Is your shared services organization heading for extinction?

It could be—if it's not focused on customer outcomes.

By Paul Jeruchimowitz and David Axson
Shared services has evolved steadily over the past 25 years. First came single, siloed shared services functions—finance, HR and IT. The model then progressed to multi-function shared services that take advantage of a common service infrastructure. The next step in the evolution was to global business services, characterized by end-to-end processes.

With each step in the evolution, the service mindset improved. Fully 90 percent of companies credit shared services with accelerating post-merger integration, for example, while 89 percent say that transforming shared services was the foundation for a fundamental redesign of the company.

The success of these internal service providers, however, has always been measured primarily in terms of cost reduction. And although the results have been impressive—87 percent of companies say they’ve allowed them to manage growth without commensurate budget increases—shared services organizations now confront new challenges. Economic volatility. Changing customer demographics and expectations. More regulation. New technologies. As business leaders grapple with these forces, there is mounting pressure on shared services organizations to deliver even more value for the enterprise. They now need not only to drive efficiency by reducing costs, but also to show how they are contributing to top-line sales growth, margin expansion and customer service improvement. They need, in short, to evolve their models still further—into an integrated business services model, designed from the outside in with the user experience at the core.

Only such advanced models can help shared services organizations deliver the additional value business leaders now seek. Accenture client experience suggests that they could drive gross sales increases of as much as five percent, gross margin improvements of between 10 and 20 percent, and a 30 percent reduction in customer service costs: outcomes that easily justify the investment that building them entails. Small wonder that over the next five years Accenture research shows a 2.7-fold increase in the adoption of more advanced shared services models (from 18 percent in 2014 to 48 percent in 2019).
Customer centricity drives business value

Integrated business services models organize around the customer in three key ways: they focus on customer outcomes; they measure success in terms of those outcomes; and they deliver innovative new service capabilities that customers value.

A focus on outcomes

Today’s shared services customers—core business users, employees and suppliers, as well as external customers—expect “consumerization”: services that are oriented around them. They want simplified, seamless experiences, much like the experiences they routinely receive through digital channels at home; friction-free interactions, intuitive applications and consolidated information.

By re-orienting existing functional or process activities into integrated offerings, integrated business services models deliver that 360° customer experience. Rather than focusing on siloed functional or process outcomes that leave the customer to piece each element together, they organize around customer needs and as a result achieve better customer outcomes. Outcomes such as improved service levels, higher satisfaction and increased share of wallet.

Instead of thinking about cash application or collections as a finance activity, for example, with an integrated business services model these become part of customer service—integrating the receivables activity with customer onboarding, order management and the contact center. The result: a significantly improved customer experience.

Similarly, user provisioning (the distribution of company equipment to new or transferring employees and managing user rights and privileges). An activity that is typically seen as within the realm of IT, is re-imagined as part of employee services, and employee onboarding in particular. Combining this activity with activities from HR, finance, facilities, legal and other parts of IT into employee onboarding enables the more seamless assimilation of new employees. A significantly improved outcome for hiring managers, who expect a new employee to arrive on time with the appropriate equipment, access rights, training, visas and work locations, in order to shorten the cycle time to job proficiency.

Shared services organizations that have leveraged integrated business services models to re-imagine their functions and processes in this fashion have driven significantly higher value for their companies. Cases in point: a high-tech player that created an all-inclusive employee experience, easier and faster to manage from hire to retire, by integrating components of HR, IT and finance; and a professional services company which established a group which takes end-to-end accountability for ensuring the right people are available for the right work at the right time with the right tools, training and visa documentation, and measures success in the way a project manager would.

Measuring success in terms of outcomes

Ninety one percent of C-level executives believe CEOs view shared services as a critical success factor in reducing business complexity. And those with integrated business services models are even happier—as much as 20 percent less likely to feel that internal complexity inhibits their efficiency and effectiveness. But the benefits of leveraging advanced shared services models don’t stop there.

Because they focus on delivering a simpler and more complete customer experience, integrated business services models nurture the customer confidence that fuels growth. What’s more, they leverage advanced digital technologies, and data and analytics in particular, to provide insightful solutions to specific business problems. All of which drives new sources of economic value—revenue and margin enhancements, cost of goods sold reduction and improvements in total operating expenses among them.
Integrated business services models are changing the way shared services’ value generation is measured. There’s less emphasis on the process efficiencies typical of an operational mindset, and more on value as business leaders see it (see Figure 1).

Effecting this change requires shared services to market the value they create and provide full visibility into results. They don’t entirely own these results, of course; but they are best suited to provide visibility into them, and by acting proactively can engage in a conversation relevant to and in partnership with business leaders. At one consumer goods company that was focused on maximizing cash flow after an acquisition, for example, the shared services organization leveraged the fact that it operated in all components of working capital on a daily basis—inventory, payables and receivables—to present a more accurate cash flow forecast than that provided by treasury. As a result, it was able to have a business-relevant conversation with leaders, and expand its scope of services.

Innovative new service capabilities

By leveraging the power of integration, advanced shared services organizations are developing new capabilities that were either previously fragmented across the enterprise or non-existent, creating additional value for both customers and the business.

Nine out of ten shared services organizations are introducing such capabilities. Over the next five years, Accenture research shows that a 51 percent increase in integrated supply chain offerings, as well as increases of 38 percent in customer service and a 39 percent increase in marketing services are anticipated. And some companies are already forging ahead. One consumer packaged goods company, for example, now manages digital content, virtual solutions and commercial business services from hubs within its shared services organization, and also works with strategic partners to enhance the service delivery network.

Advanced shared services organizations are also taking the lead in applying digital technologies to service delivery. Robotics, in the form of robotic process automation and data consolidation, digital/virtual assistance, and ultimately, gaining knowledge from data as an “experience” and cognitive computing, are liberating humans to focus on more complex, value-added tasks.

Figure 1. Shifting from the way an operator defines success to the way a business leader does.

<table>
<thead>
<tr>
<th>From</th>
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<tbody>
<tr>
<td>• Cost per invoice</td>
<td>• Weighted average payment terms (WAPT)</td>
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<td>• Process productivity</td>
<td>• Days payable outstanding (DPO)</td>
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<td>• Cost per hire</td>
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<td>• Time to fill an open position</td>
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<td>• Days to close the books</td>
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For example, some organizations are exploring Avatar-based customer service agents for initial contact, and social and mobile distribution channels for real time data and insights. Such technologies accelerate implementations and upgrades and lower the total cost of ownership by reducing infrastructure and storage costs. Oxford University predicts that 47 percent of jobs in the United States may be automated over the next 10-20 years.²

Perhaps most significantly, industry-specific services, such as those shown in Figure 2, promise to bring the shared services organization much closer to the core business it serves.

![Figure 2. Industry-specific business services.](image)

**A bright future**

Bottom line; the future is ripe for shared services. But leaders need to think big and bold if they are to realize the many benefits inherent in advanced models.

Implementation should be in stages. It’s critical to firstly reshape groups of internally focused process activities into consumable integrated service offerings and measure their success in terms of business outcomes. It will also be critical to capture and communicate the results in terms of new value created, as well as historic cost and efficiency measures. And promote those outcomes to business leaders. Defining the desired business outcomes clearly from the outset, even if they are not wholly owned by shared services, will help secure the organization’s future within the enterprise.

If shared services organizations fail to develop advanced models, they risk irrelevance. Model erosion, diminishing returns and the reappearance of the shadow organizations they were designed to replace will result. Worst of all, they risk becoming forgotten as business leaders shape their strategy for the future. To avoid the threat of extinction, it’s time to advance the shared services mindset.
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Sources:

1, 2, 3, 4, 5, 6 Accenture Complexity Survey, February 2014.