



*Regardless of the maturity level of a shared services organization, the complexity and challenges posed to governance structures is increasing.*

## Optimized Governance

### Shared Services & Outsourcing Network

Leading companies have recognized that a solid governance framework is essential to an optimized shared services organization. It serves to drive the partnership between the shared services group, key stakeholders and customers. Governance defines how decisions are made regarding scope, breadth of services provided, delivery, and how the operating model is managed. *page 4*

### → UK

[shareserviceslink.com](http://shareserviceslink.com) - 11.26.09

In one recent survey, when asked, 50% of respondents said that they now had multi-functional shared services versus 25% in 2003. *page 2*

### → Europe

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The term 'Centres of Excellence' was largely unheard of 5 years ago. It was only the consultants among us that actually knew the difference between shared services and centres of excellence. *page 3*

### → UK

[shareserviceslink.com](http://shareserviceslink.com) - 12.15.09

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### → USA

[businesswire.com](http://businesswire.com) - 12.15.09

Nominations are now being accepted for SSON's Annual Shared Services Excellence Awards, part of the **14th Annual North American Shared Services & Outsourcing Week**, taking place March 22-25, 2010. *page 3*

## Single Function to Multi-Function

sharedserviceslink.com

November 26, 2009

A statistic was shared with me the other day by The Hackett Group which I found both surprising and refreshing. In one of their recent surveys, when asked, 50% of respondents said that they now had multi-functional shared services versus 25% in 2003. Quite a jump in the last 5 years.

The arguments for this shift significantly outweigh those against. Firstly the treatment of transactional finance can, and should, be applied to the transactional part of any function in the business, so long as it does not negatively affect the overall corporate objective of increasing revenue/profit/market share.

Within HR, Procurement, IT, Legal and even Marketing, there are activities which do not require face-time, and can be readily automated, offshored, standardised, centralised, and consolidated on a single system without it being detrimental to the business. Within all these areas, companies are beginning to 'chop up' the activities into 'this bit needs to be local and requires local knowledge/meetings with the business' and 'this bit can be shared serviced/offshored/automated'.

Secondly we are seeing the increase in Global Business Services, not just Global Finance Services. This means that the person who championed improvements in F&A can now roll best practice out into the other functions, and ensure that there is no time wasted 're-inventing the wheel'. The template used for Finance can now be utilised elsewhere.

Thirdly with ERPs now elegantly accommodating Finance, HR and Procurement, and with shared services projects and ERP implementations almost being treated as a single initiative, more and more companies are realising that economies of scale can be realised if a) the shared services scope widens to cross function and b) the ERP suite is maximised to support a cross functional shared services strategy.

If you would like to find out more about this, Mark Burrows, Vice President Global Shared Services of Juniper Networks will be talking about getting multi-functional shared services right at 'Attaining F&A Shared Services Process Excellence' taking place from the 9th to the 12th March 2010 in London.

## The Increasing Role of Outsourcing

sharedserviceslink.com

December 15, 2009

Most professionals in shared services will be able to mention 5 BPOs without too much effort. This is because BPOs are increasing their hold over the transaction processing market. And in the past 3 years, the grip and reach of this hold has strengthened and widened.

There is a general appreciation that, if you don't add value to an activity, and it doesn't add value to it, it is a prime activity to be outsourced. According to Peter Moller, Head of the UK Shared Services Practice, around 400 F&A BPO arrangements have been struck since 2001. And 200 of these deals have been realised in the last 3 years. So although we may not be on a hockey-stick curve just yet, we're certainly experiencing an accelerated upward curve.

The reason for this is that most shared services today see BPO fitting in to their shared services delivery model to some degree. Should your service delivery model be multi-tiered, chances are you have outsourced or offshored the transaction-processing piece of AP. Or perhaps you have outsourced the whole of AP. What shared services organisations are considering when they look at outsourcing is service and continuous improvements. It is no longer just about cost, and a BPO won't naturally win a client just because they are the cheapest. Nissan is very open about its lessons learnt on outsourcing. For them first time around, the only driver was cost. As a result some unacceptable practices came into play, and the service standard dropped considerably. This resulted in an entire review of the outsourcing approach, and how enhanced service delivery must be a key reason to outsource the activity.

Because service delivery, as well as cost, is driving the actions of many SSOs today, there needs to be absolute comfort that your BPO can deliver the job better than you can. Seeing that you have had staff in AP for 20 or so years, who have a deep knowledge of the process, people and organisation, expecting outsiders, often thousands of miles away to do the job better is a big ask. So investing significant energy and attention into service provider selection, transition, and post transition support will mean your BPO project should be a success.

## → Europe

### Centres of Excellence on the Rise

sharedserviceslink.com

December 2, 2009

The term 'Centres of Excellence' was largely unheard of 5 years ago. It was only the consultants among us that actually knew the difference between shared services and centres of excellence. The landscape is very different now. In a recent survey conducted by the Hackett Group of 150 shared services organisations globally, over 75% of the world class SSOs have Centres of Excellence, versus just over half of their peer group.

So why are Centres of Excellence on the rise? 5 to 10 years ago the 3 drivers for shared services were Cost, Cost, Cost. There is a general agreement now that the concept of shared services is not just applied to strip out costs, and is not simply a cost-cutting enabler. With companies having had the experience of seeking out low cost locations and offshoring their activities there, only to be alarmed by the drop in quality of some services and deliverables, a rejuvenated focus on service quality has prevailed.

To support this attention to service is the infrastructure provided by a service delivery model which includes within its tiering 'Centres of Excellence'. So what does it do? Most shared services delivery models will have a two or three tier structure. At the base of the pyramid will run a transaction processing activity scooping up the kind of activity which adds no value to the business and the business adds no value to it. This activity really should be automated, electronic, off shored or outsourced. Many would argue that the processes that support these activities need to be as standardised and process compliant as possible, to keep costs down and KPIs like Payment on Time nice and high. Enter the role of the 2nd tier.

Above this transactional activity sits a Competency Centre. This typically is the level which serves as the 'process police', ensuring that every day the process improves, and all the users within the process are 100% compliant with the process rules. This team oversees policy, documentation, communication to the rest of the business regarding process Dos and Don'ts. They will also handle more complex transactions, or transactions which require local knowledge. They may also manage the Help Desk to support with 'investigations' and understand the casue of them with the idea to eliminate them for good.

Finally, at the neap, sits the Centre of Excellence. These local operations have their own definition depending on the company you work for. But increasingly these entities are using the data provided by the transactional part of the shared services structure to deliver management information, business intelligence and strategic information to the rest of the business in order to identify patterns, opportunitis for cost savings and even opportunities for margin growth (certainly when they influence or indeed own pricing decisions). Centres of Excellence are moving into the realms of adding value, and providing more support within an advisory capacity and financial planning.

Companies with Centres of Excellence include Cisco Systems, Lexmark, and Steria.

## → USA

### Call for Entries: Categories Announced the 2010 Shared Services Excellence Awards

businesswire.com

December 15, 2009

Nominations are now being accepted for SSON's Annual Shared Services Excellence Awards, part of the **14th Annual North American Shared Services & Outsourcing Week**, taking place March 22-25, 2010 at the Omni Orlando Resort at ChampionsGate in Orlando, FL. Completed awards nominations and applications must be submitted to Naomi Secor, Global Program Director at [Naomi.Secor@iqpc.com](mailto:Naomi.Secor@iqpc.com) by **Friday, February 5, 2010**. Organizations may apply for their peers or on their own behalf.

#### Other 2009 Awards Winners were as follows:

- Best New Outsourced Services Delivery: **Georgia-Pacific**
- Best New Captive Services Delivery: **NASA**
- Best Mature Outsourced Services Delivery: **Procter & Gamble**
- Best Mature Captive Services Delivery: **Coca-Cola**
- Contribution to Industry Thought Leader: **Intel, Rajan Mehndiratta, Global Accounts Payable**

## Optimized Governance

Shared Services & Outsourcing Network  
November, 2009

### Governance Today

There is no single best-practice governance structure for companies to adopt—no “magic formula” to apply to ensure proper governance. The most appropriate governance model depends on the maturity of the shared services organization and supporting initiatives. The key is that companies should adopt the structure that best fits their organization, culture and strategy, and that it be properly supported by implementing solid governance elements. In addition, the governance model should be adapted as needed over time.

An example of adaptation that may occur is evident in the maturing process organizations go through when transitioning from a start-up to an operational shared services structure. During the development and implementation stages, the majority of companies adopt the traditional governance structure of reporting through a senior executive (see Figure 1). However, the hybrid design with the combination of a traditional reporting relationship with some customer involvement is also prevalent with 35% of companies utilizing that structure during the start-up period.

Once shared services is fully operational, the hybrid governance structure that includes significant customer involvement is adopted by 47% of companies; the traditional reporting structure is in place at 39% of companies; and just 14% utilize a customer council to provide oversight to the shared services organization.

In support of the respective governance model, companies implement a variety of process elements to support the overall effectiveness of the shared services organization. These elements include service level agreements, performance metrics, and customer liaisons (see Figure 2). The intent of these elements is to formalize quality decision-making, ensure that the voices of stakeholders are heard, and to provide a consistent approach through which shared services functions and processes are effectively identified and implemented.

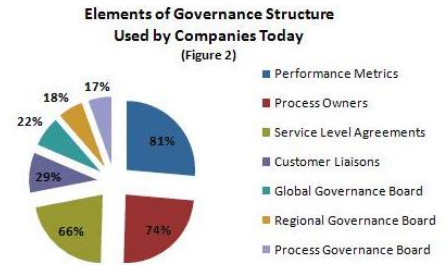


Figure1: Governance Structure Utilized by Companies

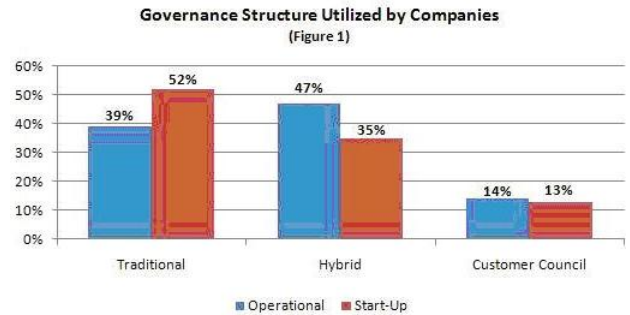
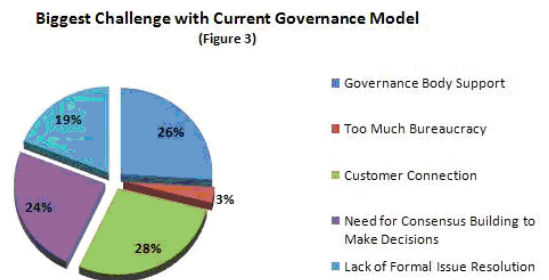


Figure 2: Elements of Governance Structure Used by Companies Today

### Challenges with Current Models

Utilizing the results of a recent survey with leaders of shared services groups, three aspects emerge in terms of the challenges organizations are facing with their governance models today (Figure 3).



### Governing Body Support

The first challenge is found in the level of support from the governing body. Forty-one percent of organizations report receiving limited to no support from the governing body in terms of oversight or direction. It can be difficult to deal with distractions such as competing priorities,

business unit requirements, and time needed to truly understand the issues facing the organization. However, the impact is a shared services group that is not optimized and potentially not focused on the right priorities. The solution is no mystery: in most cases the governing body does not clearly understand its role and impact: it looks to the shared services organization to identify, recommend, and drive actions, given the SSO is closest to process.

### **Customer Connection**

The second challenge is in achieving a strong customer connection to drive service level results and process compliance. Shared services organizations continue to experience difficulty in monitoring and communicating service performance levels to customers. This results in the shared services organization not knowing where to focus service improvement efforts, and creates the potential for accountability and responsibility issues at the business unit level. Unless business units trust that the shared services organization will perform as expected in terms of quality, process, and timeliness, they may never assume their share of accountability and responsibility within the governance model. Finally, the quality of the relationship between shared services and the business units it supports varies within the governance process. Interestingly, a large percentage of companies indicate that they have an excellent relationship with business unit leaders, but only a small number claim that is the case with business unit operational contacts. Clearly, there is an opportunity to strengthen these types of relationships.

### **Consensus Decision Making**

The third challenge involves removing consensus decision making from the overall governance process as this creates a significant barrier to continued improvement. The positives of this type of decision-making are that it is inclusive and allows as many stakeholders as possible to participate. Facilitated in the right way, the process can work. However, given the consensus decision process seeks the agreement of most participants and the resolution or mitigation of minority objections, the results are usually less than optimal. Not only is the process more time consuming, but organizations will typically experience preservation of the status quo, disruption, or the famous Abilene Paradox resulting in decisions counter to what is right for the business.

### **Future Governance Challenges/Opportunities**

In addition to existing governance challenges, as shared services organizations mature and expand in terms of geographies served (regional and/or global) and services provided, the complexity of the governance structure and

processes will increase. Organizations can expect to experience continued communication opportunities with customers, even within the shared services organization. Shared services and outsourcing combinations will require companies to adjust their governance models to support and drive the necessary process improvements and oversight. Organizations will potentially have to manage multiple outsourcing or joint venture relationships. The addition of stakeholders from acquisitions or service expansion will require a review of the Governance Board structure and processes.

Though the challenges are significant, the opportunities for advancement and value are just as noteworthy. Those organizations that diligently work to evaluate and refine their governance structure have the opportunity to become a strategic partner within the business, and to drive innovation and process improvement, guided by the governing body.

### **Governance Practices for the Future**

Leading companies striving to build strategic partnerships between shared services and the business units establish a governance mind-set throughout the organization as a foundation for business success. They develop a holistic view which begins with a commitment to elevate governance to a level of strategic importance—not just a required task. They see governance as a means to process improvement and as a strategic asset in identifying future value opportunities, creating innovation and successfully mitigating against future risks.

Companies must start by evaluating their current governance model to assess the maturity of the enterprise. This is necessary to match the governance structure with the service offerings and customer service levels as the organization grows. Companies should view this as a “health check”, and even consider including this as part of their regular internal process audits. The mistake companies can make at this point is in over-engineering the process. A pragmatic approach with a basic structure and guidelines can achieve impressive results.

In terms of ensuring governing body participation, oversight, and direction, shared services organizations need to ensure member roles are understood. Besides developing a standard governance charter with clear guidelines and issue resolution procedures, the shared services group may need to take the initiative and actively reach out to members to get them engaged. Another practice companies can adopt to increase engagement is to rotate governance membership, much like a board of directors, and present it as a growth opportunity rather than a requirement.

Leading companies are figuring out better ways to communicate with customers as complexity increases, to improve the overall relationship. Some organizations have established customer councils as a way to fully connect and drive improvement. Others have instituted regular review cycles and are distributing “flash reports” of performance levels. Still others have focused on developing a structured communication plan that emphasizes providing the proper information to the correct parties at the appropriate time. In essence these organizations are segmenting their customers and tailoring their communications based on the role of the receiving individual(s) from decision maker to true customer.

Lastly, where companies can find success in managing and responding to changing environments and complexities is by establishing Partnership Agreements rather than detailed Service Level Agreements. Using Partnership Agreements allows organizations to adopt a problem-solving approach and the flexibility to adjust service delivery according to specific business unit needs while maintaining better performance targets.

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