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Transitioning from Driving Efficiency to Creating Shared Value
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Companies today can expect a lot more than process efficiency and delivery excellence from their shared services organizations (SSOs). The new forms of value include business insights, analytics, innovation, industry expertise and continuous improvement.

Enterprises with developed shared services models are not only reaping the benefits of process standardization, consolidation and better service, they are also creating strategic opportunities for themselves with support from their SSOs. Consider the case of a technology company that divested one of its business units and used its SSO to provide all the support services to the divested business so that the buyer could focus on going to market quickly. The divested company then became a customer of the technology company.

Businesses with SSOs that deliver such value propositions assume that while cost reduction from greater efficiency and standardization is critical, it is not their prime motivation for outsourcing. They tend to favor the greater functionality and predictable outcomes that shared services organizations can offer even if those benefits come at a higher cost.

Such companies take a holistic approach to managing their relationship with their SSOs. They consider the end-to-end business processes handled by an SSO, including those run by third parties as well as those affecting overall performance, as falling within the scope of that relationship. They view service level agreements (SLAs) as standard practice, and they focus instead on collaborating with their SSOs to generate process excellence and business outcomes. They also craft a collaborative governance model for this relationship, in which both organizations’ senior leaders help each other achieve their respective goals and resolve conflicts fairly. Shared services leaders, for their part, also understand the need to anticipate and adapt to business-environment shifts so they can provide ever-more valuable service to their enterprise.

Companies that work with their SSOs in this way derive valuable business outcomes. Their shared services organizations are closely aligned to their own business strategy. As such, the SSOs can support the enterprise’s growth, enable new business models, accelerate mergers and acquisitions, or offer services such as business analysis or decision-making support. In short, they act as true partners to their enterprise.

Despite the massive potential for SSOs to deliver greater value, most companies in India continue to cite process and cost efficiencies as the main business case for setting up shared services organizations. This short-term view has slowed the transformation of SSOs into integrated business services (IBSs)—the model that positions such organizations to deliver major value to the enterprise (see Figure 1). IBSs offer end-to-end solutions and drive value by supporting the enterprise’s strategic business objectives—such as helping the business enter and exit new markets quickly, and accelerating mergers and acquisitions.

Our experience with clients in India has shown that many businesses assume that their SSOs will eventually become IBS organizations. But to facilitate this transition, both parties must want and plan for it, as it does not happen automatically.

The journey to building an IBS organization starts with considering questions about what the enterprise wants from shared services. These include:

- **Scale**: Can the shared services organization achieve economies of skill in addition to scale?
- **Scope**: Can the SSO achieve multi-tower or multifunction synergies? Do we want the scope of the services provided to be end-to-end processes rather than split across functional silos?
- **Standardization**: Could processes or services be standardized for all of the SSO’s clients?
- **Service management**: Will we be able to agree on an inventory of services and responsibilities?
- **Demand management**: Are service levels measured to drive continuous improvement? Are they translated into business outcome metrics that assess and improve the effectiveness of the entire process handled by the SSO?

**Figure 1: The IBS model has huge potential**

The Integrated Business Services model can be a significant contributor to an improved P&L while continuing to deliver quality services and provide a solid foundation for global coordination and transformation.
• **Relationship management**: Could we request services through multiple channels?

• **Culture**: Does the SSO treat shared services users or customers as clients?

• **Governance**: Is the SSO positioned for success? Do its leaders have a seat at our strategy table alongside other functional leaders?

The answers to these questions will determine the strategic standing that an SSO can achieve with the enterprise it serves. For instance, on the question of governance, the view that shared services is only a cost management solution and needs to report to functional leaders will restrict the benefits that the SSO can deliver its enterprise. An entirely different universe of advantages opens up if the enterprise treats its SSO as a partner (see Figure 2). That means viewing the organization as the provider of solutions for driving transformation and growth. It also means putting SSO leaders on par with other key leaders, such as the CFO and CHRO. Indeed, this attitude toward governance could prove critical as companies strive to establish governance and compliance structures aimed at helping their SSOs operate as independent business units.

Many Indian SSOs need to move up the value chain from performing transaction processing (discrete shared services) to adding solutions for multiple functions (integrated shared services). For Indian enterprises and SSOs aspiring to achieve the same feat, the next steps toward adopting the IBS model will be challenging. The effort requires strong cross-functional leadership, investment in technologies for better integration, a commitment to achieve process excellence and a customer-focused culture based on continuous improvement.

Both parties must focus on what will best support the enterprise’s business strategy today and in the future. And both can benefit by “thinking big” from the start. Being proactive also counts, because it enables enterprises to reap the rewards offered by their shared services organizations faster than if they retrofit solutions later as their business expands. All these practices can help companies build a productive relationship with their SSOs as they embark on their journey to becoming high-performance businesses.

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**Figure 2: Enterprises and their SSOs must partner to build an IBS organization**

When designing an integrated business services (IBS) organization, it is critical to determine how to partner with the business, what services to offer, and how to govern the services provided.
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