



Source: Mike Way, Six Sigma and Lean in a shared services environment, presentation Prague 2009.
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dallasnews.com - May 25, 2010

DALLAS—A unit of Xerox Corp. said Tuesday that it is buying a benefits and human resources outsourcing unit from Hewlett-Packard Co. for \$125 million.

Looking at Remote Infrastructure Management

By: Mark Kobayashi-Hillary, IT Editor, Shared Services & Outsourcing Network (SSON)

I remember working for an investment bank a decade ago and one of the key priorities of the CTO was cleaning up the infrastructure and improving network support. Nobody from the business was interested in supporting his projects. He even showed them PowerPoint slides of server rooms resembling spaghetti, but when the air conditioning failed one day and it took hours to recover after the servers had all overheated, suddenly the bankers were interested in the infrastructure that kept them trading in the market.

Back then, it was still common to have a big cooled server room within the office of a bank. Now infrastructure as a service, purchased from the cloud, is becoming the latest strategy executives are being persuaded to support.

But remote infrastructure management (RIM) has been talked about for years. IT suppliers have rearranged their support teams and built data centres offshore all chasing the infrastructure dollar as more and more companies consider the risk of having the heart of their network onsite.

The consulting firm McKinsey studied the various types of IT infrastructure in the past and suggested that around three quarters of all infrastructure management could be offshored. That potential market ensures that every major IT supplier now has a busy team all working on RIM services.

And RIM can be applied to many different areas. Network services are probably the best example of what can be remotely managed, but internal helpdesks, server admin, and general maintenance can all be run remotely.

It's an interesting market development. It was not very long ago that pundits were analysing the cost of offshore outsourcing programmes and suggesting that in locations such as India, the telecoms cost is very high, but the labour cost is very low – so tasks like software development work well. But that model doesn't work so well for infrastructure. A huge server farm obviously needs some expertise to keep it ticking over, but the main cost is the hardware, keeping it cool and constantly working, and the telecoms cost to allow these remote servers to behave as if they were in the same building as the client. So, perhaps counterintuitively, it has often made more sense to locate a server farm in Scotland or Sweden than offshore in India or China. The communications are better and cheaper, the cooling is not as intense, and the expertise is available at a reasonable price.

But now companies are moving beyond the RIM promise and into the cloud, so an additional layer of business abstraction is piled on to the infrastructure. A company may well know what application they want to use, but have no insight into the infrastructure needed to make it work – and less insight into the physical location of those servers.

The cloud would suit them just fine because it's become possible to buy the infrastructure you need, as and when you need it, all because of the cloud concept becoming mainstream.

And it's not just a theoretical construct. Think of some scenarios where rented infrastructure and flexibility might be important. How about a retailer doing 90 per cent of their business in the month before Christmas? Or a start-up firm not sure if they are going to grow 20 or 200 per cent this year? Or a train timetable service coping with a spike in enquires, as flights are cancelled – familiar to Europeans dodging the Icelandic ash cloud.

If your IT infrastructure needs variable levels of power or storage, it's probably worth exploring how to source that through the cloud.

Question: What's next for Shared Services?

By: Rakesh Sangani, Partner at Proservartner & SSON Editor at Large

The sharing of corporate services across an entire organization is not a new concept. It has been around for as long as businesses have existed. Centralizing “back office” services within an organization, is also not new in concept, but optimizing the centralized services through organizational redesign, process optimization, technology enablement and behavioral change is more of a recent development.

But after an organization achieves those benefits through the set up, stabilization and transformation phases, a question that many mature shared service organizations are asking is what comes next...We see that there are three or five key options for a shared service center in that position.

1) Increase scope to more complex areas of the same function

After achieving success in the shared service center it is always worth challenging yourselves and asking the question around whether you have been aggressive enough. Many

organizations are initially comfortable only to transfer “transactional” processes to a shared service centre environment. As a result of the success of that transfer, the change management of transferring further processes can be much easier.

Hence, a number of shared service center organizations follow the initial transfer with a next phase of migration, which are generally more complex processes that are closer to the tactical and strategic end of the function.

2) Increase functions in the shared service center

The primary struggle in setting up a successful shared service center is the change management challenge, and it would be foolish for any organization not to lose the momentum gained. Finance is always a popular first phase of a shared services center. Given the success of a Finance Shared Service Center transition, the opportunity exists to utilize the goodwill generated to progress with other functions of the organization.

This can include migration of the HR function, which is an increasingly popular candidate for shared services, the Procurement function, or even a function specific to that organization that is repeatable, measurable and predictable in nature. When doing this, it is wise to largely leverage the structures, governance and operating models in the business with appropriate customization for specific functional requirements.

3) Deliver further process efficiencies

On migration and transformation of the processes migrated to the shared service center, organizations introduce continuous improvement to provide optimal process efficiencies. In addition to this, shared service centers can consider further changes that will align their ways of working to “best practice” and provide even further process efficiencies.

In reality, following the first phase of a shared service center migration and transformation, the additional efficiencies that can be delivered from optimizing the processes become more and more challenging i.e. it can take as much effort and resource to achieve 30% efficiencies in the migration to shared services, as it could to achieve a further 10% in efficiencies once all the low hanging fruit is already grabbed!

4) Deliver true “value” for the business

One can spend hours reading wonderfully written consultancy and research reports that describe the amazing value a shared service center can bring to an organization. However, aside from faster cycle times, service improvement and cost reduction the true “value” to a business can be minimal.

To really assess the benefit that a shared service center can bring, you must analyze the business strategy, understand the key issues faced in the business, and ask yourself what the organization needs. Only then, can it be assessed how the shared service centre (if at all) can truly benefit the organization.

This can be through better management information in a particular area, improved relationships with key suppliers, better support for customer facing staff or even slicker processes that make life easier for the entire business. However, to achieve this is no easy task and can involve more cost in the shared service center to provide true “value”!

5) Sale

A shared service center is now an asset that can be sold to bring cash inflow to an organization. In the current economic environment, where cash is most definitely king, many are considering the sale of their shared service centre as part of a “sale and leaseback” arrangement, where they buy the services back from the acquirer of the center.

The deals are attractive to a BPO provider as they provide sustainable long term revenue streams, and are attractive to organizations with shared service centers, as it enables cash inflows coupled with further efficiencies.

Shared services: friends, that is really not just about cost!

By Magdalena Szarafin
Outsourcing Institute

An old stereotype, common-known (in a new scenario of the global financial crisis): We implement BPO or shared services (SSC) solutions as we want to cut cost. And the global economic crisis would just support that way of thinking (and doing things). However, things are not as simple as they seem to be at first glance...

“Going up the value chain to knowledge-based services isn’t just about cost reduction; it allows you to create a lot of value for the organization.”

(Shared services shines in challenging times: Insights from Deloitte’s global shared services survey, p. 8)

Good news for people perceiving F&A (F&A – finance and accounting) BPO and SSC operations in a long-term perspective, adding value for organization running them and developing also advisory services, not just transactional ones: corporations tend to recognize that quality is more important than quantity, although the latest one is obviously not unimportant.

While a few years ago the main reason for implementing a shared services organization was the cost aspect, it is not the most important reason any more. Why is it so? One reason is the increasing role of the F&A function for corporations. Professor Joe Lampel from the Cass Business School in London, describes the situation as follows: “Today (...) it’s much more difficult to obtain money, your own ratings have come under greater scrutiny, and bonds have to be carefully managed. All of these things have put a lot of pressure on the CFO.” No wonder then that according to 70% of top performing corporations (according to KPMG methodology, refer to KPMG survey Thriving not just surviving: Insights from leading finance functions) the F&A has significant influence on core operations, for 61% of them the finance function has material influence on marketing, supply chain (55% of respondents) and IT (53%). That clearly means: F&A managers actively influence business leaders to make better decisions across all functions. Therefore timely reporting of business results, delivering accurate budgets and forecasts, and investor relations management are the priorities for the F&A function.

Timely reporting, accurate figures... – it is all about quality. Let’s briefly discuss the findings of some surveys undertaken in the past two years and showing the increasing role of qualitative aspects in the F&A function, incorporated in shared services organizations (SSOs).

Higher transparency, process quality and process security are the most important drivers to implement an SSO according to the study Shared Service Center– the 2nd Generation undertaken by PricewaterhouseCoopers (PwC) in 2008. These objectives are followed by decrease of error rates, increase of customer satisfaction – and cost reduction, expressed as less important than the previous objectives.

Service and quality improvement, accuracy and timeliness have been given as main reasons for having established or for establishing an SSO by 85% of world-class corporations identified by The Hackett Group in 2008. Service standardization was the next reason for 83% of them and about 80% said that cuts in administrative costs, headcount and salary/wages reduction are the most important drivers to implement a shared services organization.

The increasing role of F&A (which – as such – “just” represents back-office operations) and the supporting

business processes performed by shared service centers make the F&A function and the SSO existing within this function even more important for corporations. Shared services become strategic influencers, offering corporations a tool to facilitate enterprise growth, improve focus on core business and enhance talent management.

Magdalena Szarafin

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By: Mike Way, Six Sigma
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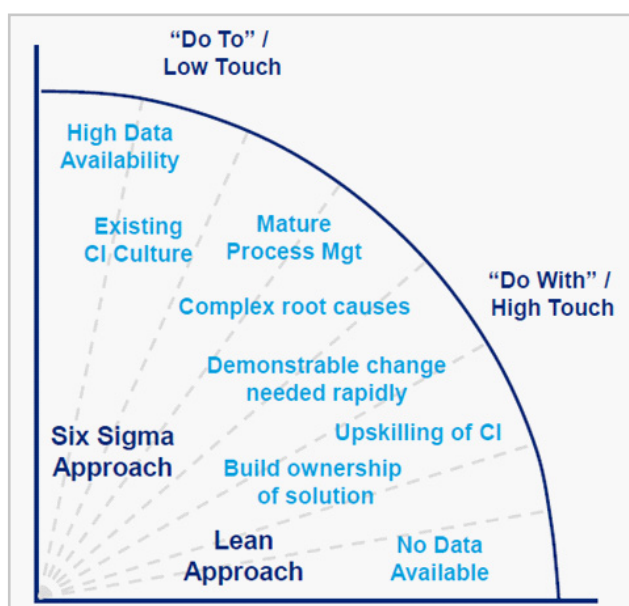
Good quality does not cost – it pays. But many companies do not recognize it as they do not know how much things cost due to missing cost calculation in many areas. And that is the reason why it usually takes a long time for them to think their processes over and to implement simple measures assuring reduction in cost of delivering customer satisfaction. The latest one does not have to be as high as the cost of materials!

Good, better, (almost) perfect... – there is always a better way to make things. That is an old approach known as continuous improvement or kaizen and being an integral part of TQM (total quality management). It got very famous in Japan thank to quality gurus of Western origin and then the idea fascinated the rest of the world. Originally applied for industrial processes and by engineers, could be then successfully implemented for administrative tasks. And after the boom of outsourcing and shared services industry has begun, it has also been an attractive approach worth following to improve outsourced or insourced operations.

Six sigma, lean management – they are no more the domain of production, engineering or of in-house made operations. Even more insourcers and outsourcers recognize their importance to cut cost and increase customer satisfaction as quality pays. And the concept of “customer” itself does not just cover external but also internal clients you provide your work to.

While six sigma is a statistical method of quality control, lean management implies a qualitative approach. The main principles of lean / six sigma are as follows:

- They provide a system for improving the performance of a process, product or organisation;
- They help to understand performance from the customers' perspective (how to put yourself into customers' shoes);
- They provide a way of thinking in terms of end-to-end;
- They put a stress on making value flow and removing waste;
- They are in fact a pragmatic and rational approach to data and statistical variation;
- They help to treat causes not symptoms (in place of the fire-fighter approach);
- They focus on people, learning and continuous training being crucial to sustained competitiveness of the organisation.



Source:Mike Way, Six Sigma and Lean in a shared services environment, presentation Prague 2009

Many organisations could reduce cost and/or increase revenue by reducing waste in existing processes thank to implementing lean / six sigma: Better, faster, safer with lean / six sigma implies quality improvement, reduction of response/reaction times and reduction of operational risks. That all sounds nice, doesn't it? Why not try it?

Xerox unit buys outsourcing unit from Hewlett-Packard

By: Jerry Geisel
dallasnews.com - May 25, 2010

Posted On: May 25, 2010 10:50 AM CENTRAL, Jerry Geisel DALLAS—A unit of Xerox Corp. said Tuesday that it is buying a benefits and human resources outsourcing unit from Hewlett-Packard Co. for \$125 million.

A spokesman for Dallas-based Affiliated Computer Services Inc. said its purchase of ExcellerateHRO L.L.P. is expected to close this summer.

“This acquisition clearly demonstrates Xerox’s commitment to invest in human resources that will ultimately benefit all our clients,” ACS Executive Vp and Group President of ACS Human Resources Services Ann Vezina said in a statement. ExcellerateHRO, which does not disclose revenues, currently has 350 to 400 clients and about 1,800 employees.

The benefits and HR outsourcing operation was formed in 2005 by then-Towers Perrin and EDS Corp., in which they combined Towers Perrin’s benefit administration services and EDS’ payroll and HR-related outsourcing services. EDS held a roughly 85% share in ExcellerateHRO, and Towers Perrin owned the rest.

In 2008, HP acquired EDS and its interest in ExcellerateHRO. In June 2009, Towers Perrin, which merged earlier this year with Watson Wyatt Worldwide, sold its minority share to HP. ACS’ purchase of ExecllerateHRO is its first since Xerox acquired it in February in a deal valued at \$6.4 billion.

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