



How to Optimize Your Shared-Services Center

Companies are looking for the most effective use of their limited funds in improving performance and value in shared-services centers. Here’s how a Fortune 500 company achieved that objective.

By Michael Fraley, Principal, Everest Group

Although a shared-services center operates within a company’s corporate structure and supports internal “customers,” the key to ensuring the anticipated return on investment (ROI) in shared services is to treat it like a stand-alone business. Thus, it must be efficient and able to compete in a services market. However that is not the case with many shared-services centers (SSCs).

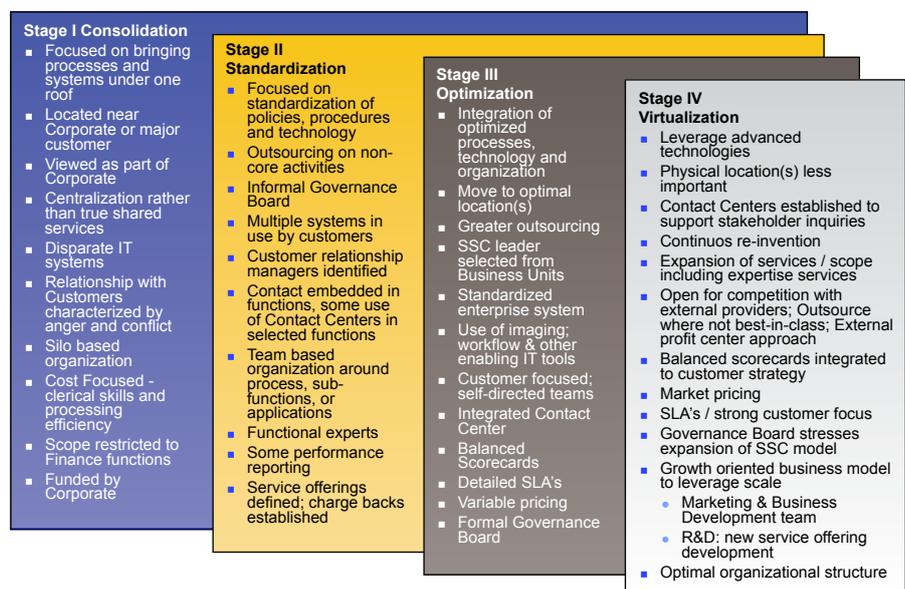
We often hear questions such as the following from some of our clients:

- Why is our center underperforming even though we keep adding more staff?
- Why is our center’s operating cost higher than our peer companies?
- How can we speed up our budgeting and forecasting process to be more on target with our actual results?
- Why are our service level metrics not driving the intended outcome from our shared-services center?
- How can we ensure more effective services – not just cheaper services – form our center?
- Why are we experiencing conflicts between our business units and our shared-service center?
- How can we improve change management in our center?

Exhibit 1 displays the focus of activities in the four stages of SSC development. Many companies adopt the shared-services model but stagnate at the early stages of consolidation or standardization.

EXHIBIT 1

Many companies adopt the shared-services model but stagnate at the early stages



The following example illustrates how we helped a Fortune 500 specialty manufacturing company all the way through its SSC journey to ensure it optimized the SSC and captured greater value from its investments.

Case example: Fortune 500 specialty manufacturing company

We first helped the company build its business case for shared services. We benchmarked the company's processes at the outset to understand where it stood from a cost perspective compared to the overall marketplace and their specialty industry. We identified a future multimillion-dollar amount of savings that could be realized if the company installed shared services.

We next helped the company decide which cities were the best locations for establishing three SSC locations in the United States, Europe, and Asia Pacific.

The next step was helping design what the company's future-state processes should look like from a business perspective. We proceeded to help build a technical environment that matched the future-state process design. Then we implemented the future-state processes in the existing ERP system (PeopleSoft/Oracle) in all three SSCs.

We also helped consolidate the company's existing accounting personnel who would move to each SSC location. Finally, we designed the future-state organization including hiring many key personnel such as the SSC leader and several process leaders.

The entire journey took about two years, spending about eight to nine months each for establishing the three regional SSCs.

Enhancing the value of an existing SSC

Companies seeking to invest in expanding or enhancing their existing SSCs need to build a business case and go through many of the same steps as the manufacturing company in above example. They need to understand such aspects as:

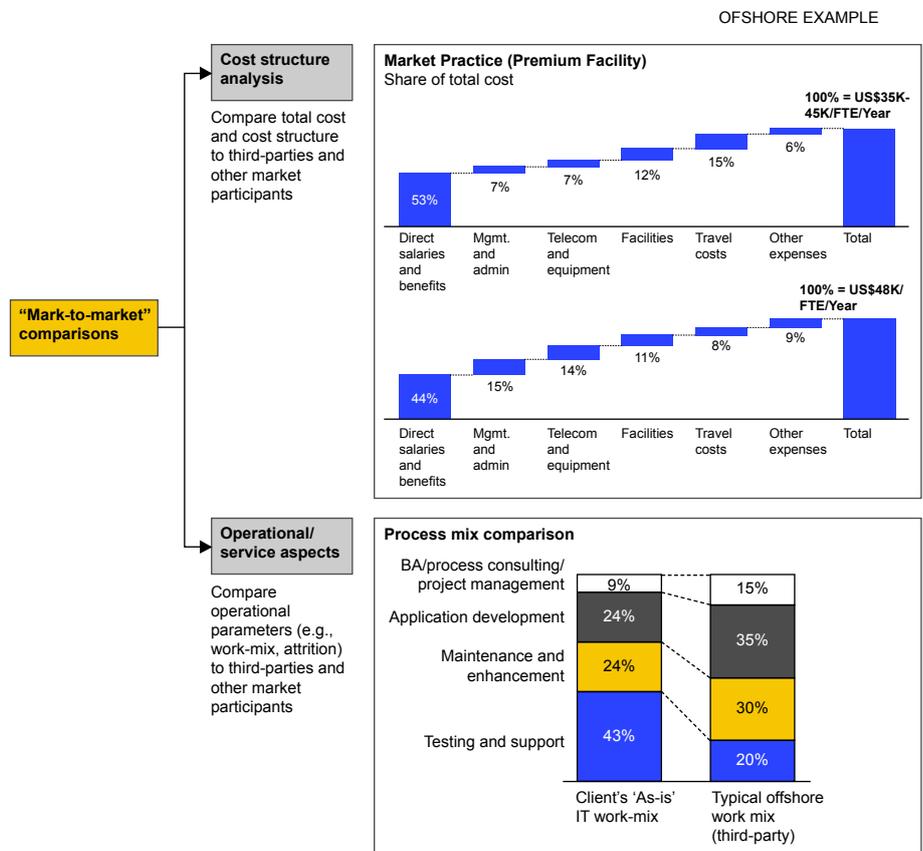
- Where to invest in key capabilities
- How to drive toward end-to-end ownership
- How to define the end-state including the design implications today and the implications of different paths to reach the end-state
- How to create a global center of excellence

SSC optimization is not rocket science, but it does require benchmarks, best practices, and deep expertise in optimizing business processes. Many companies bog down in their efforts or make less-than-optimal decisions because they lack access to the necessary information and expertise. At Everest, we help companies by leveraging our deep research, experience, and supplier relationships in all the key points that affect SSC optimization.

Benchmarking. A primary tool is our detailed pricing and process cost benchmarking to measure a client’s SSC processes against its industry peers and the overall market. As shown in **Exhibit 2**, benchmarking is one tool we use to identify where cost savings are available.

EXHIBIT 2

Comparing cost and operational parameters with market to identify gaps and improvement opportunities



We base our benchmarking methodology on data from actual deals on which we have advised clients. This source of data ensures reliable data that is most similar to a client’s situation. It also ensures the data reflects the price the parties agreed on after aggressive price negotiation (rather than the best-and-final offer).

Best practices. We also leverage our comprehensive database of best practices in SG&A functions. Bringing a best-practice perspective to these functions help clients design future-state processes that are based on best practices.

Technical environment. We conduct a gap analysis between clients’ current process and their future-state process, ensuring their ERP system matches their business requirements for the future state.

Expanding SSC services scope. We provide a perspective around which processes are good choices for a shared services center and which are not. Our expertise in all aspects of business processes and support services helps clients with the necessary project management, change management, and organizational design aspects of planning for enhanced scope in an SSC.

Site selection methodology. Our methodology and database enables selecting the best location in which to establish shared-services centers. The database includes such aspects as a location's total cost of operation, detailed skills profiling, impact of business presence, and other aspects.

Clearly, these are valuable tools and methodologies that sharpen a company's capability for making informed decisions about establishing or enhancing an existing shared-services center.

If you would like to further explore these issues surrounding shared-services optimization, feel free to contact us. In addition to our research databases, tools, and methodologies, we have a great deal of experience in helping companies build and enhance their SSCs and can help you move your SSC to the desired state.

For more information, please contact Michael Fraley at +1-214-451-3024 or Michael.Fraley@everestgrp.com.

About Everest

Everest Group is a global consulting and research firm that comprehensively serves the sourcing market. An industry leader since creating the sourcing consultancy practice in 1991, Everest has earned a worldwide reputation for ongoing innovation by helping clients capture optimum value through the development and implementation of sourcing strategies and implementations, including captive, outsourced and shared services approaches. We help companies create strategies and sourcing relationships that deliver total value – improving performance and results while effectively managing risks.

Since its inception, Everest has forged over 600 major outsourcing relationships, advising clients on complex sourcing issues in more than 30 key business processes worldwide. Our experience spans numerous Fortune 500 clients in industries including banking, energy & utilities, healthcare, hospitality, insurance, manufacturing, media & entertainment, retail, and telecom.

The Everest Research Institute serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, suppliers, technology providers, and investors in the global outsourcing and offshoring marketplace. Our research analysts address both business process and information technology sourcing topics, providing the global sourcing community with information that empowers highly productive, sustainable sourcing strategies and relationships.

Through a uniquely integrated consulting and research delivery model, Everest offers its clients the flexibility and scalability to support a broad scope of business situations, client needs, and project requirements. Service offerings range from comprehensive support for critical initiatives to modular support for ad hoc inquiries.

Everest is headquartered in Dallas, Texas, and has offices in New York, Toronto, London, Amsterdam, New Delhi, Melbourne, and Sydney. For more information, please visit www.everestgrp.com and www.everestresearchinstitute.com.

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