basic functional aspects (such as data warehousing and reporting) well in hand, and are now moving into more sophisticated areas to extract more value from their shared services. The technologies the masters now are employing position the shared services organizations to manage future volume increases without equivalent cost increases. Thus, the masters' moves in this area can be seen as the leading edge of the next wave of technology interest.

Some guidance for future planning

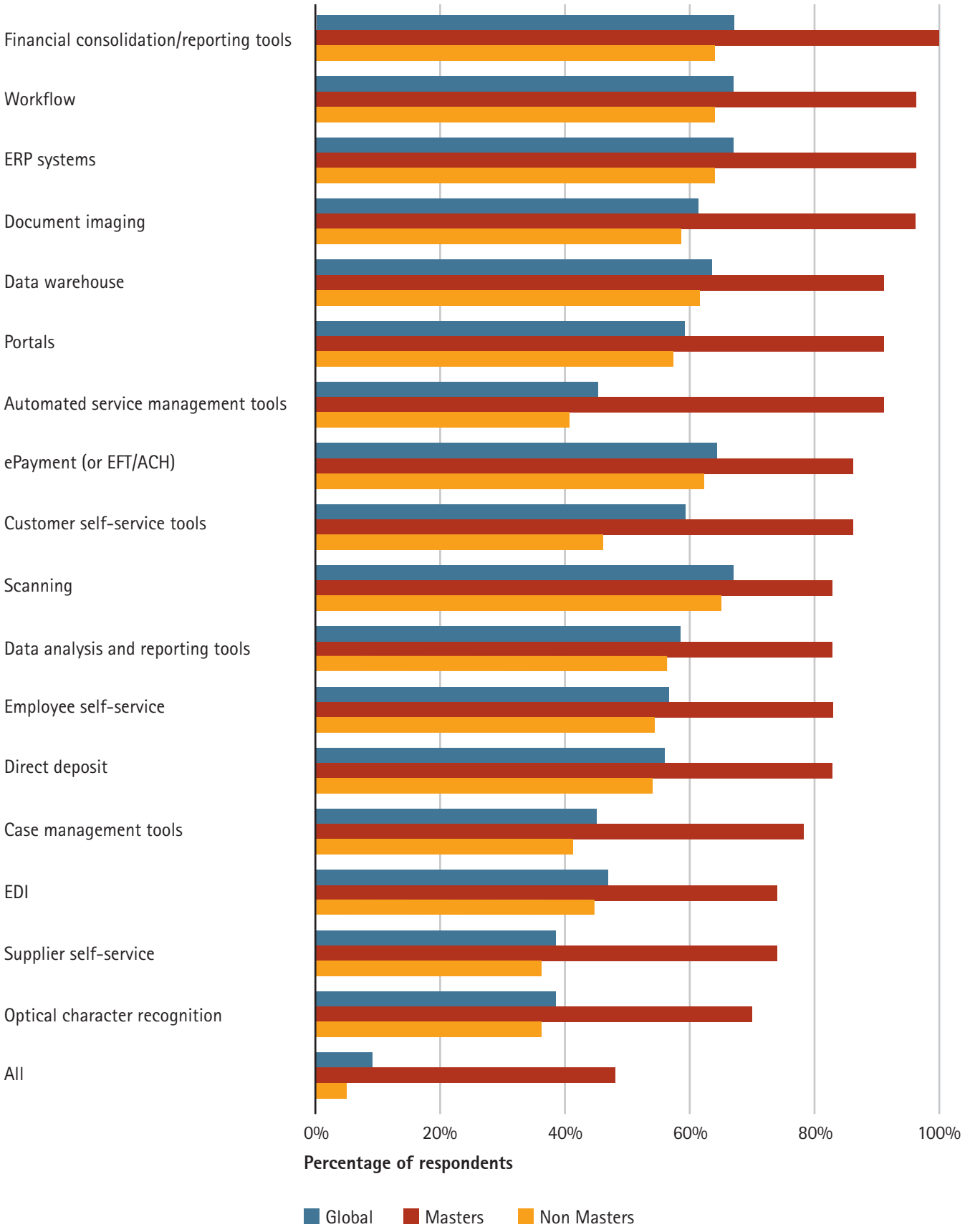
Of course, the real story is not about the quantity of best practices or technologies, but rather about their function in supporting robust operating components—in particular, process, service and organization. No best practice or technology should be implemented without a clear view to how it impacts achieving high performance—either through contributing to profitability, longevity, consistency, growth or positioning for the future. In fact, high performance should be the reference point to any planned shared services initiative.

To that end, we provide a list of questions to consider when developing a future strategy that will move your own shared services organization toward high performance:

- Do you view shared services as a cost-cutting tool or as a strategy for organizational growth, profitability, longevity, consistency and a stronger future market position?
- Would you characterize your shared services organization as having a service culture or a transaction-processing culture?
- Have you determined what objectives you want your shared services organization to achieve now and in the future?
- Have you identified gaps in performance against these objectives and begun making the investments that will lead to closing these gaps?
- Do you have plans in place for dealing with expected barriers to future success?
- Are you confident you have employed the right mix of sourcing options to allow you to face changes in your operating environment, both negative (eroding wage arbitrage) and positive (future growth)?
- Do you have plans in place to deal with a scarcity of skilled talent as your goals for your shared services organization change?
- Do your top employees have training opportunities and compelling career paths?
- Are you familiar with industry-recognized best practices and technologies and how they would apply to your shared services organization?
- Are you taking advantage of these best practices and technologies?
- Have you built your shared services on a principle of continuous improvement?

Figure 16. A comparison of usage of enabling technologies today.

Please indicate which of the following technology enablers your shared services organization employs today.



Conclusion

In the future, while cost reduction will still be a top priority for shared services, the avenues to pursue this and other more sophisticated objectives will expand through many innovative ways beyond labor-related wage arbitrage.

While the turbulent global economy certainly makes cost savings an appealing and desired outcome, the dramatic, "quick-hit" cost savings that were possible when organizations first undertook shared services have turned into much smaller, incremental gains. These gains are about sustaining the business through the downturn and positioning it for a strong future when conditions improve. Companies must pursue them through a combination of bold strategy, smart investment and a thirst for continuous improvement.

The majority of organizations still have a long way to go in making the improvements to their shared services that will deliver the desired outcomes. However, the masters of shared services are leading the way. These masters recognize that to get shared services to contribute to high performance overall, shared services themselves must be run like high-performance businesses. Understanding that shared services will allow companies to add more value to their business over time, the masters go after higher-value shared services objectives with conviction. Undaunted by the shakiness of the business climate, they invest in building strong capabilities (including workforce skills, best practices and technologies) and make smart use of all available sourcing models (insourced and outsourced) to gain the maximum advantage from each. What they gain is a shared services organization that contributes to general organizational profitability, growth, longevity, consistency and stronger positioning for the future. As the shared services masters aggressively pursue their drive toward high performance through shared services, all would do well to learn from their lessons.

About the Authors

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