

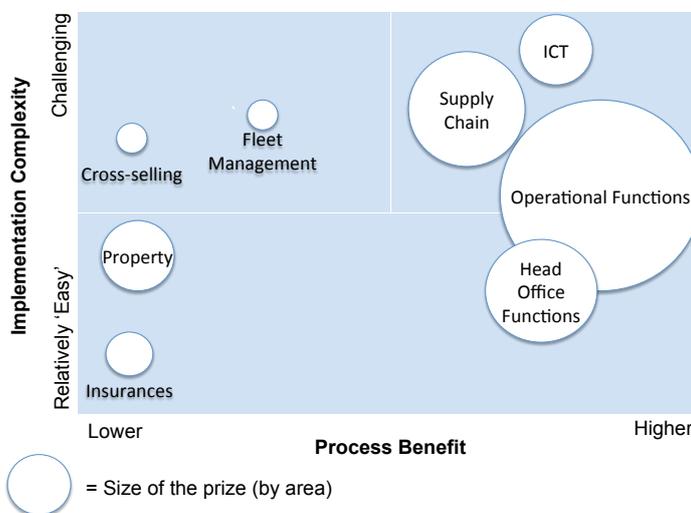
Profitable Strategies #5 Shared Services for Lower Costs and Better Process

The shared services idea has been a management fad for at least a decade. But what are shared services, and should your business go for them or avoid them like the plague?

The move to shared services has been driven by the need of large organisations to both do things better, but more importantly, cheaper. It started in the private sector, and with the pressure on Government spending leading to cuts, has spread to all sectors of government – including local, central, and departmental spending. The core principle of shared services is to bulk up the activities that support an organisation's delivery - such as accounting, distribution, or HR processing - to develop sufficient critical mass to save money and to do things better.

It is no panacea for all ills, however. Do it right and you will shine, but do it wrong and you will sink without a trace. Here is a chart of my experience in

Shared Services – What Works?



shared services, ie: where shared services work to save money ('size of the prize') and improve process, set against the relative difficulty of implementation.

Every area of business is different, of course, but where would your opportunities and challenges lie?

The key questions

When you are considering the very real merits of whether to go for shared services, and which areas of the business to prioritise for this, I suggest that you consider the following key issues:

1. The size of the prize versus the pain of change

On the downside, will the cost and distraction of the proposed changes cost more than the benefit? If there are multiple ways of doing the same thing, does it matter? How much time and money is wasted doing it in parallel?

On the other hand, it is amazing how often businesses let their subsidiary divisions do the same thing in completely different ways. I'm sure that very often it is just because it is easier for central management. A classic example was how News International let each of its papers create its own newspaper app for tablets. Whilst it might have made sense to cater for the different needs of a Sun reader versus a Times reader, it did not make sense between the Sunday Times and the Times, where the needs were basically the same. What a waste.

2. The need for process consistency.

Process standardisation is critically important in many organisations. For example, construction companies can easily lose control of their business when they start to spread estimating to several offices, thus losing control on the essential lever for risk management. It is better to have one estimating hub, supporting several regional businesses.

How important is control and good process in the business? Of course, everyone will say that it is hugely important, but there can be a great temptation to standardise when the process benefits are quite small.

3. The need for integrated customer offerings

To what extent do the activities of the business need to coordinate in order to deliver the requisite services and products for customers?

BT is a stand out example where there is a desperate need for coordination between departments – which isn't happening! I had to switch my provision from one part of BT to another recently. I received at least 15 e-mails, letters, and phone calls telling me what to do, what not to do, and what other communications from BT to ignore.

Implementing shared services

Here are my tips on implementing shared services:

- Start with the easier prizes, building the confidence that it can be done.
- Set the core operating principles for the relevant new shared services up-front, giving a clear view of the model that you are going for.
- Don't underestimate the importance of engagement and buy-in of the involved stakeholders at the start.
- Involve experience programme managers who can deliver the change.

Staffan Engstrom, 18th May 2015