

Making shared services a success in the private sector

Introduction

Amidst growing competition and global economic uncertainty, businesses are facing greater pressure than ever to increase their productivity and profitability. As a result, many companies are looking to implement a more dynamic business structure to cope with the challenges ahead. However, as companies focus on their core business areas, they can often overlook the benefits of consolidating, standardizing and streamlining their back-office functions. Yet, by realizing efficiencies and leveraging economies of scale in their back offices they have the opportunity to not only reduce costs but also to free up more resources that can be invested into their core business areas.

Using a shared services model can be a very effective solution for realizing these benefits.

Under this system, back-office processes (such as HR, finance, payroll and procurement) are standardized so that they can be provided in a repeatable way and in high volumes by a dedicated team (the shared services center). De-fragmenting the back office creates benefits in terms of speed, efficiency and costs, whether the company has a series of national hubs, or has locations in other countries. There is also the option of implementing a global, multi-lingual shared services model so that company units around the world can be efficiently supported in line with centralized processes and standards, thus removing bottlenecks in the network.

This White Paper offers five key steps to ensure that a shared service program is successful. This is based on Arvato's experience gained from numerous large-scale

implementations for leading global companies and UK government departments

A shared future

The basic principle is to have one shared workforce and platform that undertakes the back-office functions of multiple different business departments. This increases efficiency and so has the potential to reduce costs. It can also free up time and resources allowing businesses to focus on their core areas and therefore deliver a better standard of service. The process usually involves migrating numerous different entities onto a common IT system and operating platform, and sharing common, standard processes. Whilst technology harmonization is clearly a pre-requisite for shared services, the real value to businesses lies in the benefits derived from process optimization and standardization.

The benefits of a shared services model



Optimize resource management and reduce costs



Sharing back-office functions can potentially deliver hundreds of millions in savings a year in administration costs.



Add value to your core business



Freeing up resources allows business units to focus on higher value tasks and driving continuous improvement.



Improve visibility, control and compliance



Standardized processes and technology enable a single, real-time view of operations, enhancing decision making and tightening control over compliance to key processes, policies and procedures.



Boost employee satisfaction and retention rates



Streamlined processes offer a greater degree of automation and self-service. Employees can get the job done quicker and more effectively – making for a happier workforce and higher retention rates.

Challenges and key lessons

The rewards may be plentiful, but implementing a shared services program comes with many challenges. Past projects have tended to stop short of truly transforming their businesses, lacking the standardization of processes and technology required to deliver real value. Critically, many projects have suffered from an absence of central leadership willing to drive change. In order to operate effectively and add value, shared service centers need to generate economies of scale, which means they require as many areas of the business as possible to join the platform.

So, how can large businesses harness the potential of shared services and reap the benefits so widely promised? The key is preparation. Migration to shared services is not an isolated project and the level of business transformation is often underestimated. The transition permeates the entire company with end-to-end implications for each and every business function. Without proper preparation, the journey is bound to be a bumpy one.

5 steps to make shared services a success



Step 1 – Strategic buy-in across the company

At the core of a successful shared services implementation is a universal acceptance of the goals of a project across the company. This is no small ask. Transition to a shared services model may require a change of mindset and most certainly a willingness to overcome entrenched ways of operating. Different areas of the business will have different objectives, and the leadership driving the transformation must have a clear understanding of the priorities of each participant and ensure they are taken into consideration.

Maintaining open channels of collaboration and communication is critical, but bringing stakeholders together in a cohesive way will require a strong singular vision that is fully understood and accepted by all. This means communicating the benefits for every part of the company that is affected, but also selling the bigger picture beyond immediate operational needs.

Genuine strategic buy-in is required from the outset, and this engagement should be continuously monitored and promoted at board level. This level of commitment is needed for such a project to reach its potential, critically without losing any participants along the way. Also, participants need to feel that they are part of the journey, not watching from the sidelines.

Step 2 – Build a compelling business case that benefits all

A detailed business case, that includes costs and projected savings, drilling down into the detail of the strategic fit, affordability and achievability of the program, is an obvious first step for a



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David Morton, Sales & Solutions Director, Arvato UK & Ireland

successful change-management program. However, for this to be effective it not only needs to include a convincing rationale for change, it also has to clearly lay out the benefits for those areas of the company that will be most affected by its implementation. This includes the cultural and organizational impacts of change – and how these will be managed. An effective way of achieving this is by involving people early on in the planning and getting alignment on which processes will be the main focus and which changes will add the most value. As David Morton, Sales & Solutions Director, Arvato UK & Ireland, explains, "even though companies should have effective top-down decision-making processes, the needs of all areas of the business that use the shared services center have to be considered".

In order to make a shared services program work, the business operating model (or lines of demarcation) between the tasks and responsibilities of the end users and the shared services center users needs to be well defined and fully understood. It will no doubt develop over time if the shared services center is operated internally. If it is outsourced, then this needs to be defined up front to ensure successful operations.

Lessons learned from similar shared services programs are an important part

of this, as the successful resolution of past issues can offer valuable reassurance. One of the major benefits of utilizing a shared services model is that it can reduce costs whilst at the same time improving service levels, as staff members can focus more of their time on core competencies, rather than low-value administrative tasks. For example, Arvato implemented a managed services model for software giant Microsoft, which involved processing 90% of the company's global revenues in two specially created sites. As well as generating over 20% cost savings, Arvato was able to streamline functions, increase productivity and achieve the highest scores possible for operational excellence from Microsoft.

Future benchmarking and performance tracking are also critical. A convincing business case will clearly outline the key success factors and how they will be measured. Essentially, there should be no surprises – good or bad. This includes project timelines. Company priorities and external pressures can lead to unrealistic deadlines and a rush to push through the final critical stages of a migration, such as testing and training. An effective business case should successfully demonstrate the time needed for a smooth transition. Delivered convincingly, these factors should evoke a genuine will to change amongst stakeholders.

Step 3 – Consider a modular approach

Even the most persuasive business case can fall at the first hurdle if change is not managed carefully and responsively. It is vital that organizations take a committed approach to change management. However, this does not necessarily mean that the company has to commit to major up-front investment. It is possible to also take a modular approach to change

management, where individual functions are migrated to a shared services platform over time. Where automation is possible, very early wins and savings can help build momentum and confidence in the overall change program. According to David Morton, "depending on the nature of the services being delivered, one approach is to on-board the process as it is, then look to use robotics and automation to make it optimal and right-sized, before looking at the location and whether a portion of it is suitable for nearshoring or offshoring".

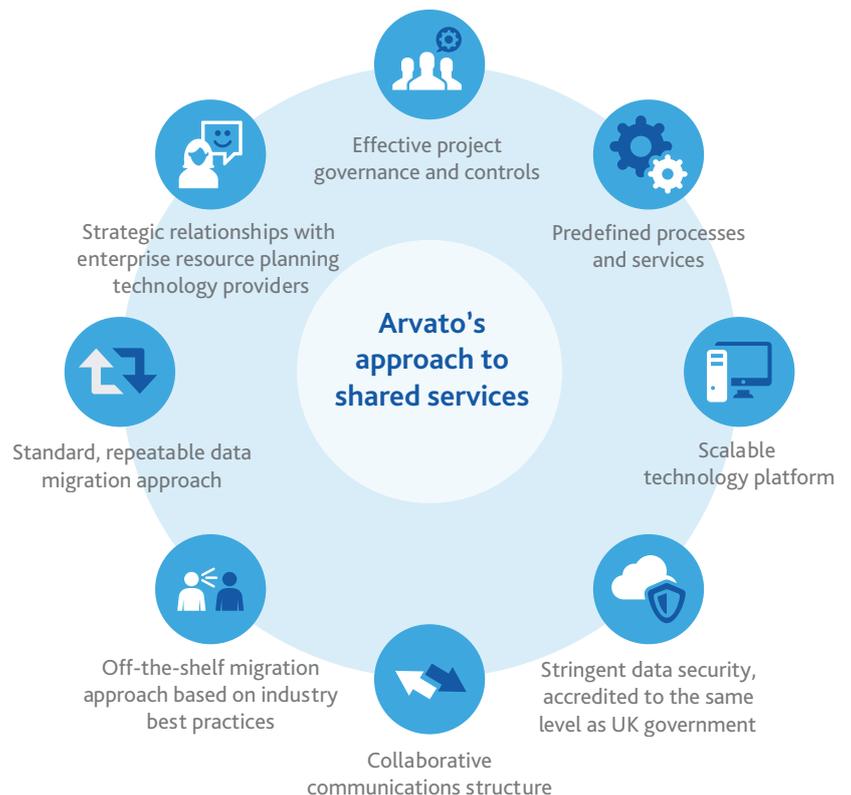
However, when managing change at any level it is vital to focus on staff training. All too often, organizations get bogged down in changes to their infrastructure and technology, neglecting the needs of those who will be interacting with it on a daily basis – the workforce. The importance of investment in employee training should not be underestimated. This can be off-putting at the outset of a project, where the immediate priority is on reducing costs, but experience shows that training

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is far more than a discretionary cost. Without it, staff will be less engaged, their job satisfaction will suffer, and ultimately they will struggle to provide the added operational value that shared services promise. This links back to the importance of a strong business case, which must clearly outline how investment in training will ensure greater efficiencies further down the line.



Key security accreditations to consider

ISO27001 (international standard for information security management), which evidences that information security is embedded within the organization

Cyber essentials plus, which is an independent test against the UK government's 'Ten Steps of Cyber Security' principles

Information Assurance for Small and Medium Enterprises (IASME)

ISO 2000



Continual communication

However compelling the business case, a strong communications plan is essential to keeping workers committed and easing their transition to a shared services platform. Departmental staff may have concerns about how the project affects them. Will their roles be changing? Will people have to relocate? Will headcount be reduced? These concerns have to be allayed and answered.

Change is often perceived as a threat, usually because of an absence of adequate information on a regular basis. Communications should be targeted to the particular audience in terms of channel and message. The overriding aim is to keep everyone pulling in the same direction.

Step 4 – Automating processes

Complexity is a common pain point when it comes to considering technology and processes in a shared services migration. The absence of a single operating platform and a failure to standardize processes will, in the best case scenario, cause delays and increase costs, and worst case, end in the downfall of a project. Only with stable, streamlined back-office processes, running on a unified platform, can services be merged seamlessly and delivered in a consistent, repeatable way. The groundwork should be done early on to identify, map and standardize processes across business units – and to select a software solution most suited to the business.

When focusing on functions such as HR, finance or procurement, it is vital that the

standardization work is done by experts who can re-engineer processes where necessary to achieve the maximum efficiencies. It is also important to enforce strict limits on how much business units can change processes in an attempt to bend them to existing ways of working. This is a natural tendency but could end up undermining the whole project.

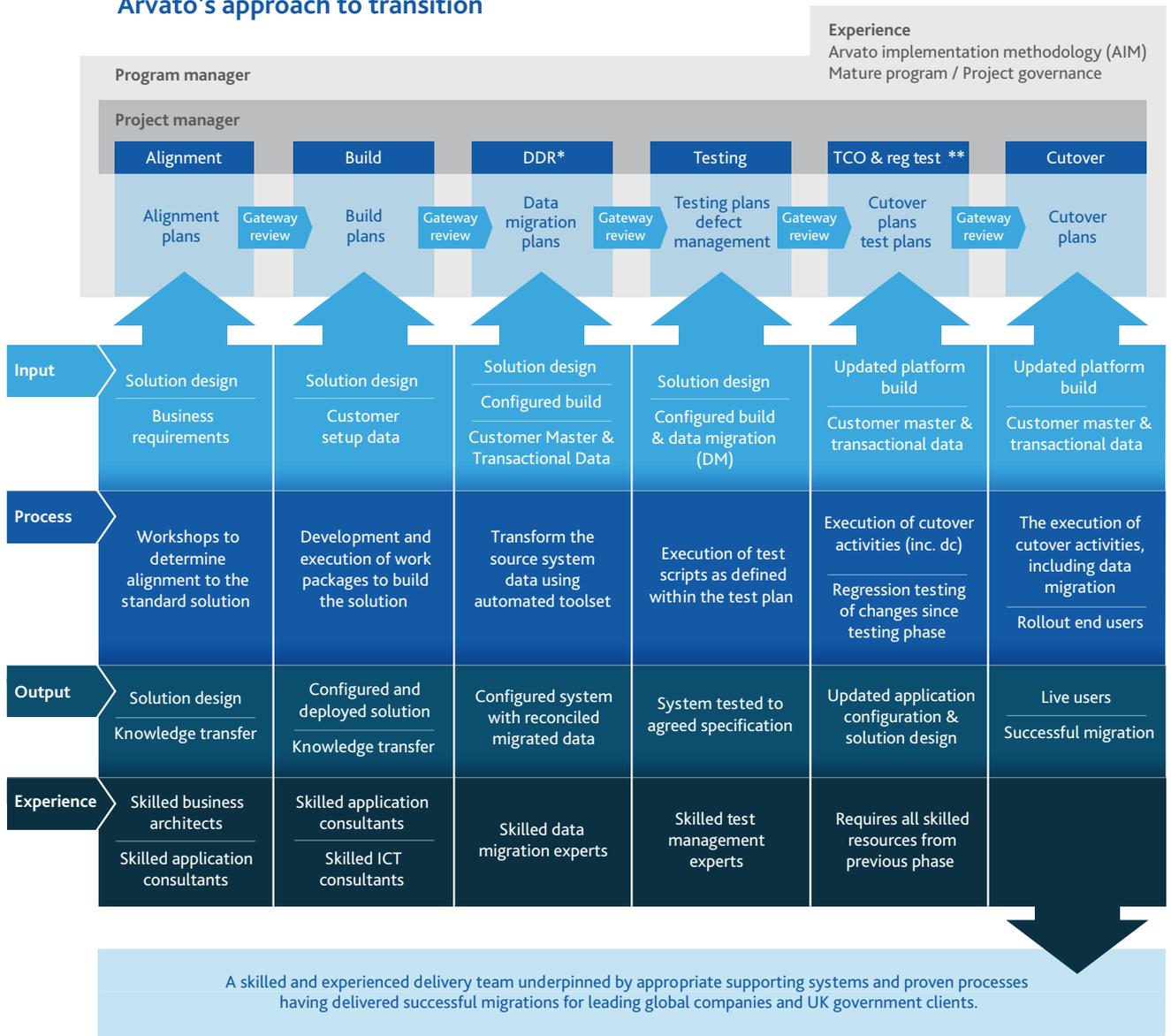
Picking the right platform

The right technology is a key enabler in a shared services environment – and a critical factor in lowering the risks and costs of implementation. Migrating to a single enterprise resource planning (ERP) solution offers considerable benefit in terms of integration and alignment. But the software must be the right fit for the business, as well as scalable and configurable. Ultimately, solutions should support process improvements – not constrain them – and be future proofed to drive continuous value.

The inherent flexibility of ERP solutions allows organizations to configure software to their existing business model, while in-built analytics provide transparency without risking data security. Solutions are also designed to self-operate as much as possible, with process automation and self-service capabilities freeing up resources to focus on higher value areas of the business. For example, it is estimated that implementing robotic process automation (RPA) for a typical rules-based process can generate time and cost savings of 80% or more.^{1,2} Critically, solutions like these have the capacity to adapt quickly to changing conditions without major disruption to the company.

Importantly, business process outsourcing as a service (BPaaS) should be flexible enough to work with existing structures. BPaaS typically involves using advanced

Arvato's approach to transition



*Data dry run (DDR) **Trial cut over (TCO) & Regression testing (Reg test)

software solutions to automate many manual tasks, thus increasing efficiency, reducing errors and improving quality and lowering costs. These solutions can then be centralized and integrated across an organization by using a cloud platform.

However, BPaaS solutions can be integrated with a traditional business process outsourcing (BPO) approach that looks to arbitrage labor costs by moving functions to low-cost countries. Typically, a process is broken down into its component parts. Some elements may be ripe for automation whilst others continue to require manual oversight and

intervention – with further consideration as to whether that work is best undertaken from an onshore, nearshore or offshore location. By combining these two approaches a company can get the best out of both automated and human working practices.

Safeguarding implementation

Driving a shared services project forward to a successful conclusion will require a balance of implementation expertise and industry know-how. Whether migration is tackled in-house or with the support of an experienced partner

will depend on the scope of a project, levels of in-house expertise and the importance of a rapid payback period. A standard implementation methodology will offer best time to value – one of the key advantages of bringing in external support. The right partner will bring best practices to the table with predefined processes and controls that can be easily tailored. A good rule of thumb is to use 80% off-the-shelf processes, and 20% tailored to a company's needs. Technology should also be scalable, and quick to adapt to increases in volume or additional participants coming on board. Having a secure, tried and tested approach

is especially important when it comes to data migration, where there is a need to transfer and validate key data efficiently and quickly while observing critical compliance and data security requirements.

Step 5 – Clear leadership and accountability

Managing this complex mix of variables is no easy task, and efficiency gains can dwindle when strong leadership is lacking. Bringing together different business units means dealing with a variety of structures, decision-making processes and levels of accountability.

A key component of this is clearly defining roles and expectations from the start. Everyone involved in the program should know where their responsibility begins – and ends – and who to pass the baton to when issues arise. Leadership needs to be central, credible, and above all visible. At every level of the company, it should be clear who is making the decisions and who has overriding authority for the project. Getting the right leadership and governance structure empowers people throughout the company to be accountable, speeds

up decision making and helps businesses achieve project milestones on time. Thus providing the right structure to allow the shared services project to succeed.

Establishing a formal governance group provides a key opportunity for stakeholders to assess progress, review metrics, and address any changes or issues. This can help offset the loss of control business units perceive when migrating to shared services.

Conclusion

Migration to a shared services model comes with challenges but the potential rewards are high. In order for the program to be successful, decision makers need to steer away from a quick-fix mentality and resist pressure to push forward with implementations prematurely. Ultimately, companies need to ensure operational excellence whilst also creating a dynamic structure that will help them adapt to change and future proof their business. By carefully analyzing back-office functions and then deciding the strategy for automation, optimization and location, businesses have the best chance of reaping the

benefits of shared services both in terms of cost but also when it comes to speed and service quality.

Effective change takes time, particularly in a large-scale organization. The key is to undertake a careful, measured approach that combines external expertise with internal knowledge – and a shared commitment to the overriding goals of the project. And this commitment should persist well beyond go-live, with adequate resources in place to safeguard the project as it evolves post implementation. With all this in place, businesses have a remarkable opportunity to transform the way they work as they move towards a new dawn of operational excellence.

Helpful resources

<http://sharedserviceslink.com/>
<https://www.ssonetwork.com/>

Appendix/references:

[1] Arvato internal data. Date of preparation: July 2018.

[2] Genfour. 'The new digital workforce.' Available at: <http://genfour.net/robotic-process-automation>. Accessed July 2018.

About Arvato CRM Solutions UK

Arvato CRM Solutions UK is a trusted partner to the private and public sectors, with expertise in delivering award-winning customer relationship management, business process outsourcing (BPO) and public sector and citizen services.

With more than 50 years of experience, we design and deliver innovative, individual solutions for some of the world's most respected consumer brands and UK public sector organisations. Driven by technology, differentiated by experience and powered by our people, we help our clients achieve their strategic objectives and delight their customers.

A division of Bertelsmann, Arvato CRM Solutions UK employs approximately 1500 people across eight UK locations.



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