



What's Next in Shared Services

Our View of the Top Trends and Why They Matter

July 2014

Smart. Focused. Done Right.





Most would agree that the shared services industry has reached a substantial level of maturity. In fact, SSON shared at their recent Shared Services and Outsourcing Week conference that 90% of Fortune 500 companies have a shared services model. While SSOs are maturing, continuous improvement and expansion are always top of mind for leading organizations. Paying attention to key industry trends can help SSOs prioritize their initiatives and continue to create value for enterprise organizations.

Through our research and collection of themes from recent industry conferences, we have identified five key trends that we think have a significant impact for shared services organizations. While most are not new to the scene, all have the potential to make a big difference in the industry.

1. Increased focus on predictive analytics
2. Continued expansion of higher value services
3. Multifunction integration and globalization
4. A renewed focus on talent management
5. Increased self-service and cloud solutions

In this article, we discuss each of these trends and illustrate why they matter for shared services organizations.

1. Predictive Analytics – Too Much Talk and Not Enough Action

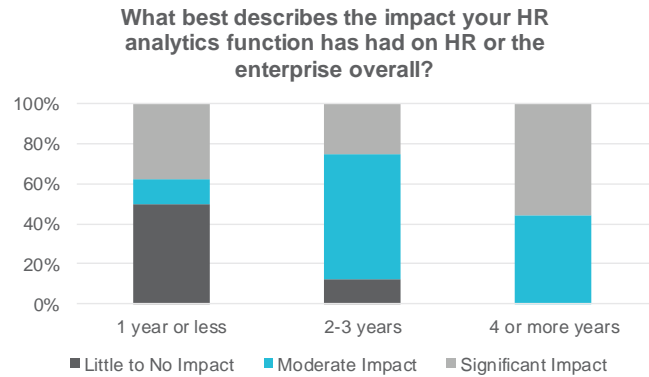
You may think you have heard enough about analytics, and at present, we think there is largely more talk than action. However, the increased quantity of data available and the optimal access that SSOs have to that data represent an incredible opportunity.

ScottMadden believes analytics defines the process by which we attempt to bridge the gap between knowledge (data) and action and ensure that decisions made reflect data-driven insights. With the volume of available data growing exponentially, firms are seeking to derive value from this asset. For most organizations, developing their analytics capabilities is driven by a need for better insight to drive business strategy.

Research shows that the focus on business analytics is increasing rapidly. A recent study by MIT Sloan and IBM showed that top-performing companies leveraged analytics to drive business decisions. A follow-up of the survey showed that organizations' belief that analytics provides a competitive advantage grew by 57% in one year. Similar growth is shown from a 2011 TDWI study in which 38% of organizations surveyed practice advanced analytics, while 85% said they would be practicing it within three years.

One area where analytics is gaining ground and has an opportunity for expansion is with HR organizations. A 2013 APQC Recruiting Trends and Metrics Survey found that nearly one-third of organizations do not use data in making hiring decisions. The same study revealed that organizations that do use data in recruiting have fewer recruiting challenges overall, are less likely to experience the most common recruiting challenges, and are more likely to link recruiting and business strategies.

In ScottMadden's 2013 survey of leading HR shared services organizations, nearly 70% report having established a formal analytics function. Among those with formal analytics, the impact made by the organization increases as the function matures.



ScottMadden Talent Management for Shared Services Survey 2013

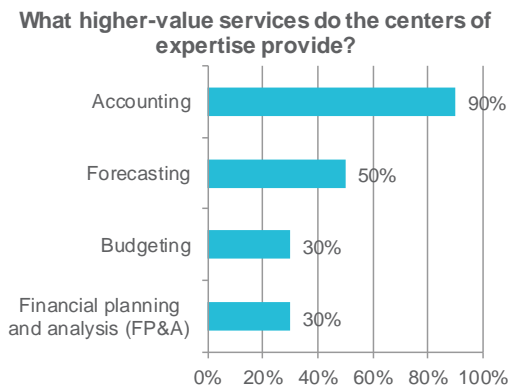
Why This Matters for SSOs

Analytics is one way that SSOs can provide another level of value to their customers and the enterprise as a whole. Beyond transactional and process improvement savings that have been achieved by SSOs, those practicing advanced analytics are able to identify revenue-generating opportunities for their organizations and enable smarter business decisions based on predictive modeling. This type of contribution can solidify shared services' strategic role in the enterprise.

2. Higher Value Services

You've optimized your services through process redesign and automation, so what's next? More and more SSOs are expanding their service offerings to include consultative and advisory services to the business in addition to transactional and administrative services.

A 2013 Shared Services Link survey shows that 28% have adopted consultative, high-value services. In finance, this may include financial planning and analysis, technical accounting services, and trend analysis. In HR, more companies are including employee relations and services such as retirement counseling within their scope. Across functions, we see an expansion of Centers of Expertise (COEs) as part of the shared services model, which typically provide these higher-value services.



ScottMadden Finance Trends Survey 2013

In ScottMadden's 2013 survey of finance shared services organizations, more than 70% currently have or plan to implement COEs in the next three years to provide higher-value services. In the same study, the top four services currently provided through F&A COEs are shown to the left.

In order to move beyond transactions, a number of changes are required for SSOs. These include:

- Innovation (and investment) to develop new capabilities and move up the value chain
- Ability to adapt to changes in the marketplaces via business intelligence
- A career path to attract and retain high-potential talent

Other examples of higher-value services that are migrating to shared services include internal audit, tax compliance, global mobility support, legal, environmental, and health and safety services.

Why This Matters for SSOs

Advancing up the value chain has two primary benefits for shared services. First, the increased scope allows you to leverage the infrastructure and technology in which you have invested across a broader set of services. Second, the perception of shared services as merely a “back office” entity will improve as the scope expands. In addition, the benefits extend beyond the shared services organization as the model allows field resources to focus on delivering business-based services.

3. Multi-Function Integration and Globalization

Shared services organizations are continuing to look for opportunities to integrate across functions and/or expand globally. The 2014 SSON State of the Shared Services Industry Report shows that 68% of respondents operate as a global business service or multi-function model. In a 2013 survey ScottMadden conducted of Finance Shared Services organizations, 46% reported having or pursuing a global model. The biggest benefits cited for pursuing the model include cost savings, improved performance, and strengthened controls.

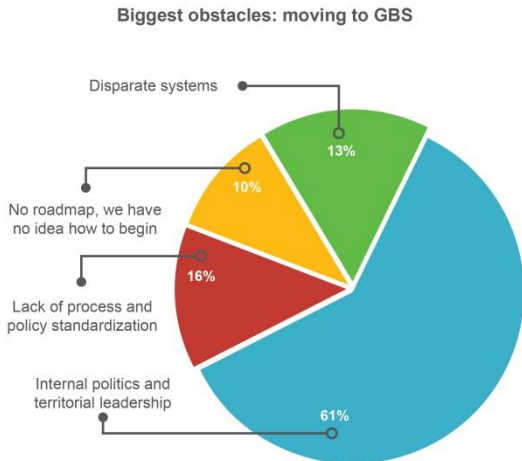
There is lots of talk about global business services, but little common understanding. We define global business services as follows:



Global Business Services Definition:

The utilization of enterprise-wide management infrastructure (e.g., technologies, processes, SLAs), resources (people and budgets), capabilities, facilities, and sourcing relationship to optimize the delivery of multiple major support functions globally. One leader over the functions is responsible for all internal customers, regardless of their global location.

Among the challenges of implementing global business services, a poll conducted at SSON’s Shared Services and Outsourcing Week 2014 revealed that a majority view internal politics and territorial leadership as the biggest obstacle.



For many SSOs, there is increasing interest in multi-function integration or expansion. In our experience, many practitioners are uncertain of how to proceed or what the benefits of a multi-function model are. The integration of metrics and continuous improvement across functional boundaries is becoming more common. In the U.S., we have not seen the heightened movement toward multi-functional shared services as we do in other regions, but this integration of infrastructure certainly provides a launch pad for combing functional operations.

The movement toward end-to-end process models has contributed to multi-function integration. This approach is dependent on breaking down functional silos to create end-to-end process standards, management, and

ownership. Many are moving in this direction and have been for some time. A 2012 Peeriosity survey cites that 35% have adopted E2E process standardization initiatives.

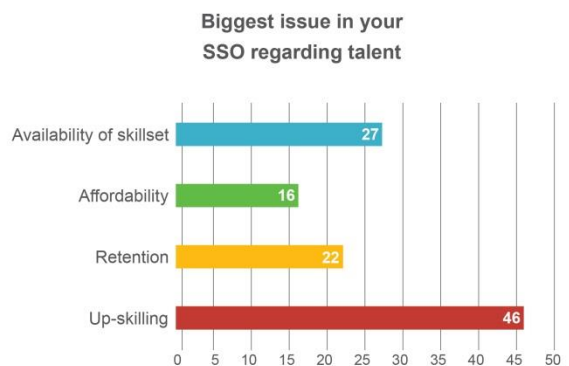
Why This Matters for SSOs:

Multi-function models can provide a number of benefits ranging from leveraging technology and SSO support roles to cross-training of staff. Multi-function and global business services models also align with an increasing trend toward standardization as companies move from independent standards tied to business units and geographies to enterprise-wide standard solutions. Combined governance across functions gives the organization more clout among enterprise leadership. Both models also allow more opportunities to optimize talent management for your SSO, which is our next trend.

4. Talent Management

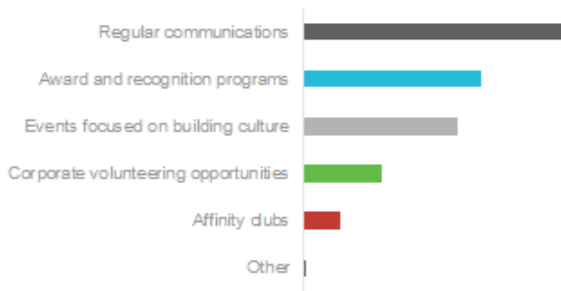
Talent management is another focus for many of the organizations that are trying to improve their existing shared services centers. To build and operate a successful SSO, significant training of staff is required. With that investment, you want to make sure that you are engaging your employees and offering them the right development and career opportunities to retain them in your organization.

In a poll conducted at SSON's Shared Services and Outsourcing Week 2014, up-skilling of existing staff and the availability of skillset were rated as the top two talent issues faced by SSOs.



According to ScottMadden's recent Talent Management for Shared Services Survey, functional training and customer service training are rated as the most popular regular training programs offered in SSOs. Job shadowing programs were rated as the most favored method of on-the-job training.

Which of the following tactics do you find most effective for engaging employees and building culture within your SSO?



In terms of engaging and retaining talent, communication, career potential, and incentives all play a role. Regular communication continues to be ranked as the most effective tactic for engaging employees and building culture in SSOs.

Upward career potential, monetary incentives, and additional training opportunities are reported as the top three drivers for retaining staff among survey respondents

Almost 80% indicate their SSOs have defined career paths, and 51% of SSOs have career paths that include progression to other positions outside the SSO.

Effective talent management includes well-laid plans for recruiting talent and managing the use of contractors, engaging and retaining talent through a variety of tactics, and developing talent to build future leaders for the SSO.

What best describes the nature of the career paths you have defined within your SSO?



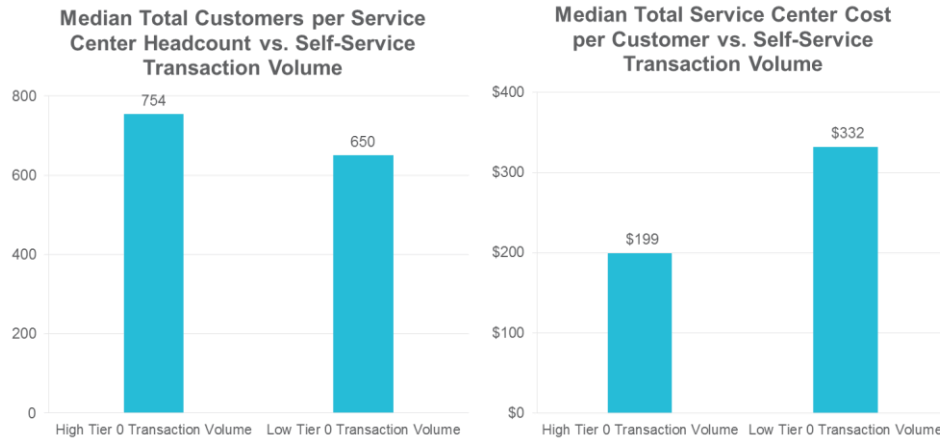
Despite the focus on talent management, the 2014 SSON State of the Industry Reports that SSOs are only spending 1-3% of their total budget on training. Given the need to up-skill resources to deliver higher value services, we view this level of training as a gap.

Why This Matters for SSOs:

By managing talent well, SSOs benefit by having a stable, engaged workforce that has the skills to meet the future needs of the organization. Ineffective talent management leads to increased turnover, higher costs, and the potential for poor performance. Talent management is integral to an SSO’s ability to adapt and evolve to changing business needs and industry trends. Leading practice shared services organizations treat talent management as a strategic priority.

5. Self-service and Cloud Solutions

For years, we have seen a trend of increased use of technology. This has a number of dimensions – expansion of self service, mobile applications, social media, and use of the cloud. Self-service applications continue to be an important tool that enables SSOs to shift their focus to performing higher value services. Our research of HR shared services organizations shows that SSOs employing a higher degree of self-service are able to operate with lower staffing levels and lower service center costs per customer.



With the expansion of self-service comes heightened emphasis on enabling smart devices. According to Microsoft TAG research, in 2014, mobile internet use should take over desktop internet use. As a result, developing a mobile strategy has become a focus for leading SSOs.

Shared services organizations are also supporting expansion by using technology to build scale. This can be done by taking advantage of cloud technology and third-party software as a service (SaaS) providers.

Cloud technology offers a number of benefits for SSOs:

- Increased capability – through a broader array of applications and faster innovation
- Shorter implementations – software and infrastructure are in place and enhanced configurability exists with cloud technologies
- Lower costs – technologies are cheaper to implement and less costly to maintain

An Everest Group study cites that cloud technologies result in 38% lower IT costs. As SaaS software continues to gain ground, with this comes an increased need for systems governance. For example, anybody can license a SaaS application, but how does the application integrate with other systems or how is security vetted? Organizations must address these questions as they expand to use cloud applications.

Why This Matters for SSOs:

This fifth trend has implications for how SSOs spend their technology budgets and for their overall delivery model. As the shift to more self-service continues, SSOs must evaluate their overall service portfolio and deploy resources to higher-value services. Cloud based solutions are allowing SSOs to move faster and avoid multi-year IT projects to accomplish their technology objectives. This provides an advantage so that SSOs can be nimble in the face of changing business needs.

In summary, while the world of shared services continues to evolve, most of these current trends have been building for some time. Each trend has impacts for an organization’s shared services strategy, and if addressed, can enhance shared services’ value delivered to the enterprise and overall operational efficiency.

Contact us to find out how ScottMadden can help you address these trends.

ABOUT SCOTTMADDEN'S CORPORATE & SHARED SERVICES PRACTICE

ScottMadden has been a pioneer in corporate and shared services since the practice began decades ago. Our corporate & shared services practice has completed more than 1,100 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients span a variety of industries from entertainment to energy to high tech. Examples of our projects include business case development, shared services design, and shared services build support and implementation.

ABOUT THE AUTHORS

Karen Hilton (karenhilton@scottmadden.com) is a partner in ScottMadden's Raleigh office. Scott Manning (sbmanning@scottmadden.com) is a partner and leads the firm's Corporate & Shared Services practice in ScottMadden's Atlanta office.