Designing a Leading Practices Service Delivery Model with Shared Services

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INTRODUCTION

There is significant pressure on organizations to be financially nimble, lead the people and cultural aspects of the organization, standardize and globalize operations, consumerize service experiences, and cut costs. While meeting these new challenges, corporate functions providing internal service are also being required to be more business oriented. Terms like “strategic,” “business partner,” “scalable,” and “value-added services” are frequently used to describe the ideal functional organization.

Are these requests achievable? While it might appear difficult to be more business oriented, globally integrated, and service savvy while reducing operating costs, many organizations have found it can be done. The key is dramatically reshaping the way corporate services are delivered to the customer and leveraging technology to do it.

A NEW MODEL

Traditionally, corporate function organizations have been designed either as centralized organizations in some companies or decentralized organizations in others. Centralized organizations have delivered products and services from a corporate-centric vantage point, allocating costs to their business unit customers. Decentralized organizations have reported directly to the business unit and focused on the unique needs of their specific organization.

The centralized model boasts economies of scale, consistent processes, and functional specialists, but in an environment where the customer has little control over product and service mix, quality, quantity, responsiveness, and price.

The decentralized model rectifies these downsides by giving the business units control over the function, but costs typically increase because economies of scale are lost and consistency diminishes. The advantages and disadvantages inherent in these organization models have promoted frequent switching from centralized to decentralized and back again without finding a truly successful means to deliver products and services.

Many organizations have been changing the framework for the delivery of products and services through “transformation” to solidify a new delivery model. These new product and services delivery models include relying on centralized elements to achieve economies of scale and process consistency and decentralized elements to ensure a balance among quantities, service levels, and costs. More importantly, this hybrid delivery model aligns products and services based on characteristics of the work (e.g., administrative, transactional, programmatic, specialist, advisory, or strategic; narrowly or widely applied; ongoing or event driven) instead of by function (payroll, procurement, IT, benefits, staffing, or employee relations). For the customer, the result is functional products and services that are delivered to different constituencies in a manner most consistent with customer needs. For the business, costs decline and service value increases.

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APPLICATION OF THE NEW MODEL

In general, the new model leverages different delivery channels to distribute products and services to meet the unique needs and demands of customers. While elements of delivery models may vary slightly by function, most models rely on a fairly consistent makeup of delivery channels. These include channels for the delivery of customer-specific products and services; administrative, transactional, or specialized products and services; and skill-based and policy/programmatic products and services. Each channel serves specific constituencies and delivers, as the channel descriptors imply, a specific type of product and/or service.

What makes delivery models unique between organizations tends to be how products and services are divided among the channels, how technology is leveraged, and how each of the channels is structured organizationally. The most typical channels are described below and in Figure 1.

Figure 1: Service Delivery Channels

	Business Unit Support/ Advisement to Business	Centers of Expertise (COEs)	Service Center and Direct Access	Corporate
Types of Products and Services	• Unique, customer-specific	• Policies and programs; skill-based services	• Transactional and administrative	• Enterprise strategy, policies, and oversight *(common for finance)*
Primary Customers	• Managers • Leaders • Employees	• Leaders • Business units • Field resources	• Employees • Managers • Vendors • Field resources	• Executives • COE
Description	• Serve as strategic business resource for company management • Serve as local resource, coordinating the provision and delivery of functional products and services	• Deliver skill-based products and services • Design programs • Manage vendors and negotiate contracts • Conduct research and development, trend analysis, leading practices identification	• Deliver transactional and administrative products and services • Field and resolve employee and vendor questions across all areas	• Set direction and strategy for the enterprise • Establish policies • Provide oversight
Typical Staff	• Mid-level to senior-level resources with breadth of functional knowledge and in-depth business knowledge	• Mid-level resources with depth and expertise in one functional area	• Entry-level to mid-level resources with strong customer service skills, technology proficiency, functional transactional proficiency, and compliance knowledge	• Senior-level professionals with strong depth in corporate functions

The delivery of centralized services in an effective, service-oriented way is commonly referred to as shared services. The service center and direct access is the delivery channel most typically referred to as shared services. Centers of Expertise (COEs) are also “shared” by business units across the organization. COEs play a key role in the effectiveness of service delivery. COEs design and influence the policies and processes the service center executes and support delivery as an escalation point for inquiries and transactions.

CHANNELS OF THE NEW DELIVERY MODEL

Business Unit Support/Advisement to Business

In most delivery models, the business-facing group focuses on the delivery of unique, customer-specific products and services. These are services, such as workforce planning or organization design in HR or forecasting and budgeting in finance, for that business unit. The services tend to be more strategic in nature and meant to further the operating results of the business unit. Because of the focus of this group on high value-added consultative and advisory services, it is typically staffed with mid- to senior-level generalists with a breadth of functional knowledge. This group’s main customer tends to be the management of the operating unit. In HR, business unit support typically consists of HR business partners, generalists, and, at times, HR administrators, providing support for local needs that cannot be centralized. In finance, business unit support usually includes senior analysts dedicated to the business.

Centers of Expertise

In those cases where the service center needs support to answer a question or complete a transaction, it typically relies on the COEs. COEs are a collection of skill-based policy and program-centric functional experts that can be leveraged across the company. For example, in HR, many COEs contain talent acquisition, compensation, benefits, talent management, and/or employee relations disciplines. In finance, it’s typical to see COEs for financial planning and analysis, performance reporting and analytics, budgeting, treasury and tax, pricing, and audit. Supply chain may include COEs for areas such as strategic procurement/planning, inventory management, and contract and supplier management.

These disciplines are shared across the company and provide programmatic support to the business unit support function and the service center. Again, the philosophy is that it makes more business sense to centralize these expertise-based functions than duplicate resources within each of the operating units. Of course, for the model to be ultimately successful, the delivery channels must be integrated. While standards and programs may be centrally coordinated through a COE, administrative support would occur in the service center, and field support and operating unit management would play a key role in certain processes.

COEs are usually staffed with mid-level associates to senior-level professionals with strong depth in one or more functional disciplines and are responsible for setting policies, determining standards, and outlining enterprise-wide programs. For example, COEs would design the key elements of a company’s compensation program or coordinate a company’s annual budgeting process.

Service Center

In most decentralized models, functional staff in the field provide a range of services from answering routine questions to providing top managers with strategic guidance. In the new delivery model, the business-facing group is focused on only the strategic side of the equation. The administrative, transactional, and specialized responsibilities are shifted to the service center, including direct access established for processes administered by the service center.

The service center is staffed with entry-level employees who possess strong customer service and desktop technology and application skills. These representatives, who do not require formal functional training, handle internal customer or vendor inquiries and transactions. These might be as simple as providing information on company policies to providing a status update on the payment of an invoice. In addition, the service center is staffed with entry-level to mid-level employees who specialize in more advanced functional administrative and transactional activities to support more complex and specialty areas, such as leave-of-absence administration, recruitment administration, credit and collections, and billing.

The result is functional products and services that are delivered to different constituencies in a manner most consistent with customer needs. For the business, costs decline and service value increases.

In advanced models, the service center leverages multiple access points, including telephony technologies, email, and chat to complete basic inquiries or transactions (e.g., answer common policy questions, check status of payments), and case management technologies that track inquiry types, their length, and the time to answer the question or solve the problem. For HR employee service centers, knowledgebases are another critical tool which, when integrated with the aforementioned technologies, provide detailed answers to the employee and/or service center representatives based on the employee's demographics.

In this operating structure, the service center acts as a one-stop shop for the customer. They have one phone number, email, or intranet portal site for all of their questions or transactions. In cases where a question or transaction is out of scope for the service center, it acts as the agent responsible for directing the customer to the proper source or retrieving the answer directly.

Corporate

Finance models typically have a small corporate finance group that sets financial direction and strategy for the enterprise, establishes financial policies, and provides financial oversight. Typical functions provided by corporate finance include financial strategy, financial policy, mergers/acquisitions, and control/compliance. In general, corporate finance and F&A COEs serve different audiences—corporate finance operates for the enterprise, while COEs provide services for business units or divisions.

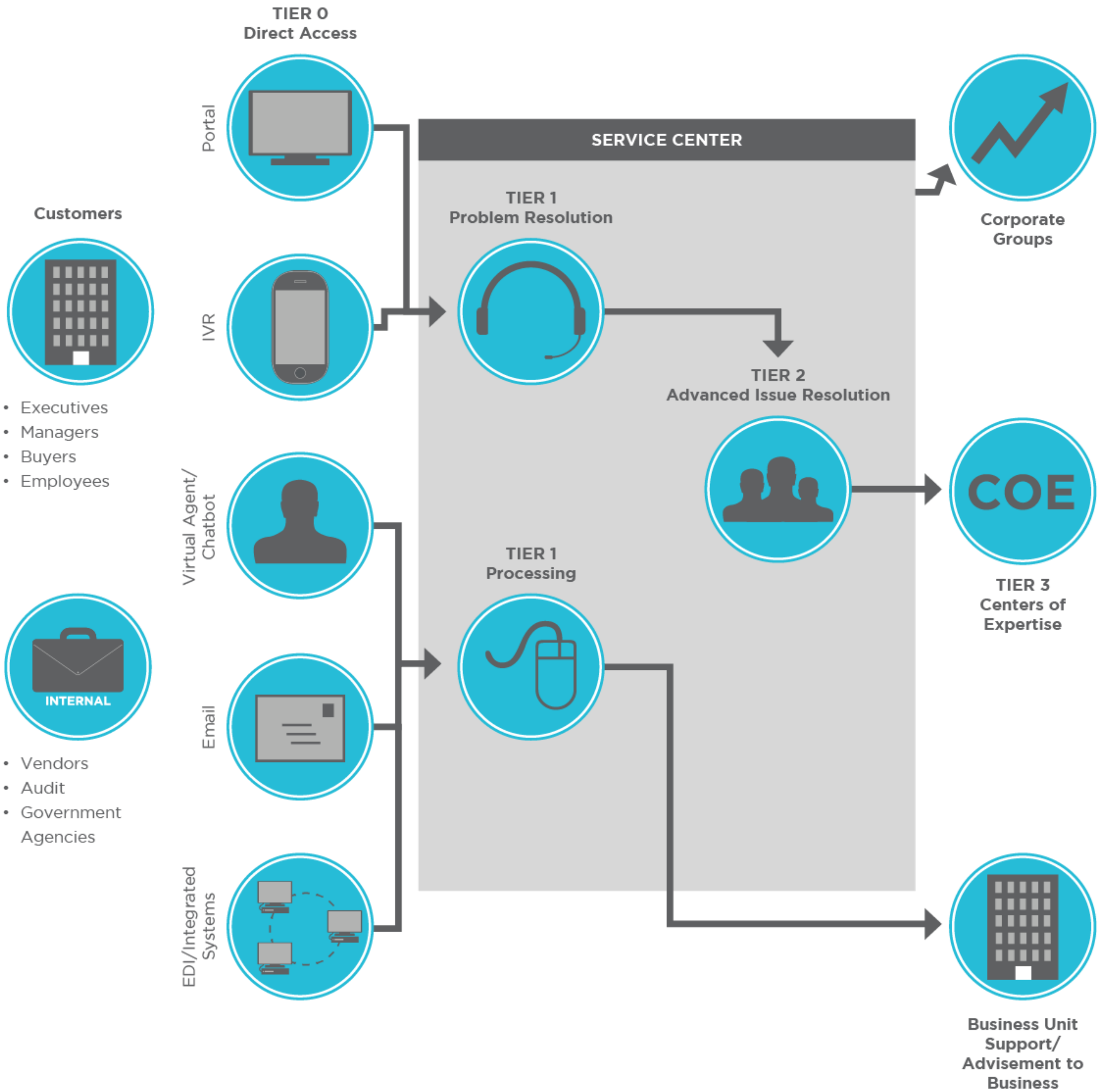
OPERATIONALIZING THE MODEL

As mentioned previously, this new delivery model relies on integration to ensure success. For example, it would be difficult for COEs to set policies without input from business unit support or to verify how the service center and supporting technologies can deliver services related to the policy. It would be equally problematic for business unit support to design a business-unit-level program without the expertise of the COEs, which specialize in the discipline.

Underlying this integration is a complex infrastructure, including delivery channel role scope delineations, processes, service level agreements, chargeback or cost allocation methods, performance metrics, location determinations, and methods for seeking alternative providers. It is this infrastructure that provides the rules for navigating the channels of the new delivery model. Customers, including employees, are pointed to their managers, direct access, or the service center for their needs. Managers rely on direct access, the service center, and business unit support. The service center acts as the key source for resolution. Most of the time, the center will have access to the required information through their systems or the knowledgebase. In those times when this information is not available, the service center relies on the COEs to answer the questions or provide a ruling.

For example, an employee with a question on when paychecks will be deposited if a regular payday falls on a holiday can turn to direct access or the service center for an answer. If instead the question was centered on how a stock grant has been computed, the service center would either leverage the compensation COE for information or place the employee in direct contact with a specific individual at the center. A business unit manager who has questions when developing a new sales forecast would enlist the support of the business unit finance analyst and the service center. The service center would run reports and provide insight to the business unit finance analyst to address the manager’s questions. (See Figure 2.)

Figure 2: Leading Practices Delivery Model



As noted earlier, the service center delivery channel depicted in Figure 2 is most often synonymous with shared services. COEs are also shared by business units and provide an important role in delivery of services. Therefore, aligning COEs with a shared services approach is important to the overall success of shared services. The overall delivery model requires coordination among all the delivery channels.

The service delivery model refers to “tiers” which is commonly used in describing work within shared services. It reflects the points of service and desired escalation path for administrative and transactional inquiries and requests received by a function. Tier 0 refers to direct access; Tier 1 refers to assisted support answering basic questions and supporting basic transactions; Tier 2 refers to more complex questions, transactions, and specialized support; and Tier 3 refers to COEs support which is typically very limited and addresses exceptions or policy interpretation. The greatest efficiency comes from driving work to the lowest tier possible.

BENEFITS OF THE NEW DELIVERY MODEL

Why all the hype about a new way to deliver corporate services? The reasons are numerous:

- The model allows each function to operate more strategically and to improve service levels
  - The model centralizes and elevates the strategic elements performed by each functional area
  - Furthermore, the delivery model matches a specific skill with a specific type of work. Administrative work is performed by the employee through direct access or by a lower-paid service center representative, not by a higher-paid field support role. Thus, the HR business partner or business unit finance analyst is able to focus his or her efforts on strategic, high-value, consultative work

Why all the hype about a new way to deliver corporate services? Strategic gains, improved service levels, adapability, and decreased costs.

  - The model enables corporate functions to be more adaptable to changing business needs and be proactive in forecasting certain internal issues
  - Because the direct access, service center, and COE channels are centralized and leverage technology, they are easily scalable. These channels are able to absorb more customers without proportional increases in their resources
  - Since operating units have direct control over a significant portion of their functional product and service needs and resources, they can easily adjust to compensate for changing business needs. Cost awareness increases and shapes usage behaviors
  - The metrics tracked through service center calls can be predictive of latent or unaddressed service or employee issues
- The model enables companies to decrease costs and duplication
  - Economies of scale are achieved. For example, no longer do you need a full complement of pricing or recruiting specialists—who are never fully utilized—in every business unit. Instead, a COE can perform the functions across several business units and, at the same time, gain proficiency from the consolidated volume

- Redundant systems, tools, and contractors can be streamlined
- The application of a service center provides one-stop shopping for customers or employees. Answer shopping is nearly eliminated and answers can be accessed immediately, sometimes at any point in the day, without regard to whether or not local field support is in his or her office
- Processes across business units are standardized, removing costly legal liabilities, rework, confusion, and frustration

SUMMARY

Corporate support organizations are under renewed pressures to reduce costs and add strategic value. Successfully adopting and implementing the new delivery model can enable the functions to achieve these goals.

Organizations that have successfully implemented this model have reduced overall operating costs from 20% to 40% and elevated function to company staff ratios. Moreover, while most organizations were compelled toward the model for cost reasons, many cite the greatest benefit to be elevated service levels—largely from aligning key resource skills with specific types of work.

As the business environment continues to become more challenging, the pressure on corporate support functions will intensify. The new delivery model can enable these areas to continue to add significant value to the organization at less cost than either common centralized or decentralized models.

HOW SCOTTMADDEN CAN HELP

ScottMadden has helped lead many clients through transformation to a leading practices shared services delivery model and would be happy to talk about the unique challenges involved with yours. For more information, please contact us.

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 1,700 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients range across a variety of industries from energy to healthcare to higher education to retail. Examples of our projects include business case development, shared services design, and shared services build support and implementation.

ABOUT THE AUTHORS

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