Exploding the Myths of Shared Services

Presentation for California Public Higher Education, Collaborative Business and Administrative Services Conference

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Phil has more than 20 years of experience in Finance, Shared Services, Technology and Outsourcing. Prior to his current role, he was Group VP and CFO of Cendant TDS International, which encompassed all areas of Finance across four continents, including Decision Support, Financial Planning & Analysis, Controllership and Financial plus certain HR Shared Services.

Phil was granted O1 visa status by the US government in 2008 which resulted in him gaining accelerated Green Card status in 2009 through the “Extraordinary Ability” classification. This classification is for “ability...demonstrated by sustained national or international acclaim” and was based on Phil’s unique experience in Shared Services and Outsourcing. Phil also was issued a C10 visa by the Canadian federal government in 2010; this visa is only granted where there is “significant benefit to Canada” [R205(a) CEC C10]. Issued with a C10 Visa by the Canadian Federal Government in 2009. This was renewed again in 2011, in 2012 and then more recently again in January 2014 for a further three years until January 2017.

Phil is a Chartered Accountant and has a BA Honors Degree in Economics from the University of Exeter. He is a member of Financial Executives International (FEI).
Chazey Partners is a practitioners-led global management advisory business. We bring together a unique wealth of experience, empowering our clients to strive for world class excellence through Business Transformation, Shared Services & Outsourcing and Technology Enablement.

- We have operationally delivered and consulted on numerous programs globally, over the last 20 years, in the US, Canada, Latin America, UK, Ireland, Continental Europe, India, Singapore, Australia, China, Middle East and Africa.

- Our end-to-end capability offers advice, guidance and implementation expertise, covering strategy setting and business case production, program management, implementation and process optimization.

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Who We Are · Services Portfolio

Expertise In Public Sector & Private Sector

Functional Breadth of Experience

- FINANCE & ACCOUNTING
- HUMAN RESOURCES
- INFORMATION TECHNOLOGY
- PROCUREMENT
- TRAVEL & EXPENSES
- CONTACT CENTRES

Other Supporting Services

- INVENTORY & LOGISTICS
- STAT & TAX COMPLIANCE
- SUPPLY CHAIN
- LEGAL SERVICES
- FACILITIES MANAGEMENT
- MARKETING BACKOFFICE

BUSINESS

- TRANSFORMATION
- SHARED SERVICES & OUTSOURCING
- TECHNOLOGY ENABLEMENT
- BUSINESS CONTINUITY
- CHANGE MANAGEMENT
- LEAN SIX SIGMA

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Who We Have Worked With

OUR CLIENTS

WHERE HAVE WE COME FROM
Agenda

Introductions

The Myths of Shared Services

Global Trends in Shared Services

Why Shared Services in the Public Sector?

Shared Services Trends in the Public Sector

Higher Education Focus

Critical Success Factors

Wining Strategies
WHAT EXACTLY IS SHARED SERVICES?
Shared Services is the organization that...

- Employs a specialist team
- Geographically unconstrained
- Client-focused

Providing services that are...

- High quality
- Non-core
- Mission critical
- Repetitive or professional

- High efficiency
- Lower cost
- Professional

Achieve by leveraging...

- Organizational realignment
- Technology Standardization
- Best Practices
# Shared Services vs. Centralization

<table>
<thead>
<tr>
<th>ATTRIBUTE</th>
<th>SHARED SERVICES</th>
<th>CENTRALIZATION</th>
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<tbody>
<tr>
<td>Accountability</td>
<td>Business Unit</td>
<td>Corporate</td>
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<tr>
<td>Key Performance Target</td>
<td>Service excellence and continuous improvement</td>
<td>Cost reduction and central control</td>
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<td>Service Partnership Agreements</td>
<td>Widespread</td>
<td>Rare</td>
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<tr>
<td>Classification</td>
<td>An independent unit</td>
<td>Another corporate function</td>
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<td>Responsibility</td>
<td>Partnership</td>
<td>Demarcation</td>
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## Structures have Benefits & Challenges

<table>
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<tr>
<th><strong>Decentralized</strong></th>
<th><strong>Shared</strong></th>
<th><strong>Centralized</strong></th>
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<tr>
<td><strong>Challenges</strong></td>
<td><strong>Benefits</strong></td>
<td><strong>Challenges</strong></td>
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<tr>
<td>Disparate processes</td>
<td>Responsive to Business and Operational needs</td>
<td>Remote from business</td>
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<tr>
<td>Multiple standards</td>
<td>Business/Operations control decisions</td>
<td>Unresponsive and inflexible</td>
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<tr>
<td>Duplication of effort</td>
<td>Customized solutions to meet Business/Operational requirements</td>
<td>No Business/Operational control over costs</td>
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<td>Different control environments</td>
<td>Highly client focused</td>
<td>Tight control environment</td>
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<td>High cost and costs unclear across the business</td>
<td>Commercially driven</td>
<td>Economies of scale</td>
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<tr>
<td>Not scalable</td>
<td>Service Partnership Agreements</td>
<td>Viewed as central overhead</td>
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<td></td>
<td>Clear unit costs</td>
<td>Prevalence of shadow operations</td>
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<td>Flexible delivery</td>
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<td>Clear understanding of drivers and activities</td>
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<td>Common systems and support</td>
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### Benefits

- Highly client focused
- Commercially driven
- Service Partnership Agreements
- Clear unit costs
- Flexible delivery
- Clear understanding of drivers and activities
- Common systems and support
- Consistent standards and controls
- Tight control environment
- Economies of scale

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- Introductions
- The Myths of Shared Services
- Global Trends in Shared Services
- Why Shared Services in the Public Sector?
- Shared Services Trends in the Public Sector
- Higher Education Focus
- Critical Success Factors
- Wining Strategies
General Trends in Shared Services (i)

• Shared Services and Outsourcing initiatives typically result in "cost savings of 20%-50% on processes in scope" (Hfs-PWC report June 2012)

• "In today's business environment, nine out of every ten enterprises have shared services and 97 percent manage outsourcing relationships". (Hfs-PWC report June 2012)

• Multi-process Shared Services much more a reality today

• Captive vs Outsource, On-shore vs Near-shore vs Off-shore

• Continued increase in scale and up the value chain in Shared Services (e.g. O2C, Reporting, Policy)

• Technology options continue to grow (e.g. document management, approvals, user self-service, ERP, open architecture, software-as-a-service, “cloud computing”, etc)

• Now much more end-to-end “wing-to-wing” process focused
• Data privacy and security a big issue
• Recession had the effect of bringing Shared Services to the Top Table. Less so outsourcing which suffered significantly over this period. But what happens next?
• Politics around offshoring jobs has been an issue for years, but has not stopped the trend (captive and BPO), although slowed for a while
• As well as need to manage costs and working capital, biggest concern in last couple of years has been about needing **visibility and control** – the “classic” centralized vs decentralized dichotomy
• Multi-functional Shared Services now really starting to happen after years of this being in the textbooks
• Large scale, multi-tower outsourcing simply hasn’t happened, despite what many predicted. However, there is some movement back to try to achieve this again.
• Selective outsourcing (which actually never went away) is the trend
General Trends in Shared Services (iii)

• “Innovative outsourcing” has not happened? Lift and shift did. Partly due to client requirements. However, there is a new emphasis on this.

• “Quick fixes” are not the solution. Right direction, adapted to each organization’s unique requirements

• Global Business Services growing and developing. Also more focused on being a key support for enablement and delivery of business strategic goals

• “Big data” and Data Analytics now a key “outut” from Shared Services/Business Services – feeding the business the data and information to support growth.

• Ultimately this is “all about the business”. This, despite its name sometimes, is not an “industry” but more of a service delivery option – a means to an end
General Trends in Shared Services (iv)

Maturity 5+ years

- Innovation – really customer focussed, end-to-end, six sigma processes
- Automation – ERP, web-enabled, self-service,
- Value – really customer focussed. Supporting achievement of business strategic goals
- Scope – multi process/multi functional
- Further cost reduction - unlimited opportunity through paperless, virtual service centre, global low cost alternatives, strategic outsourcing

Phases of Shared Services

% of Baseline Costs

Time
General Trends in Shared Services (v)

More Than Cost Reduction ...

Cost Reduction
- Focus on cost
- Consolidate and standardise
- Reduce fixed cost base

Re-engineering and Productivity Enhancement
- Focus on process
- Reduce/eliminate non value-added activities
- Reduce errors and increase rework
- More timeliness and accuracy of information

Value Creation and Continuous Improvement
- Focus on value
- Leverage Shared Services network and expertise
- Create new services that enable business transformation

Integrated Strategic Service Delivery
- Focus on strategic business drivers
- Create strategic partnerships
- Ensure seamless integration of outsourcing
- Enable a virtual organisation
General Trends in Shared Services (vi)

• **100% of the top quartile companies** worldwide use Shared Services
  • Hackett study found that Shared Services has proven to be a business strategy for controlling costs, quality and risk.

• **90% of Fortune 500 companies** use Shared Services
  • “In today's business environment, nine out of every ten enterprises have shared services and 97 percent manage outsourcing relationships”. (HfS-PWC report June 2012)

• **60% of companies** deliver Cost reduction **greater than 35%**
  • Savings range between 20% and 90%

• **Shared Services is THE key enabler** for world class functional performance
  • Supports business transformation across all functions and processes
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Critical Success Factors

Wining Strategies
Why not? Has worked well in the Private Sector for 25+ years, and is also working in the Public Sector today.

Significant funding issues today ... everywhere. Shared Services can deliver potential “triple benefit” of efficiency/effectiveness/control

The same basic challenges and significant opportunities around implementing Shared Services in the Private Sector are also there in the Public Sector....but need to be adapted and applied differently.

Cost savings from the “back office” can be used to fund core and front line services.
When thinking about the possibilities for shared services in the public sector remember that the **scope across the “back office” is very significant.** This is just the same as in the private sector.

In terms of the public sector (and it is just the same in the private sector) one needs to determine **what needs to be physically close to the internal “customer” or “client” vs what can be done remotely.**

Need to think about **who your “client” is** – internal and external. Also need to think about “citizens” as **key stakeholders.**

Although public sector adoption of shared services has grown, **the results achieved do not yet approach those in the private sector**
While the private sector has embraced shared services over the past 20 years plus, the **public sector has, until recently, been slower to do the same.**

The budget issues in the public sector are global in nature. As an example, **Canada's population, as in many other “developed” countries, has an aging population that requires increased health care**, as well as public expectations to improve the efficiency of the National Health system.

**US, France, UK and many other European counties as well are seeing spiraling health care costs.**

**Shared services is increasingly being seen as part of the solution to the new socio-economic challenges** such as the impact of an ageing population, increased international competition, and a more difficult economic environment.
Shared Service Maturity: Country/Regional

Maturity of Shared Service Centers

- **US** (Private: 8, Public: 4)
- **Canada** (Private: 8, Public: 7)
- **UK** (Private: 8, Public: 7)
- **Europe** (Private: 5, Public: 3)
- **Latin America** (Private: 3, Public: 2)

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Shared Service Maturity: Country

Maturity of Shared Service Centers

- Maturity Index
- Private
- Public

Countries included:
- US
- Canada
- UK
- Bulgaria
- Cyprus
- Czech
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Netherlands
- Norway
- Poland
- Portugal
- Spain
- Sweden
- Switzerland
- Chile
- Colombia
- Mexico
Outcomes of Shared Services & Outsourcing Programs in the Public Sector

Source: HfS Research and ACCA Global, 2012; N = 14 public sector organizations

- Strong positive impact (greater than 20%)
- Modest positive impact (+6% to +20%)
- Minimal impact (-5% to +5%)
- Modest negative impact (-6% to -20%)
- Severe negative impact (greater than -20%)

Finance operating costs
Finance operating efficiency
Overall business performance improvement
Some Shared Services Trends in the Public Sector (Government)

The early Shared Service Organization (SSO) primarily covered a limited range of functions (such as IT, Finance and Human Resources).

Multifunctional Shared Services expanding to include additional “support services” such as marketing, engineering, R&D and real estate.

Cross-jurisdictional collaboration between government bodies.

Examples

The New York Metropolitan Transportation Authority (MTA)

- MTA established its Business Service Center which is a multi-function center providing services in HR, finance, IT and procurement.

- This center also handles vendor invoices for its operating agencies, which includes MTA Headquarters, NYC transit, SIRTOA, Long Island Rail Road, Long Island Bus, Metro-North Railroad, Bridges and tunnels, Capital Construction and the Bus Company.

In Maryland, two counties jointly bid health, dental and other employee benefit plans with estimated annual savings of $4.3 million.

- The County added the School to its bulk contract for purchases of gas and diesel, yielding another $30,000 in annual savings.

- School joined the county’s trash and recycling program for an additional $50,000 in savings.

- The School also moved its fleet maintenance operation to the County facility, and saved the $8 million that a separate facility would have cost.
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• Increasingly **competitive marketplace** for students (both local and international), research funding, infrastructure funding and various other scarce resources.

• With the escalating cost-containment pressures, higher education institutions “must start working together to attain academic and operational excellence”. (Accenture, September 2013)

• **The private institutions**, except for grants provided by the federal government for research, are to some extent less dependent on government funding. However, many private institutions saw their endowment values decrease as a direct result of the recession, and the private institutions also responded by increasing student fees.

• **Increasing student fees alone has not been sufficient to close the budget** at many Universities and Colleges, and these institutions are looking to shared services to help them close the budget gap, increase efficiencies and provide better service.
Importance to Higher Education (2/3)

- Efficiency/effectiveness of “back office” operations is now really a **pre-requisite, and not a “nice to have”**, for any organization/enterprise, in Private or Public sectors.

- According to a TIME magazine and Carnegie Corporation 2012 survey, 96% of the American public and senior administrators at US colleges and universities said “**higher education is in crisis**”.

- Some unique challenges namely managing “**politics** and **workforce, territorial and governance issues, different funding sources, and unique change management**.”

- **Harvard 2013 Summit**: “As shared services gains traction in higher education, more knowledge is needed on how to navigate the intricacies of introducing new governance models and technologies within institutional environments”
“I see shared services as something that is inevitable,” said Rowan Miranda, associate vice president for finance at the University of Michigan. “It’s the next logical influx of thinking in the business world brought into higher education.”

Recent backlash from Faculty at the University of Michigan highlights the importance of engaging key stakeholders and internal customers at the beginning of the initiative and providing open communication channels throughout the entire process.
Below is a list of Institutions showing where they are in their Shared Services journey.

Source: University of Kansas Shared Service website
Shared services already underway pre recession at many Universities, e.g. Yale University, Harvard College, University of Michigan, University of Illinois & Cornell.

UC Berkeley administration division began in 2008 to move to a shared services model for HR, and successfully opened its center on July 1, 2010. In 2012 the University approved a project to implement shared services for finance, research, information technology and human resources.

As part of its Synergy Initiative, CSU’s Procure to Pay (P2P) Shared Services Initiative seeks to leverage the success of implementing CSU’s Common Financial System and improve the efficiency and effectiveness of processes to purchase and pay for goods and services.

The Yale Finance shared service center was formed in January 2010, to take repeatable common work out of departments. The center was formed through the consolidation of three pre-existing service units. The center provides Financial Management and transaction processing for procurement, accounting, accounts payable and client accounts.

Lawrence Berkeley National Laboratory has had an HR Service Center since 2011, and is looking to expand scope of services provided.
The University of California has begun implementation of a University System Wide Shared Services center called UCPath for HR and Payroll.

In 2009, the University of North Carolina (UNC) reviewed areas for potential cost reduction and increased efficiency across the university. The report identified a “top ten” list of initiatives that the University should consider to achieve those objectives.

As of January 2013, Chancellor Randy Woodson and the team implementing shared services at NC, announced that they would be moving forward to streamline business services. They will organize new Business Operations Centers (BOCs) around specific finance and human resource services, including:

- Travel
- Recruitment and Selection
- Time Reporting
- Purchase to Payment
- Position Administration
- Accounts Receivable
Cornell University implemented the Administrative Streamlining Program, an initiative that included the creation of seven regional Financial Transaction Centers (FTCs) in 2010, replacing the thirty-plus Business Service Centers that previously existed. Work also included standardization of FTC transactions and processes. The FTCs process standard financial transactions such as travel reimbursement, accounts payable, procurement card transactions, cash management and vendor establishment.

Below is a projected cost savings from the initiative for fiscal years 2010/11 through to 2014/15, with actual savings shown for fiscals 2011/12 and 2012/13.
The University of Florida’s Institute of Food and Agricultural Services (IFAS) shared service centers work in partnership with IFAS academic departments by providing timely, professional business support thus allowing departments to focus on delivering teaching, research, and extension programs. The Shared Service Center consolidates and streamlines the administrative functions such as Human Resources, Finance and Accounting, and Grants Management.

They have two shared service centers that service the following departments:

- **Fifield Shared Service Center:** Environmental Horticulture, Horticultural Sciences, Plant Pathology
- **McCarty Shared Service Center:** Agronomy, IFAS Statistics, Food and Resource Economics, Family Youth and Community Sciences, Soil and Water Science, Public Issues Education Center, IFAS IT, Senior VP
The University of Kansas’ *Campus Administration & Operations* SSC was due to begin operations on Monday, April 7, 2014 and their Biobehavioral & Social Research SSC officially began operations on Monday, February 3, 2014. Their intent is to create another six SSCs before the end of fiscal 2016. Below is a diagram of the services that will be provided.
Typical Transformation Focus: Technology & Process, sometimes on the People…but Client-focus is missing

**Client**
- Service orientation in place
- Structured way of dealing with customers
- Customer satisfaction levels understood
- SPAs in place
- Reality versus perception
- Account management

**Process**
- Processes documented
- Standardized, controlled & repeatable activity
- Recharging methodology
- Benchmarking – internal/external
  Metrics: Control Based; (ii) Efficiency & Effectiveness

**Technology**
- ERP implemented
- Document Scanning Solution
- Workflow
- Automated Payments
- Elimination of Side Systems
- Self services tools
- Automated Score Cards

**People**
- Skilled Leadership in place – do not compromise on competencies
- Team shape & stability – process shaped/spans of control/staff – perm v temps
- Team members – culture, values & behavioral competencies assessed
- Team morale, reward & retention
- Working environment conducive to team working
Winning Strategies (1/3)

1) Senior level **Executive sponsorship is key**. Make sure that key executives understand and support the roll-out.

2) It is really important to distinguish between “**solutions**” vs “**quick fixes**”.

3) **Distinguish between “wants” vs “needs”**. It is the requirement – i.e. the “need” - that is ultimately important. Not the “want” to perhaps simply replicate current processes.

4) Proper **base-lining and a clear business case** is very important.

5) Do not underestimate the **change management** required for any such initiative, including a turnaround.

6) Consider a **multi-faceted communication and advisory approach**.

7) Carry out **regular communication** with all relevant stakeholders.

8) Assign your **best resources** and people to the project. Make sure they are available.
9) Remember, an ERP system is an “enterprise” system for use by the business. It is not a technology solution owned, or to be used exclusively, by the IT department.

10) Generating and supporting a culture of innovation and continuous improvement is vital.

11) Follow the “80/20 rule for Shared Services ERP” when deciding whether to use “vanilla” ERP functionality. If your core ERP can provide you with 80% of the functionality that you require as standard then you should go with this every time.

12) Have regular, meaningful Steering Committee meetings of key stakeholders. This should be an active Committee and not just a chore to get through unscathed every week.

13) Remember that training is key.

14) A robust KPIs, Measures & Metrics Framework should be in place
15) Try to **cleanse the data** as much as possible before each main cut-over or clean-up. The quality and volume of data should be worked on early in the project and not left to the last minute.

16) Engage **targeted expert outside help**. Neither abdicate responsibility for the project to a third party consulting firm nor try to do the whole thing “on the cheap”.

17) Make sure your team includes **regional and local expertise** and be prepared to travel to meet and work with users.

18) Remember always that the project does not end with “Go Live”. There needs to be **adequate support post go-live** and also continual training and re-training.

19) Keep **working towards your goals and be relentless in pursuit of them**. Shared Services initiatives are a significant commitment both in terms of resources and energy.
Clients Testimonials Examples
"Critical to our success was the great partnership that we formed with the Chazey team. By embedding Chazey staff into our GNB work groups we were able to create a collaborative and interactive relationship that was very different from a traditional vendor client arrangement. Phil, Grant and John (and others) brought a depth of shared service knowledge, along with tactical expertise from multiple previous implementations that enhanced the approach developed by our GNB core team. This integration of teams allowed us to produce a dynamic GNB specific service strategy, based on best practices and world class implementation techniques."

Andrea Seymour
Former Chief Operating Officer, New Brunswick Internal Services Agency
Chazey’s team all have a strong background as CFOs or Finance or HR leads in global organizations, and understand the ins and outs of a Shared Services environment. They are familiar with all phases, whether a new launch or a mature operation. That’s the kind of knowledge that even a good consulting team cannot give you. It’s based on real-life experience. In addition, Chazey has access to a wealth of benchmark data based on their own experience across different industries. These best practices proved valuable when analyzing processes to incorporate into our own model.”

Manolis Fafalios
Shared Services (Transition) Director
Coca-Cola Hellenic
The Chazey methodology and knowledge has been very valuable to Bimbo. The team's approach, experience, passion and commitment to adding value has been fantastic and the partnership approach working with a range of key internal stakeholders within our organization was very important during the project. I would highly recommend the Chazey team for any Shared Services Transformation assignment.

Gabriela Lopez Juarez
Global Business Services Director
Grupo Bimbo
The value Chazey Partners brought to the project was extremely important in the early, design and building stages. CCE had neither the resources nor the internal expertise to help us fully sell the concept internally. So Chazey’s expertise, know-how, and methodology were very valuable in guiding CCE. They also acted as a useful sounding board for any challenges faced.

Fraser Kirk
Global HR Transformation Programme Director
Coca-Cola Enterprises Inc.
We were impressed by the Chazey team’s responsiveness and professionalism in reacting and managing this assignment at very short notice and with highly restricted timelines. The Study Report we received clearly reflected their depth of first-hand experience and knowledge. In addition, the quality of insight they brought to the assignment resulted in a Study Report which was clear, comprehensive and put us in a position to make a decision on a very sound base.

Les Gill
Senior Director, HR Shared Services
Gilead Sciences, Inc.