

Finance & Performance Management

Shared services and high performance in a multi-polar world

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Why are shared services deployments increasing on the strategic agendas of senior executives? Most often, the business case for shared services focuses on cost savings and cost avoidance, with a healthy dose of increased customer satisfaction included for good measure. Those are important goals, of course. But more than that, Accenture believes that shared services is an important enabler of grander strategies and business trends occurring today.

Specifically, the current state of globalization is creating a greater level of economic interdependence than the world has ever seen. Where global economic power was once centered in a few industrialized nations, that power is now more distributed or, as we call it, "multi-polar." A multi-polar world asks different things of companies looking to achieve and sustain success—different ways of serving customers, attracting talent, running operations and driving innovation.

Shared services is an important example of the new operating model of the multi-polar world, as well as an example of a strategy critical to achieving high performance in that world.

Characteristics of the multi-polar world

Although the multi-polar world can be seen as a new and deeper phase of globalization, its character and effects are very different. In the new economic world, developing or emerging nations are changing from passive recipients to active shapers of the economy. The name of the game is increased economic interdependence and more

distributed power, as demonstrated by the key dimensions of the multi-polar world:

- **The importance of talent.** Workforce talent has become a global commodity and a source of business advantage, fought over by multiple competitors around the world.
- **The flow of capital.** Developed economies traditionally have been the major sources of outward foreign direct investment (FDI). In a multi-polar world, such investment comes both from mature economies and emerging ones. This, in turn, is shifting the balance of economic power.
- **Competition for resources.** As the economic power of developing economies grows, so too does their competition for the world's natural resources.
- **Emerging consumer markets.** Emerging economies are becoming important consumer markets in their own right and a lucrative target for multinational manufacturers, service providers and retailers.
- **The new map of innovation.** Innovation is also becoming more geographically dispersed. Developed nations can no longer take their lead in innovation for granted.

Given the new and challenging dynamics of the multi-polar world, what does it take to be a high performer?

Shared services and high performance

Shared services, planned and deployed properly, can be a key driver of high performance in a multi-polar world. Consider five important categories of success in the new global economy and

the role shared services can play in each dimension.

1. Global operations

From an operational standpoint, success is about being both "super global" and "super local." The winners will be those that have strong global operations—highly standardized in terms of economies of scale—as well as strong local capabilities to serve and compete for customers.

Shared services can be a powerful tool for achieving the balance between "simple on the inside"—highly standardized processes—and "differentiated on the outside"—a strong customer focus and high levels of service. One executive we've worked with on a shared services implementation has spoken of being "ruthless" about driving standardization. That mindset is consistent with our research and experience: organizations that drive a higher level of simplification on the inside through more standardized processes achieve higher levels of business performance.

2. Growth and innovation

One important implication of a multi-polar world is the changing dimension of innovation. For example, if one looks at patent applications as an indicator of innovation, more than 95 percent of such applications in the past 200 years have come from developed markets. Today, the fastest growth rate in patent applications is coming from emerging markets. Patent applications in China alone are currently growing at 40 percent per annum. And clusters of innovation capable of driving growth are popping up all over the globe.

Many organizations are finding that shared services organizations provide an engine to drive growth, especially through mergers and acquisitions. Shared services organizations become extremely adept at dealing with change. They help their companies convert rapidly from dispersed operations based on geographic or business units to centralized operations based on a globally consistent approach. And many companies are finding that shared services is a powerful engine to attain full value from the new synergies of a merger or acquisition.

3. Enterprise transformation

To compete effectively in the multi-polar world, companies cannot remain locked into old strategies and operations. Nor

can they succeed merely with one-off projects executed serially. The vision must be grander, and the change more transformative. The skills acquired from implementing shared services can support that transformation, beyond the success of optimizing the delivery of business services.

The governance model needed for successful shared services operations—including service level agreements and joint review boards—can be extended to support efforts to drive change across the entire enterprise. By developing experience creating and using joint management teams, companies can bring business units together in pursuit of a common enterprise goal. Companies that are masters of change know that transformation is successful only when all parts of the organization accept the need for change and work in concert with one another.

4. Customer centricity

The multi-polar world is dramatically altering the composition of the global consumer base. Over the next couple of decades, a billion new consumers will hit the market, and the overwhelming majority of them will come from emerging markets. High-performance businesses in the coming decades will be those that are able to defend and extend their position with consumers in the mature markets, while at the same time appealing to consumers emerging from new markets.

Shared services can be an important component of driving better customer centricity. A key success factor in shared services is to balance a focus on customer needs, on the one hand, with the ability to deliver services at a competitive cost, on the other hand. A buyer has to perceive value in a service at the price quoted. That, in turn, forces the shared services organization to get very specific about exactly what it is offering, and why it's a good value proposition. Learning to balance cost and value keeps the company laser-focused on its customers.

5. Workforce and cultural transformation

The enterprise transformation needed to compete in the multi-polar world also involves workforce and cultural transformation. With work and workers dispersed across the world—one team in Buenos Aires, for example, and another in Prague and still another in

Bangalore—companies must have a much more expansive and rigorous human capital management capability.

If senior executives need to turn to a part of the organization already experienced in these global workforce management issues, they need look no further than their shared services organization. Those teams have already been through the experience of coordinating work processes across time zones, and also of dealing with issues related to cultural differences and effective communications across languages and cultural mindsets.

Shared services and high performance

High percentages of organizations in both the private and public sectors are deploying shared services strategies. Accenture research into high performance shows a clear correlation between organizations implementing shared services and those that meet our definition of high performance: the outperformance of industry peers across multiple economic cycles. The evidence clearly shows that the markets reward companies that pursue both effective and efficient operating models.

As the balance of economic power in the world shifts along multiple poles, it is more important than ever for companies to innovate, manage their workforces and serve customers as powerfully as possible. Shared services will continue to be an important driver of success in a changing world.

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