

The Insider's Guide to Shared Services

A Reference Guide



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Quick Reference Guide

If your time is limited this quick reference is for you. Here are common questions we've been asked and where you can find the information in this guide.

Top Questions:

- 1) What are common services offered (and how they are determined)?
See page 12 (Chapter 3)
- 2) What roles are critical to success?
See page 15 (Chapter 5)
- 3) What technology is needed to support this initiative?
See page 32 (Chapter 8)
- 4) What chargeback model do you recommend?
See page 35 (Chapter 9)
- 5) How do you measure performance?
See page 19 (Chapter 6)

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Introduction

The shared services idea has been around since the early 1980's. It is sometimes confused with Business Process Outsourcing (BPO). BPO is the sourcing of services to a third party vendor. This business model is a popular consideration for mid to large sized organizations that have multiple geographic locations. Deloitte's survey results show an 11% increase in shared service centers since 2009 (Deloitte, 2013). Globalization and technology help make the world flat. The need to streamline resources entered the business scene as a serious business strategy.

Why?

The purpose of the shared service model is to achieve optimal operational effectiveness through shifting internal services to another location within the same organization. The results in this business strategy if executed correctly, are cost savings, improved efficiency and customer service. In addition, ensuring support service alignment with overall business objectives can result.

Since the initial introduction of shared service, those who adopted this model are looking for the next generation of this idea. The first generation included high start up costs but realized value over time. Next generation exploration includes a more robust global adoption and enhanced optimization through new technology.

Recent driving events are forcing those entities who had not yet adopted this idea, into considering it. The great recession thrust businesses to think differently in how they deliver services and goods. Efficiency now commands center stage attention for both private and public entities making shared services model attractive.

The public sector has been under pressure for years to minimize waste and redundancies. Since the onset of a turbulent economy skyrocketing foreclosures, reducing tax revenues combined with continuing wasteful practices and lack of budgeting controls leaves the public sector working to avoid bankruptcy.

If a turbulent economy wasn't enough of a driver, major legislation such as the Affordable Care Act pushed the concept of shared services into overdrive for the healthcare industry. Reduction in reimbursement, driven dip in volumes and

sharp increases in charity care, require this industry to move forward on efficiency initiatives or face closing its doors.

I have 20 years of experience in human resource leadership and specifically several years in the healthcare industry. I've observed a tremendous shift towards efficiency and need to streamline services and resources. As such, I've seen what shared services look like when finished with the transformation. I've also worked with those who are struggling to implement these changes.

In my experience I have found that there are many more questions than ready answers when a company is looking to make these changes. Yet executives have little to no time to research information. Separately many of those companies may be struggling with financial measures and do not have the resources to enlist the help of consulting services.

The purpose of this Source E-Book is to share insights and lessons learned. Ultimately our objective is to help those organizations who are considering or in the planning phases of implementation, to achieve results.

Getting Started

This guide is intended to be a reference for those organizations considering adopting a shared service model. This book will also benefit those who have already started or have finished implementation but need to review effectiveness of the shared service center.

After reading this e-book you will:

- Understand what a shared service model is and is not.
- Know the pros and cons of this strategy.
- Determine if this strategy is right for you.
- Understand benchmark and best practices.

Chapter 1 - Shared service fact and fiction

Why is this transition model important?

There are many misconceptions about the shared service model. Disastrous consequences can occur if this model is not understood and well organized upfront. A well-informed leadership team and equipped organization stand a better chance of realizing positive outcomes.

Facts

Any savvy business leader knows if you boil complicated matter down to the facts it will help you wade through ambiguity. Getting the factual bases covered you will be able to easily spot muddy waters, rumors and conjecture.

Fact 1: The Ultimate Outcome of Shared Services is to Streamline Resources:

It is true the key outcome of shared services is to streamline resources. People, systems, technology and processes are those resources. The common thinking is that if processes are streamlined the cost of waste and redundancies can be minimized.

Another word commonly used is standardization. This may be heard frequently as it comes to policies in particular. Managing from one policy versus 50 not only can reduce redundancy, but also improve communication, relationships and efficiencies.

Fact 2: Shared Service is an Alternative:

Shared service model is an alternative to outsourcing or offshoring. Many companies who previously streamlined resources and outsourced them are now bringing those services back in-house, called insourcing. Those companies feel they can do these services cheaper in-house and maintain better control over quality, achieving a competitive advantage.

Fact 3: Shared Services can Save Money:

Shared services can save significant amount of money if the effort is implemented and managed correctly. However, in many cases startup costs are found to be quite expensive in the short term. Cost savings projections need to include a long-term outlook. Otherwise if the initiative is not well planned out and unforeseen expenses run amok, this could fall into the fiction category for your company.

Fact 4: Change Management is Important:

Shared services organizations were asked, “What changes would you have made in your shared services journey based upon your experience to date?” in a study conducted by Deloitte. 59% of the companies said increasing change management topped the choices among executive buy-in, business unit alignment and better reporting.

Organizational culture and resistance to change can be quite powerful and can derail any initiative if not proactively managed. Moving to a shared service model is no exception to this rule.

Fact 5: Shared Services Requires Standardization Across the Business Units:

To achieve ultimate benefit it is important to standardize policies and processes. Here is the kicker: it becomes a difficult balancing act when spanning across borders both domestically and globally where laws are different from one to another. Choices will have to be made on whether standardization means to adopt the more strict requirements enterprise-wide.

Fiction

Fiction 1: Mass layoffs will occur:

The big elephant in the room is the concern that everyone in a support service function will be laid off. Ultimately the benefit of a shared service is to streamline redundant and easy to duplicate duties into a single location. This may result in

position eliminations and relocations. However, it may not apply to all existing staff.

Ultimately a shared service strategy allows existing staff to focus on higher-level (strategic based) duties. In many cases the organization may see this as minimizing low value activities. By minimizing transactional activities this is a gateway to leveraging resources, achieving a competitive advantage, and requiring a higher level of performance from existing staff.

Fiction 2: Jobs within a shared service center will be less fulfilling:

This statement is not necessarily true. Working in a shared service center means more centralized and concentrated support. Support includes additional training, career path options and advancement opportunities.

In a decentralized situation resources are spread thin and not concentrated. It is not uncommon to find yourself reporting to someone who doesn't get what you do. Working in a shared service center may mean working with a supervisor who understands the work, the job and the requirements.

Fiction 3: Cost savings can be realized right away:

This statement is not true. There may be stiff upfront costs such as a system purchase, installation, training and rollout to streamline processes. Looking for short-term gains without understanding the risk involved in moving resources around and across borders can cost the company more than realized.

Additional costs might be attributed to turnover, low morale, resistance to change, system upgrades. Unexpected risks also include lack of operational flexibility, system complexity, unclear accountability, long rollout schedules or complex legal issues.

Fiction 4: Achieving "Economies of Scale" is always the best outcome:

This statement is not necessarily true either. While economies of scale may result in cost savings, it may also mean less flexibility or service tradeoffs. Achieving an

economy of scale may mean giving all particular process over to a single vendor such as human resources service award process.

Service award process is a HR program that rewards those who reach defined milestone in years of service. Employees are given a choice of awards from a catalog of options. In an economy of scale situation, the choices or how the process is managed may become restricted with little room for customization.

Chapter 2 - Drivers for shared services

Why is this transition model important?

We touched a little on the previous chapter why companies would consider a shared service model. It is worth taking a deeper dive on the drivers for this concept. These drivers will serve as a basis for a potential business case.

Cost Savings

A shared service model is sought after many times to achieve cost savings. When successfully implemented it could do just that save significant money.

Here are three key areas that could yield significant savings:

Tax Opportunities

There may be tax advantages to moving services to another location. There may be risks involved too.

According to both Deloitte's 2011 and 2013 studies companies are leaving money on the table relating to tax advantages. They may also be increasing their tax risks as well.

It is worth having tax experts on board from the start when considering a shared service model. They can evaluate risks, benefits and determine what alternatives there are.

Reduced Expenses

Centralizing services and leveraging purchasing size of services with vendors can yield discounts otherwise not realized. Consolidating duties into fewer locations can also bring about significant savings.

However, savings need to be considered along with change costs such as turnover, low morale or unexpected system expenses. A cost benefit analysis should be conducted to understand true cost savings.

Reduced Infrastructure/Capital Costs

By consolidating resources into fewer locations the infrastructure and capital needs change. A decentralized company may have dozens of independent HRIS or database systems.

In a shared service model they one system that integrate several locations can be much more cost effective and efficient. The same streamlining logic applies to the cost of office leasing, equipment such as copiers, scanners and computers.

Efficiency

A shared service business model organizes administrative functions so that they can perform more efficiently. Eliminating redundant processes, services and duties ultimately lead to a more efficient operation. This includes more streamlined processes, better performance data and metrics, and adoption of best practices.

Quality and Compliance Control

Due to Sarbanes Oxley Act transparency expectations for public companies are significant. Whether it is for regulatory or public opinion, organizations must apply integrity and common sense in their controls and audits.

100% compliance is hard to achieve when functions are decentralized. When processes are centralized common data, rules and assumptions can be created. Technologies can be applied to ensure consistent controls and practices enterprise wide.

Raising the bar of performance

Shared service model pulls transactional duties from the unit level. Ultimately this frees up time for strategic and critical thinking for those at the unit level.

Chapter 3 - Services that are traditionally shared

Traditional internal processes belonging to finance, marketing, information technology, legal, HR and purchasing are considered hot potentials for a shared service model.

In the diagram below you can see the wide span of functions and services that are potentials for a shared service model.

What types of services typically are shared?



Front Office	<ul style="list-style-type: none">• Licensing and Permits• Eligibility Management• Service Delivery and Case Management
Financial Services	<ul style="list-style-type: none">• Accounts Payable and Receivable.• General Ledger• Billing and Collections• Travel and Expense Reimbursement
Human Resource Services	<ul style="list-style-type: none">• Benefits Administration• Payroll• Training and Education• Time and Leave Administration (accounting for different state laws)• Safety
Information Technology Services	<ul style="list-style-type: none">• Desktop Support• Telecommunications• Data Center Operations• Hardware/Software Acquisition• Disaster Recovery
Purchasing Services	<ul style="list-style-type: none">• Receiving• Requisition Management• Sourcing and Vendor Management
General Services	<ul style="list-style-type: none">• Marketing• Legal• Facilities Management• Fleet Management• Security

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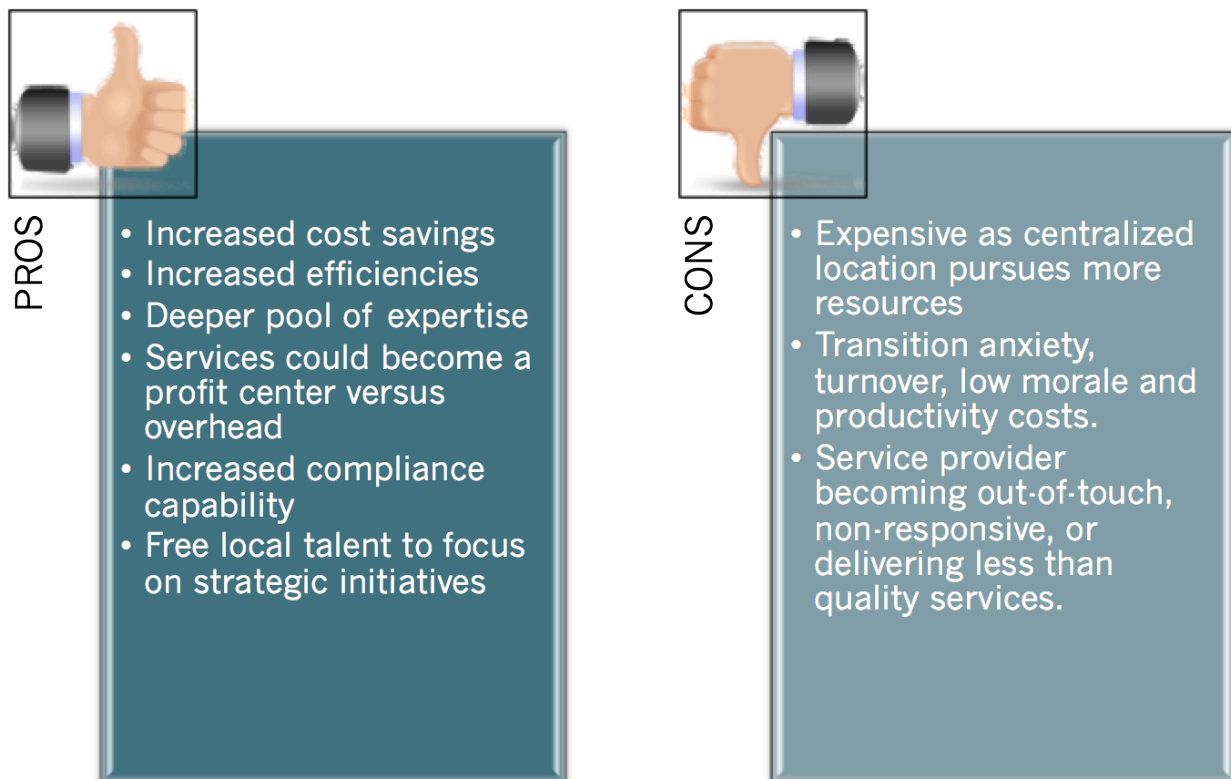
While this is an extensive list of possible support service candidates for the shared service model, it is not a one size fits all. We will explore further in chapter 4 in how to analyze if a shared service model is right for your organization.

Chapter 4 - Is a shared service right for you?

Know the benefits and the risks

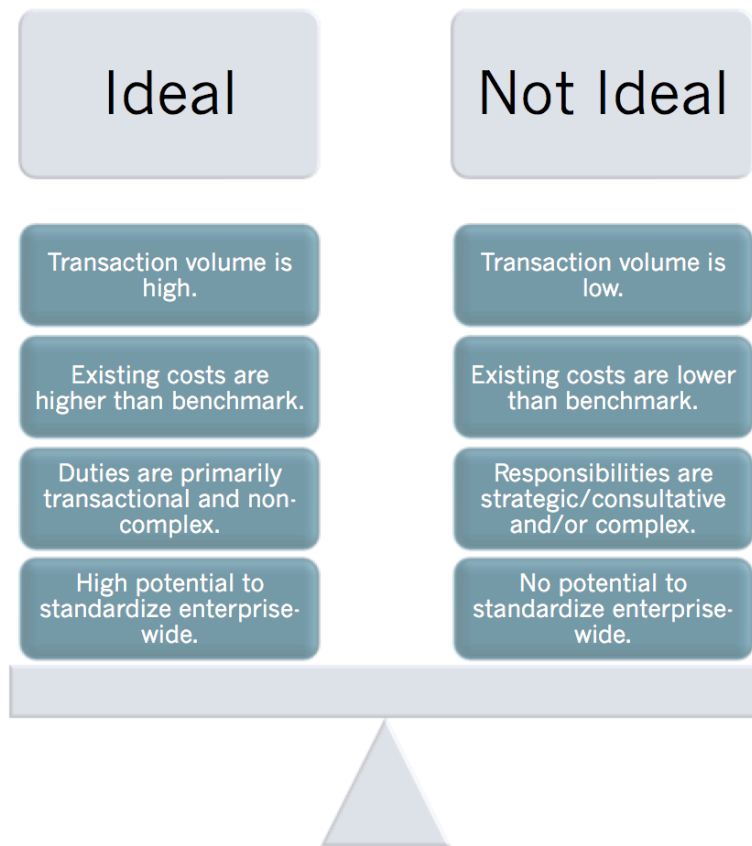
You are experienced in your career to understand that all business strategies come with a level of certainty, assumptions, risks and benefits. As such, it is wise to exercise caution and not just jump on to strategy bandwagons just because the business down the street does it.

Savvy business leaders will vet out shared service strategies before leaping. One way to vet this strategy is to thoroughly understand pros and cons as it may relate to your organization. Below is a pros and cons diagram.



The next question is how do you determine which support functions are ideal for the shared service model? Not all services are ideal for this transition.

Factors to consider for an ideal transition candidate are level of volume, costs, transactional and ease of standardization. See the figure below.



Obviously processes that are low in volume may not yield the cost savings to make the effort worth it. Also if processes are already low in cost and risk increasing due to the transition might be best if left alone.

In addition, functions that are strategic versus transaction based are not ideal for shared services. These are functions that are best used out in the field closest to your customer.

Chapter 5 - Lessons learned

Learn from others

Find The Right Leaders Early and Empower Them

The implementation and effectiveness of the shared service model rests on the leaders assigned to the new structure. According to PricewaterhouseCoopers survey, “All too often, they [directors] are charged with making deep changes in a company’s operating structure, but lack the authority and support required to implement those changes.” (PricewaterhouseCoopers, 2008).

Finding the right leaders, onboarding and training them will go a long way towards enabling your company to empower them.

In a shared service model, the ideal leader will possess relationship building, effective communication, and customer service skills. Also a results oriented problem solver is important. These are critical skills to obtain stakeholder buy-in.

Appendix A provides examples of job descriptions for a shared service center leader. Be sure to customize job descriptions according to your organization’s needs, values and performance goals.

Involve Appropriate Stakeholders

The right people at the planning table can help ensure success. Of course the inverse is true too. Forgetting key information-holders can derail success. It is a smart idea to craft a map of all who have information that can help or hinder the success of this initiative.

Here are a few ideas to consider.



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Tax Experts - There may be tax relief when moving services from one location to another. However, there may be tax implications as well. Some states have lower tax rates and incentives while others may have higher rates or penalties. It is best to involve a tax expert from the very beginning stage of planning.

Information Technology Leadership - Let's face it, the root of all efficiency is technology. Moving to a shared service has a significant implication on technological resources. Quite possibly it will entail evaluating all existing independent software, hardware and connectivity resources and determining which path is best to effectively streamline all of those resources. Perhaps in some cases this transition may mean to invest in technological resources.

Human Resources Leadership - As we discussed earlier in this book, resistance to change can derail success. Human resources can serve as a key workforce and key stakeholder buy-in strategist. This resource if leveraged from the beginning can drive the development of communication planning, training and skill development.

Check all key policy influencers in the organization to see which will add value to the planning process. Policy influencers may include legal council, marketing, quality, or board governance.

Each organization is different. It will be best to conduct an audit of who your key stakeholders are, what kind of influence and information they have and plan for their involvement accordingly.

Customer Satisfaction

Moving forward on an initiative such as a shared service model can be quite extensive. There are many decisions, details and priorities to mull over. At the center of those decisions should be the customer or the internal service user. While that seems like a no-brainer, in an organization that is changing fast a big mistake has been to over look the customer. Here are keys that will ensure a great customer relationship.

- 1) **Service level agreements (SLA)** - A service level agreement is a great way to document and memorialize understanding between the shared

service center and the customers. Include items like what services will be delivered, who is responsible for what, service delivery timelines, resolution procedures and pricing.

2) **Clarify roles and responsibilities** - It is critically important to clarify roles and responsibilities. This will help ensure that duplication of efforts and service lapses do not occur. In addition this will also go a long way to minimize conflicts.

3) **Process design with customer in mind** - When designing, streamlining, consolidating or eliminating processes do so with the customer in mind. Ask you how this change might have an impact on the customer.

4) **Allocation versus value** - There is nothing more frustrating for a unit leader than to be required to pay a periodic bill for a service they feel does not meet expectations. It may be part of the culture of organization that these changes are to be accepted no questions asked. However, unaddressed broken service levels and perceived low value will create resentment that will only grow each time the allocation bill comes in.

Implement a Change Management Strategy

A common mistake in implementing a shared service model is to overlook or underestimate change management strategies. According to Deloitte's survey findings companies that have gone before you indicate if they had to do it all over again they would put more attention on change management (Deloitte, 2013).

Culture and resistance to change can undermine your efforts at every turn. Optimal change management doesn't happen by accident. People don't necessarily just come around and see the light of the wisdom of your initiative.



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Putting forward a well thought out plan of engaging stakeholders, addressing resistance and developing a communication plan is a brilliant move. The sooner you implement a change management strategy, the better.

Chapter 6 - Benchmarking and performance measurement

You don't get done what isn't measured

The Purpose of Benchmarking

The purpose of benchmarking is threefold:

- Develop a business case;
- Compare with peer group companies;
- Determine if the model is successful or needs adjustment.

The Challenge of Benchmarking

Comparing your numbers with other organizations is not as simple as it would seem. A true benchmark number comparison is an apple to apples equation. Getting that type of comparison is difficult due to a number of variables.

According to the HR Shared Services Institute, 10 of those variables include:

- Scope of services
- Scale of operations
- Organizational complexity
- Organizational culture
- Industry
- Model maturity
- Enabling technologies
- Self-service adoption
- Customer characteristics (unions, education level, age, etc.)
- Programs & policies

Unless you have the time and resources to set up benchmarking that accounts for these variables, the best bet will be discussed in the next section.

Benchmarking Quick Tip:

PepsiCo's Financial Shared Services Benchmarking Strategy

Important:

Baselining everything
Keeping score
Understanding our cost base
Understanding our work drivers at the granular level
Knowing where you are going
Learning from others

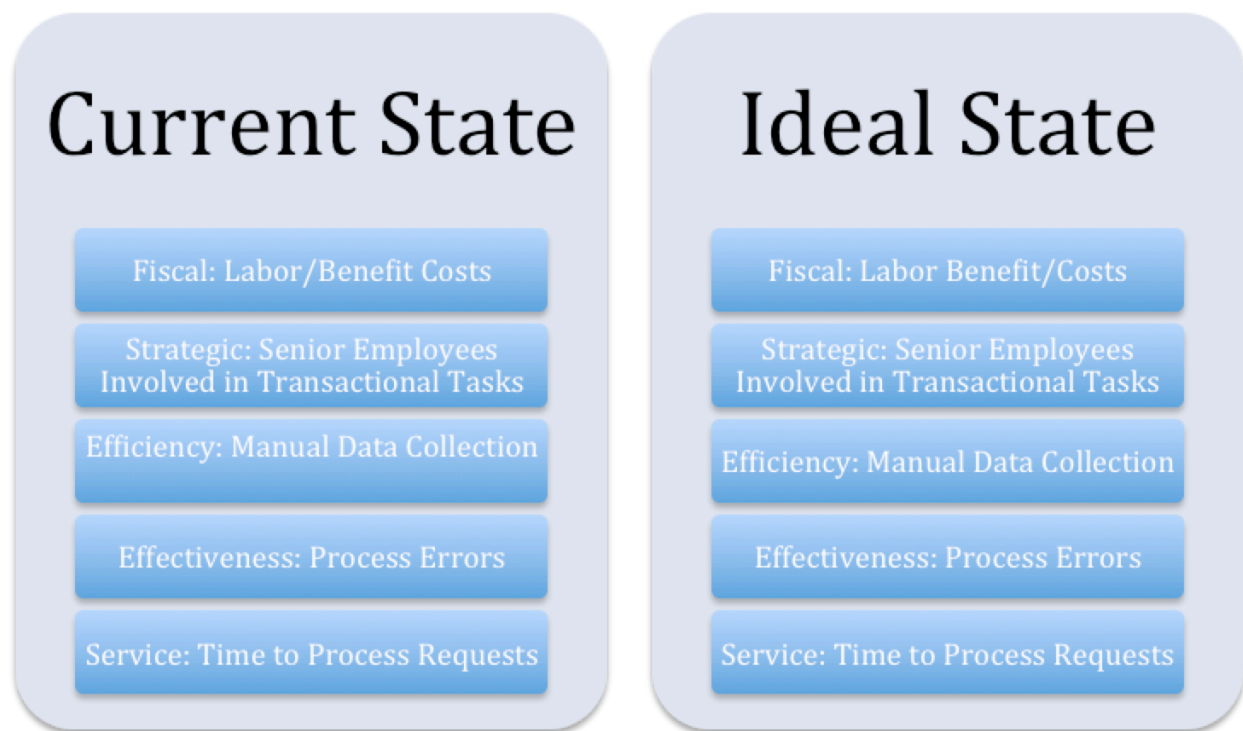
Focus:

Cost pers
Throughput
Quality and accuracy
Customer Satisfaction

Source: Miller, L, VP Controller, "Maturing Shared Services Through the Use of Metrics & Benchmarks. Slideshare. Slide 10.

A Viable Benchmarking Strategy

A smart benchmarking strategy is to compare with your own company. Focus on a current and ideal picture inside your organization. Below is a diagram showing key areas to benchmark.



These key areas you can conduct an internal benchmark to see where are the biggest opportunities. Ideally information in these areas is gathered before moving to a shared service model. Information gained in these key areas will serve as a foundation for your business case. Later, this evaluation will help you gauge the success of the shared service model.

Fiscal

Fiscal areas include measuring labor and benefit costs of the current state. Functions that are decentralized and manual may result in additional staffing. Going from decentralized to centralized, may yield significant cost savings in labor and benefits.

Strategic

Strategic benefits of shifting to a shared service model is freeing up senior level employees to focus on higher valued tasks versus being tied down with transactional processes. Consider interviewing or surveying senior employees to capture what percentage of time is spent on transactional versus strategic tasks.

Efficiency

Efficiency is another key area to look at for internal benchmarking. In a relatively large company a decentralized model may include hundreds if not thousands of different manual processes in play. Many of these processes are attributed to the variety of disconnected databases that exist.

You can get to this benchmark by surveying to find out what technologies are in use. From there you can also ask what key reports and processes exist. Moving to a shared service can streamline and reduce those processes and you can arrive at a benchmark percentage to attain.

Effectiveness

Effectiveness is attributed to things like inaccurate reports and errors. Consider surveying key stakeholders such as business unit or location heads to find out how they feel about the quality of information they currently receive.

Service Level

Another area to benchmark is service satisfaction. Measuring items such as “time to process requests” is a way of measuring level of service. This is also a way to benchmark the success of the shared service model. This can also serve as a two-edged sword. If local units are delivering service quickly the bar will be held high for the shared service model as well.

How to measure performance

Collecting data alone is meaningless unless you use that information to measure and drive performance. Many organizations use a balanced scorecard approach to measuring performance.

The balanced scorecard is a strategic management system that monitors and reports performance. It can be used to link shared service center with organizational strategies.

An effective balanced scorecard system is built with the organization's mission and vision in mind. The diagram below shows how key organizational factors such as customer and strategic perspectives connect to the overall mission. Processes and workforce perspectives, or learning and growth, are leveraged to achieve results that are aligned with customers, the strategic plan, and the mission.

Balanced Scorecard (BSC)

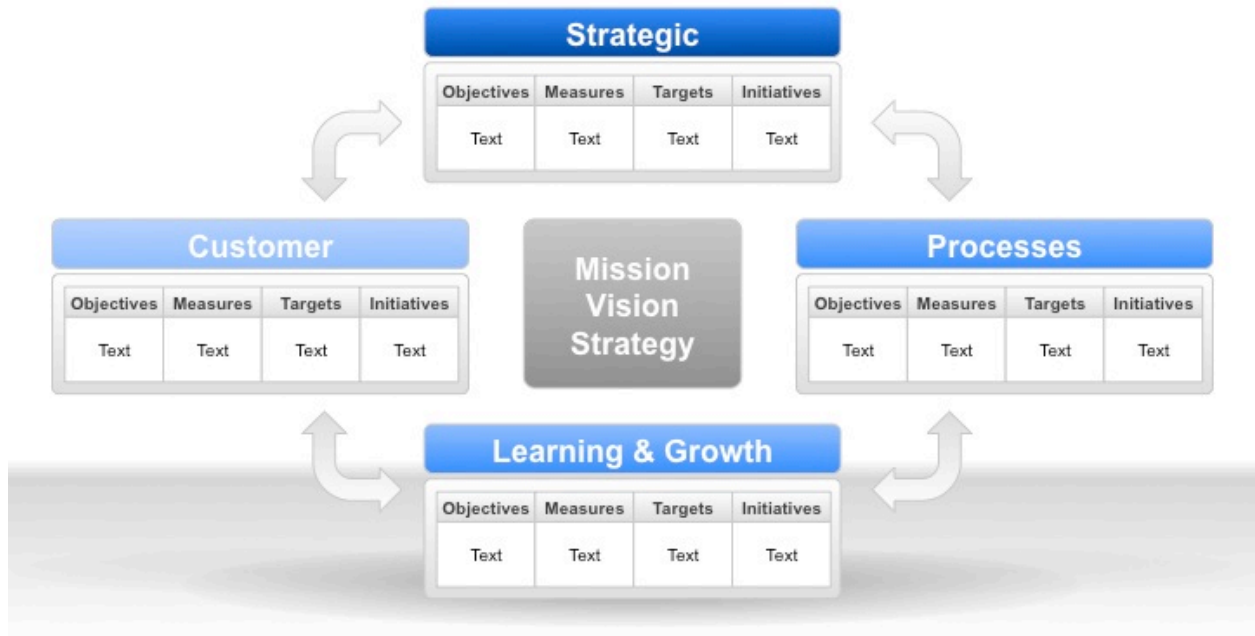
An instrument to ensure alignment with overall objectives



Each of these perspectives can be broken out and assigned objectives, measures, targets and specific initiatives. A shared service center can create objectives, measures, targets and initiatives to ensure alignment with the mission.

Balanced Scorecard (BSC)

Perspectives of the Balanced Scorecard



The above diagram is an example scorecard showing how all perspectives tie together. You can organize information using this format to communicate through team meeting agendas, reports and presentations.

Chapter 7 - The business case

Building a Brilliant Business Case

A business case is often confused with a “business plan.” A business plan is document that details growth or start up strategies. A business plan may relate to a unit or the organization overall. It may include strategies that span over 2 or 5-years.

The main objective of a business case is to persuade leadership to invest time, money and/or people resources in an initiative when they most likely would rather bank it or spend it elsewhere. There are no guarantees getting to ‘Yes’. Doing your homework and preparing to tell your story could be just the thing to open the door for meaningful discussion.

Define

While your goal is to persuade leadership to invest funds in your initiative, it is important to first understand overall organizational objectives. It may be that your organization’s first priority is to immediately trim spending to remain solvent. Proposing to buy a complete applicant tracking system because it churns out pretty reports will most likely yield blank stares from across the table.

Meeting with individuals in finance or operations will reveal answers to these kickoff questions.

- 1) What are your organization’s competitive issues?
- 2) Do you know how your organization intends to address each strategic plan component?
- 3) How will this initiative help the organization achieve its objectives?

Gather Pieces

Gathering information will help to build a financial model, determine a return on investment (ROI) and articulate the justification. This part of the process will take some time and can be tedious. It is this part that gets to the bottom of what executives look for in making organizational decisions.

Getting started gathering information is sometimes hard. Where do you start? One of the ways to overcome being stumped is to brainstorm answers to these questions will give you a boost.

- How much money will be required to purchase and implement the project or initiative?
- How many people, labor hours and/or time will it take to implement the project or initiative?
- How much time will past before you see a benefit?
- Specifically what is the benefit? (See chapter 3 for more information.)
- Are there discounts offered by the vendor or service provider?
- What are the assumptions?
- Is there any risk if the organization adopts or not adopts the resolution, initiative or project?
- Of all the alternatives what are the pros and cons of this initiative and each?

Risks and Assumptions

Some factors may still have implication or benefit to the overall project but are hard to prove. Initiatives that include assumptions and educated guesses come with risk.

These factors need to be included within your business case. Identifying assumptions and risks upfront, will help calm your skeptic's concerns in the end. The following is a list of possible assumptions and risks that your business case audience may want to know about:

- Investment Assumptions
- Initial Investment
- Opportunity Costs

- Profit and Loss Assumptions
- Growth in Revenues
- Variable Expenses
- Growth in Fixed Expenses
- Productivity Assumptions
- Improved productivity
- Productivity learning curve

A sample risk analysis grid:

Description	Consequence (Short Term)	Business Impact (Long Term)	Likelihood	Impact	Level	Status	Risk Management Strategy

ROI - Expected outcome

The deliverables are a critical part of the business case. Deliverables can also be called “Critical Success Factors.” Identifying key deliverables will go a long way in influencing the outcome of the approval process.

While tangible deliverables are important sometimes intangible deliverables can be just as important depending on the company, challenges, and culture. Be sure to think through all the tangible and intangible assets of this purchase. Here are examples of deliverables although not limited to:

Tangible Items

- Cost savings to the bottom line today and/or over time?

- Productivity enhancement and associated \$ savings?
- Is there a positive impact on revenue? If so, how much and when will it be realized?
- Increasing employee satisfaction by x % will impact customer satisfaction by x%.

Intangible Items

- Increased organizational commitment;
- Improved communication effectiveness;
- Higher employee engagement;
- Improved skill to role match.

Each business measures value and deliverables differently. For some it is the Return on Investment (ROI) that is important. For others it is a cost/benefit analysis that is critical. Then again for others it may be the total cost of ownership that is an essential deliverable. It may be that some of all of these deliverables key decision-makers might find helpful. Find out what is important in your workplace.

There are a number of ways you can capture and articulate the intended deliverables of your project. This module will give you examples of how. We will highlight three top ways of demonstrating deliverables: Return on Investment (ROI), Cost/Benefit Analysis and Total Cost of Ownership.

Defining ROI

A key measure that most C-Suite executives like to discuss is a return on investment. ROI is shown in a number of ways. Here are some ways that you can capture and articulate ROI.

Workforce productivity: In this new business era, efficient workforce productivity is an important factor for many businesses. Implementing a solution to resolve any productivity issues would be a brilliant component to any business case.

Common ways to measure workforce productivity is calculating dollars spent on labor and divide by total revenue. Another way this metric is described is revenue per employee cost. Certain industries may have specific metrics to measure productivity such as the healthcare industry. Many healthcare organizations use the metric of paid FTE's per adjusted occupied bed to measure productivity standards.

Efficiency Impact: Your project may have an impact on how efficient a process is conducted that will save the company time, labor, and money. Measure how much labor or time is being used to perform a certain function. Then determine how your solution will positively impact those factors.

Will it improve vacancy rate that will place revenue-generating positions faster and improve revenue for the company? Will your initiative reduce turnover and improve employee engagement resulting in cost savings for the company?

Performance Impact: Perhaps your project will enhance customer service or sales and improve revenues. Maybe it will lead to hiring high potentials that will drive organizational performance in a specific way that matters to your business. Will your project improve internal communication and enhance quality measures?

Understand what metric matters the most for your company today. Then determine how your project will improve that number over time.

Bonus information to include can be found from your prospective vendor(s). They may also be able to supply benchmark data for comparison on how this solution helped other businesses in your industry and company size.

Cost/Benefit Analysis

A cost-benefit analysis helps you to estimate the costs and benefits of a solution or initiative. Decision makers might want to see this type of analysis before agreeing to spend any significant money. Most importantly a thorough cost-benefit analysis will determine if there is a return on investment (ROI).

Sample Cost-Benefit Analysis

Costs

Equipment	\$1,000
Installation	700
Cost of Retraining Staff	300
Cost of Lost Production	500
Total Costs	\$2,500

Benefits (per 12 months)

Reduce defects by 10%	\$800
Reduce labor hours	\$950
Reduce start up time	\$150
Total Benefits	\$1,900

Will the project pay for itself? If so, when?

	Costs	Benefits	Profit
Year 1	\$2,500	\$1,900	<\$600>
Year 2	0	\$1,900	\$1,900
Total	\$2,500	\$3,800	\$1,300

In this case, the initiative will not only be paid off in two years but there will also be a cost savings. While sometimes it is difficult to quantify all benefits such as, “Improved communication.” Try to link and estimate, “Improved communication” to outcomes such as the following:

- Reduced mistakes,
- Less time wasted,
- Time not spent on needless conflicts,
- Reduced injuries,
- Improved employee engagement linked to improved customer satisfaction,

- Reduced supplies cost

Total Cost of Ownership (TCO)

Total Cost of Ownership (TCO) is a financial measure used particularly when purchasing a product or enterprise system. This measure displays direct and indirect costs from both the acquisition and maintenance of the purchase.

The TCO includes costs over time and not just the initial purchase cost. The creation of this measure was an attempt to help minimize assumptions. Factors that typically go into the calculation of the TCO include:

- Capital and Operational Expenditures: Capital costs include any hardware, software and upgrades.
- Service, support and maintenance: There may be costs associated with upkeep of the purchase.
- Non-Standard Configurations: Any costs associated with add-ons or changes that may not have been considered initially.
- Over time Costs: This includes costs per month or year over time such as five years.

The key is to define the Total Cost of Ownership for your self, before vendors begin to assert their sales driven information.

Recommendation

Don't forget to include your recommendation. Some individuals get a little nervous stating their opinion and feel decisions are sometimes better left for others. Those "others" look to those who do the research for their best recommendation.

Implementation Plan

Outline an anticipated timeline for implementation. This is a good place to include suggested next steps and a timeline for each. Consider phasing in each implementation component. In other words you may want to map out which

locations will go through what changes. Below is an example implementation timeline.

Chapter 8 - Technology

Systems to fuel the efficiency engine

Structures, budgets, and people are a big part of the shared service equation. However, smart technology use can make or break if the efficiency effort.

Just take a look at these IT disaster headlines:

“Overhaul of California Government Payroll System at Risk of Collapse” (Megerian, 2012)

“SA Coalition Dubs Shared Services a Disaster” (LeMay, 2011)

Client Sues IBM and SAP Project “Disaster” (Bowsher, 2011)

A technological strategic plan is paramount to effectively remove redundant processes and systems and avoid negative headlines. In large organizations before a fully implemented shared service model, there are most likely hundreds if not thousands of redundant databases, software, service maintenance agreements and matching processes. Understanding what all of those resources are will go a long way towards establishing a good technological plan.

Technology should be part of the strategic planning phase of this initiative. Significant decisions include determining if you should piggyback on existing systems or purchase new. The technology plan should also address how you will align processes with new technological solutions.

However, the question remains is what type of systems are best for a shared service environment?

A Deloitte survey (Deloitte, 2013) indicates that top processing technologies or enhancements include (in order of popularity):

- Electronic funds transfer (EFT)
- Workflow
- Electronic data interchange (EDI)
- Payroll services and direct deposit
- Data warehousing
- Financial consolidation and reporting
- Imaging
- E-learning
- E-invoicing
- Automated three-way matching
- Automated Clearing House (ACH)
- Asset tracking
- Procurement cards

Not all of these solutions were implemented upfront nor are they all required to have a fully functioning shared service model. Organizations have designated some of these tools for future implementation timelines.

Chapter 9 - Best practices

Get Started on the Right Foot

Business Case

Establish and communicate a solid business case before allocating funds. Otherwise stakeholders will begin to question the move to shared services and the \$ being charged to their unit. This sounds like common sense. However, some rush to move on this initiative that at times skip this important step.

Information

Be prepared to provide business units with information early and frequently. Stakeholder buy-in rests on when costs are predictable and perceived as equitable. Make sure the information provided is understandable and easily accessible.

Service level agreements (SLA)

A service level agreement is a great way to document and memorialize understanding between the shared service center and the customers. Include items like what services will be delivered, who is responsible for what, service delivery timelines, resolution procedures and pricing.

Clarify roles and responsibilities

It is critically important to clarify roles and responsibilities. This will help ensure that duplication of efforts and service lapses do not occur. In addition this will also go a long way to minimize conflicts and confusion.

Process design with customer in mind

When designing, streamlining, consolidating or eliminating processes do so with the customer in mind. Ask you how this change might have an impact on the customer.

Allocation versus value

There is nothing more frustrating for a unit leader than to be required to pay a periodic bill for a service they feel does not meet expectations. Unaddressed broken service levels and perceived low value will create resentment that will only grow each time the allocation bill comes in.

It is critical that chargeback models are discussed, agreed upon and included in the service level agreement.

Quick Tip - Chargeback models

Best practice chargeback model is Buyer-driven. Guide ideal business unit behaviors through the allocation structure.

Supplier versus buyer driven model:

<i>Supplier Driven</i>	<i>Buyer Driven</i>
Fixed costs	Competitive, volume based pricing
Limited choice of services	Choices based on market need
Limited business unit participation	Business unites involved in governance
Little innovation	Innovation services

Source: Lynch, S., 2011. Shared Services Pricing Models: Drive Desired Behavior with the Right Pricing Structure. Global Finance 360

Chapter 10 - After implementation

Post Implementation Stabilization

After implementation, the shared service strategy goes live. After implementation, the work has just begun. There is a period of time when optimal performance may fluctuate after launch. This fluctuation can occur due to unforeseen challenges, lapses in process, systems, or staff uncertain of new procedures.

According to Accenture's research, there are four primary stabilization curve phases. Those stabilization curve phases are new or existing employees, new or existing technologies, new or expanded shared service center, location and corporate culture (Accenture, 2007).

Best Practice Solution

Establishing a continuity or resolution team that meets before, during and after implementation is a good practice. Although most organizations will dedicate resources after issues arise. However, to move through this phase quickly it is a proactive strategy to anticipate that there will be issues and think through resource allocation in advance.

The continuity team should be made up of interdisciplinary people who can hear and implement resolution to issues. It serves as a hub or clearinghouse for all issues that come up regarding the shared service implementation.

High performing teams have a system or log, that collects concise details, assigns priorities, owners, and action plans. At critical junctures these teams are known to meet daily at an agreed upon time and place. The agenda is consistently followed as well as strict adherence to time.

What to look for?

Again the idea of a shared service is to ensure structured, consistent and quality processes are taking place. Agreed upon measures and benchmark put into place early on will benefit you by giving you indications if something is unstable.

Examples of an indicator of an unstable status are an increase in error rates, system outages or customer complaints. These issues should be brought forward to the resolution team for discussion, decision and action planning.

Another great way to track stabilization issues in a polished format is through the balanced scorecard. If we return to our example of a scorecard in Chapter 6, we can organize key questions to ask during this period and forward.

Below you will find the balanced scorecard but with some key questions tied with each perspective. Add your own questions and consider tracking and organizing metrics and continuity agendas under each category.

Balanced Scorecard (BSC)

Four perspectives of the Balanced Scorecard – Key Questions



“You can’t manage what you don’t measure” is a true statement in the share service model. Focusing your attention, resources and a team on monitoring and action planning activities will pay off in the long run.

Conclusion

The deep recession and slow recovery thrust businesses to become more efficient and viable. Even if recovery happened over night the financial market crash served as a wake up call for the need of effectiveness and efficiency to serve in the long term.

As a result there is no question that the shared service concept will continue to be a common business transition strategy in this new business age. A savvy professional and company is one who studies lessons learned and best practices and pushes to continuously improve.

If you are in need of subject matter advisory or human capital effectiveness and assessment services from those of us who have “been there” send us a message at HR C-Suite at info@hrcsuite.com.

I wish you every success,
Tresha Moreland, MS, SPHR, MBA
HR C-Suite Principle

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HR C-Suite is a results-based HR strategy resource. We provide thought leadership on human capital and business effectiveness.

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Appendix A - Example shared service lead job descriptions

Example #1 - Shared Service Lead Job Description

This position is responsible for shared services strategy, site selection, hiring and day-to-day management of the shared services center and its people. The center will process repeatable HR, recruiting and financial tasks along with providing HR technology systems administration and analytics support. Before processes are migrated to the center, you will lead business process mapping sessions to standardize, streamline and eliminate non-value added tasks and to establish Key Performance Indicators (KPIs) with the goals of improving quality and cycle time and reducing defects and operating cost.

Key Responsibilities

- Create the shared services strategy and in partnership with finance and legal select an appropriate new location;
- Partner closely with IT to oversee the build out of the new office space including appropriate shared services technologies;
- Create the deployment plan for migrating work to new location;
- Hire and manage the shared service team;
- Lead process improvement sessions. Create job aids and provide training;
- Establish Key Performance Indicators (KPIs), Service Level Agreements (SLAs), score cards and customer satisfaction surveys to monitor operations and ensure continuous improvement;
- Be the point person between the center and the process owner ensuring transparency and resolving conflict as appropriate.

Position Requirements

- Bachelors degree;
- Shared services experience required;
- Must have experience leading large dispersed teams;

- Human resources, recruiting and financials experience preferred;
- Process improvement and project management experience required. Six Sigma a plus;
- Sales, implementation or account management experience preferred. Must have the ability to engage and influence key stakeholders and positively influence change;
- Excellent communication and presentation skills required with experience creating and providing end user training a plus;
- Ability to travel up to 25% of the time

Example #2 - Shared Service Lead Job Description

The role includes management of the centralized employee relations team, call center and shared services group. The position reports to the Vice President, HR Operations and will manage a team of 12 professionals. The Director, HR Shared Services will provide deep subject matter expertise in HR technologies which support shared services (or other HR areas) and collaborate with HR Technology and HR Data and Reporting Management Team and respective team members who deliver HR applications, systems, data and reporting services to support all employees. The Director will work cross-functionally and collaborate with the HR Centers of Expertise and Business Unit facing HR Business Partners to understand and assess HRIS requirements, HR metrics and reports, and other data needs to delivery on outcome of informed business insight to support user experience, and increased effectiveness and efficiency of programs.

Specific Responsibilities Include:

- Works with architect groups to identify key business processes for integration into HR Service Center and provide operational thought leadership to achieve successful implementation of HR programs and support HR business strategies and achieve ongoing operational efficiencies for the department;
- Partners with IT (Information Technology) to select and implement appropriate HR applications and systems. Defines and implements

processes to enhance the usability and functionality of HR applications, systems, and processes;

- Create and provide business intelligence to the organization through analytics and reporting gathered from employee and management feedback, inquiries and transactions. Recommends and implements remediation and intervention at appropriate levels to influence change, mitigate risk and optimize the HR services and programs provided;
- Provides strategic direction and thought leadership on leading practices on HRIS, HR Data and Reporting, HR Analytics and employer experience in tools;
- Partners with key business and functional leaders to understand both geographical and cross functional implications to ensure we achieve great employee experience;
- Creates and builds teams that are focused on delivering results by providing effective coaching for development and deepening the employee engagement;
- Leads provision of effective and efficient services with an optimal balance among cost, efficiency and service delivery. Assesses, on an ongoing, basis HR Service Center performance against benchmark service levels and respond as appropriate;
- Ensures application of HR policies and develops and/or guides staff to affect solutions to complex, sensitive employee relations, work related issues and program issues;
- Participates in programs and in using tools in support of building a high performance culture through the standard Shared Services responsibilities (e.g. performance measurement, people development, customer relationship management, etc.).
- **Position Requirements:**
- 10+ years of experience leading HR Shared Services functions. Proven expertise in developing employees – coaching for both development and applying solid situational leadership management practices to support the employee's successful performance of their work;
- Relationship building and proven ability to influence stakeholders through setting the business context, relevant data and support of the operational and business strategies;

- Experience and proficiency in at least 3 of the following HR functions: HR operations, talent acquisition, HR technology, compensation and benefits, absence management, and employee relations;
- Demonstrated expertise using contemporary, data-driven practices to build broad-based organizational capabilities that drive business results;
- Demonstrated track record in leading and influencing other senior HR professionals and business executives at the C-level. Strong business acumen including track record of active contributions to key business plans and decisions;
- Deep intellectual horsepower and passionate in driving for valued results.
- Reputation for bringing out the best in others and demonstrating commitment to lifelong development in self and others;
- Proven ability to broker specialized and expert HR resources to deliver HR solutions that enable business success, including ability to roll up sleeves and operate seamlessly at both the strategic and tactical level to get the job done;
- Creativity, good humor, collaborative skills and organizational courage.
- Strong presentation skills, written and verbal to all levels within the company and outside stakeholders;
- Limited/occasional travel to major office locations, including overnight stays; must provide own transportation.

Education/Credentials:

- Bachelor's degree or equivalent required; Master's degree is highly preferred.
- Experience in LEAN, Six Sigma or other QC is desired.
- Business Process Management (BPM) experience a plus.

Example #3 - VP of Shared Service Delivery Job Description

We are dedicated to providing customers of all sizes and locations with cost-effective access to high-quality specialty products from around the world. We achieve our goal through utilization of international buying power, national warehousing and supply capabilities, and leading-edge technologies. This position

will lead an exceptional team of professionals that possess innovative thinking and a tenacious commitment.

Position Requirements:

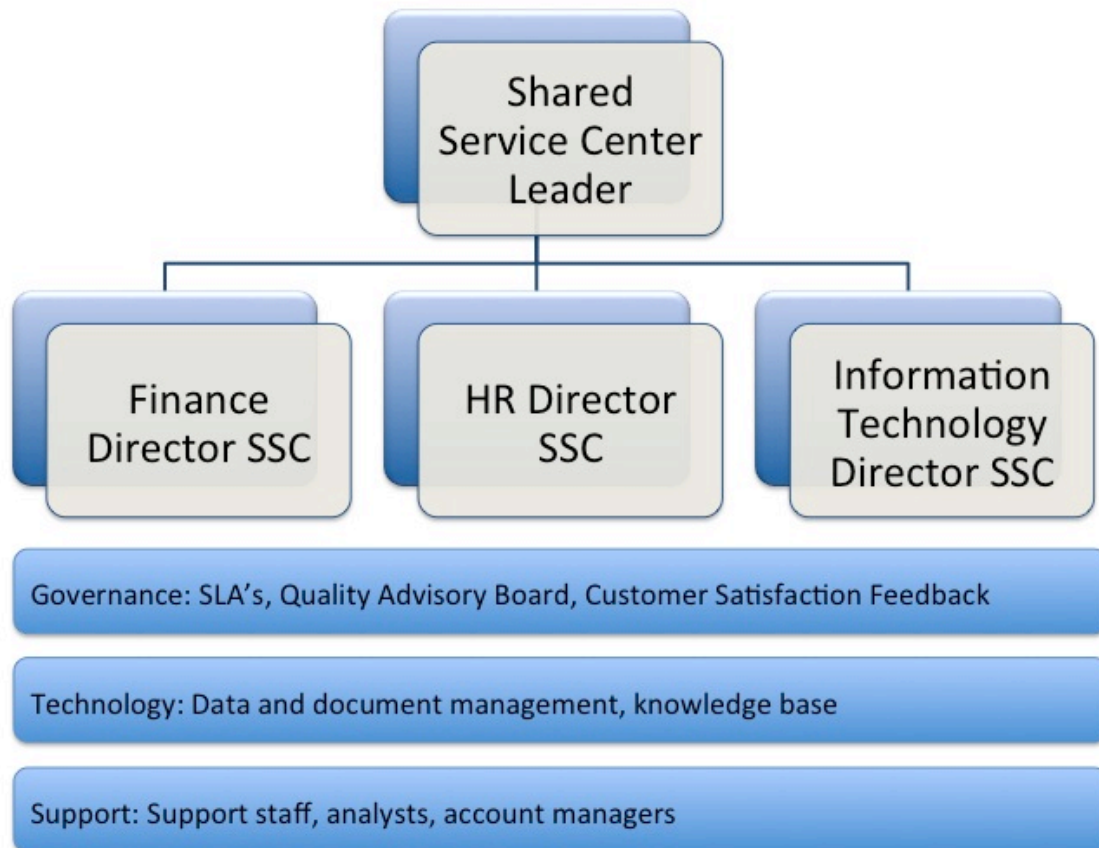
- Strong judgment, confident personality, collaborative problem-solving skills and a demonstrated strong business focus;
- Prior experience in managing a highly successful shared services operation. Experience in transitioning and rollout is preferred.
- Experience in customer credit limit setting, credit information analysis and credit risk management.
- Exceptional people management, leadership and delegation ability.
- Strong oral and written communication skills, relationship building and interpersonal skills.
- Excellent analytical and problem-solving skills with attention to detail.
- Able to meet deadlines and prioritize to achieve to the highest standards.
- Experience of using Enterprise Resource Planning (ERP) systems to harness continuous business improvement. Experience with ERP is desirable.
- Strong influencing skills to work effectively cross-functionally.
- Strong Microsoft Excel and Word skills.
- Proven planning and organizational skills, ability to prioritize and set clear objectives for the entire department
- Experience in process review, design and practical process implementation experience.

Education and Credentials

- Bachelors or masters-level degree in a relevant business or financial discipline with at least ten years of relevant experience.
- Qualification such as Six Sigma, Lean or similar is an advantage.

Appendix B - Example organization structure

This gives you an idea of an overall organizational structure of a shared service center. Obviously this would be adjusted based on your organization's needs.



Appendix C - Example implementation timeline

This is an example shared services implementation timeline. This is an example only and not recommended that you simply apply the timeline below to your company. Instead, fully assess each component and insert what you think is the best rollout schedule for your organization.

[illegible]

Appendix D - Example service level agreement (SLA)

Example for Payroll and HR services

This is an example of a shared service level agreement for payroll and HR services. Any agreement should be reviewed in full and created to meet your specific company's needs.

Service Level Agreement

General Information

Purpose

The purpose of this Service Level Agreement (SLA) is to establish a cooperative partnership between the HR/Payroll Shared Services and its customers.

This SLA will:

- Outline services to be offered and working assumptions between Shared Services and its customers;
- Quantify and measure service level expectations;
- Outline the potential methods used to measure the quality of service provided;
- Define mutual requirements and expectations for critical processes and overall performance;
- Strengthen communication between Shared Service providers and its customers;
- Provide a vehicle for resolving conflicts.

Vision

HR/Payroll Shared Services will provide a shared business environment for the [Company Name]

The business environment will continuously enhance service, compliance and productivity to its customers and core business practices. The primary goals for the service center include:

- Integrate people, processes, and technology to provide a balanced service level to all customers. Create a collaborative environment where trusted relationships and teamwork are encouraged between administration, departments, clinical areas, institutions and suppliers to further company goals.
- Leverage human resources, institutional knowledge, developing skill sets, and technology to continuously improve service and productivity for all Shared Services. Create an organizational structure that balances strategic and tactical efforts that promote efficiencies.
- Mitigate risk to the company by focusing on compliance requirements and understanding the impact these requirements have on productivity and customer service. Develop an integrated organizational structure that will promote the consistent interpretation and enforcement of policies, procedures, local, state and Federal laws and regulations throughout the company.
- Reduce unnecessary costs through the use of creative organization design; economies of scale can be reached, resulting in lower operational costs. Design an environment that eliminates redundant processes and encourages solutions that maximize the goals and objectives of the company.

Mission

The mission of HR/Payroll Shared Services is to provide our customers with quality, timely and efficient services. We will achieve this mission by utilizing technology, cultivating the skills of our staff and building strong relationships with our customers. We will operate our center understanding that we live in a competitive environment and our goal is to ensure our customer's satisfaction.

Scope

HR/Payroll Shared Services shall provide services to the [company]. HR/Payroll Shared

Services will be responsible for processing HR and benefit transactions in [HRIS System] for [list internal customers]. HR/Payroll Shared Services is also responsible for the timely payment of salary/wages, fellowships and deferred

compensation.

Hours of Operations

Daily hours of operation are 8:30 am to 5:00 PM Monday-Friday, except for approved holidays for the university and health system. Working hours may be adjusted due to system or power outages, emergency situations, or disaster.

Service Expectations

These service expectations are meant to monitor the more critical elements of the services provided and are not meant to reflect the comprehensive services offered by HR/Payroll Shared Services. The productivity indicators reflected below are not listed in any order of priority.

Service Commitments

- Processing deadlines and pay dates are posted on Shared Service Center website
- Before each payroll run, management runs a report to ensure all change requests were received by the posted deadlines are processed in time for the appropriate payroll.
- Forms will be scanned within 3 business days after being processed by Shared Service Center representatives.
- Interface reports are received from vendors; errors are researched and resolution sent back to vendor.
- Phones will be answered within 20 seconds with solution and feedback provided within 24 hours.
- Calls are monitored through software. Management monitors staffing levels to ensure calls are answered within Service Level Agreement standards.
- Emails will acknowledge receipt same day and solution or feedback within 24 hours.
- E-mail boxes will be monitored by management and staff for incoming customer requests.
- Customer feedback will be a tool used for monitoring standards.

Audits:

- Random samplings
- To ensure data integrity a random sampling of change forms will be

selected by management and staff and compared to information that was entered into the system.

- Reports will be developed to monitor key risk areas

HR and Payroll Audit Plan

This summary outlines the Human Resources and Payroll Shared Services plan for auditing its transactions on an ongoing basis. The audit will determine monthly accuracy rate along with its error rate(s) (such as salaries, supplemental pay, benefit assignment, etc.).

The error rates will be separated into two categories:

1. Payroll errors - These are errors in processing which will effect the employee's pay either to the employee's benefit or detriment, an example of such an error would be entering a salary amount other than the amount requested on the change request.
2. Non-Payroll errors - These are errors in processing that only impact the employee's system record but not the employee's pay. An example of this would be neglecting to mark the return date as complete when an employee is returned from a leave of action

Audit details:

- The shared service management and staff will randomly select no less than 100 transactions monthly (1200 transactions annually).
- The audits will be composed of selecting change request forms each month.
- Management and staff will compare the information that was requested on each form or Benefit enrollment form to the information that was entered into the system.
- The results will be recorded and stored in a central location.

Audit Value Proposition

The audit results will provide management with a summary of all audited transactions along with a brief description of errors and corrective action that was

taken. Individual transaction audits will also serve as a tool to provide immediate coaching to shared service staff.

The resulting information will be used to determine the department's accuracy rates as well as its error rates both (Payroll impacting and Non-Payroll impacting).

Assumptions

HR and Payroll Shared Services will be appropriately staffed and funded, and supported by [fill in].

HR and Payroll transactions will be received in shared services through the change request forms. Benefit transactions will be received through paper forms and electronic feeds. Various other paper forms will be received in the service center such as Excel spreadsheets for miscellaneous deductions and payments.

To be reflected in the current payroll, transactions must be received in HR/Payroll Shared Services by published deadline dates and must be accurate & complete.

Constraints

Workload - Increases in workload caused by natural or man made acts such as power outages; system unavailability or system response time may result in temporary reduction of service level delivery.

Regulatory Requirements – HR and Payroll policy changes, Federal or State regulations may alter procedures and service delivery timeframes.

Support - Achievement of our service level commitment is dependent upon customer compliance with the policies and procedures of the company. Support from the company is paramount to the success of the HR and Payroll Shared Services.

Service Level Agreement Maintenance

This agreement will be reviewed on an ongoing basis and updated as needed.

Revisions may become necessary due to changing service needs, modifications to existing services, addition of services, significant variations from agreed upon service levels, or unanticipated events.

Terms of Agreement

This agreement starts on [date] with the mutual understanding that modifications may be required over time. All modifications will be made in the spirit of the original Agreement and must be reviewed by representatives of the HR and Payroll Shared Services customer base. A formal review of this Agreement and published modifications will occur on a semiannual basis.

Periodic Quality Reviews

The HR and Payroll Shared Services Center and representatives of its customer base (Advisory Board) will conduct periodic reviews of the Service.

The shared service center's performance against agreed-upon service level expectations. The agenda for these reviews should include, but is not limited to:

- Service delivery since the last review
- Major deviations from service levels
- Conflicts or concerns about service delivery
- Planned changes to improve service effectiveness
- Negotiation of changes to the Agreement
- Provide feedback from constituents

The HR and Payroll Shared Services Advisory Board will meet every other month and the Board will communicate back to unrepresented constituents.

Issue Resolution

If either the HR and Payroll Shared Services or its customer identifies a substantive breach of responsibility, or other problem that requires resolution before the next periodic review, both the Service Center management and customer will engage in a joint effort of understanding and rectification of the issue.

In the event this remedial effort fails, either party can raise the issue to the office of the responsible VP. Decisions made by the office of the VP will be binding.

Appendix E - 10 Keys for a successful implementation checklist

This checklist is based off of a popular HR C-Suite article entitled, “10 Keys for a Successful Implementation Checklist.”

Keys	Description	Notes
Ask key questions	What are the main objectives? Does leadership support this initiative? What is the upfront and ongoing investment? What are the expected staff layoffs or transfers?	
Determine criteria	Which functions are critical to ensuring success at the local level and which can be managed at the center? Which are high in volume and transactional value?	
Chunk implementation	Use a phased approach to implementation.	
Simplify complexity up front	Simplify processes before implementation where possible.	
Establish strong governance	Prevent complexity creep, ensure quality and on target over time.	
Clarify chargeback expectations	Clarify chargeback items and how they are calculated with unit leaders.	
Establish a change management plan	Have a comprehensive change management plan.	
Ensure organizational effectiveness over time.	Establish metrics to monitor and ensure effectiveness over time.	
Establish a technology plan	Determine what technology platform is best to manage data, documents and processes.	
Use service level agreements	Establish a service level agreement to document service details, timelines and chargebacks.	

See “Shared Service Center Implementation: 10 Keys for Success” at www.hrcsuite.com.

Appendix F - Common terminology

Learn the Language

Allocation - Refers to monies designated for a special purpose.

Automation - Processes that are automatically managed through the use of computers.

Balanced Scorecard - A balanced scorecard is a method to measure performance and ensure alignment with organizational objectives.

Business Process Outsourcing (BPO) - Refers to an outside company managing processes that may have been otherwise operated from within a business.

Centers of Excellence – Specific business services are based in different locations depending on the company's strongest area of expertise. For example Information Technology (IT) services may be provided from Texas, while purchasing functions are delivered from Europe.

Centralized Approach – All support services are provided from a single center or location.

Cost Avoidance - Refers to reductions that cause expenses to fall, but not below the level of current spending.

Cost Savings - Cost savings, different from cost avoidance, occur when there is a reduction in expenses that falls below the level of current spending.

Direct Costs - Expenses that are clearly tied to services such as wages or equipment.

Due Diligence - The analysis before transition to determine alignment of culture, values, processes and readiness for successful change.

Economies of Scale - Cost advantages realized when companies leverage large purchasing power.

Enterprise Resource Planning (ERP) - A system that integrates internal and external information across an entire enterprise. An ERP automates finance, supply chain, customer service management, manufacturing and sales activities.

Failure Demand - The demand on resources to correct issues that arise when implementation was less than successful.

Governance - A company's oversight and holding leaders accountable for quality, ethical and legal obligations.

Indirect Costs - Expenses that cannot be tied directly to services such as overhead or staffing costs.

Metrics - Metrics is a measure of various organizational activities.

Process Mapping - A systematic way of laying out what a process entails.

Regional Clusters – Services are delivered on a region-by-region basis.

Self Service - The ability to access information or take care of a transactional duty through the sole use of a computer.

Service Level Agreement (SLA) - An agreement between two entities that details services to be performed and when.

Shared Services - Streamlined functions and processes that enable an organization to perform effectively and efficiently.

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