How to design a shared service center that works*
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Global shared services:

Why PwC

Independence and objectivity
We operate as trusted business advisors and have no bias or conflict of interest with respect to potential service providers. Our goal is to provide our clients with an objective assessment of the benefits, costs and risks of each alternative. Our evaluations are grounded in our deep experience in assessing and developing business cases for back office sourcing decisions, as well as our understanding of your goals and objectives.

Substantive and relevant experience
The PwC Global Outsourcing Advisory practice brings our clients the collective thought leadership, experience and perspective of our network of over 1,300 professionals around the world. We work with our clients so that sourcing strategies are aligned with the client’s business objectives, and are implemented in a manner to deliver operational leverage and benefit to the organization.

Ability to leverage the knowledge and experience of our practice
PwC has a strong Advisory team in the United States that can play a key role in developing an assessment of your sourcing alternatives. We leverage our experience to help ensure that the elements of a sourcing alternative are fully evaluated in the context of local conditions. PwC has experience advising clients around the world on how to establish and improve operations.

Standardized Sourcing Management approach
PwC has a portfolio of proven tools/methods that can be customized specifically for our clients’ requirements.
Our capabilities

Our performance and process improvement professionals can help your organization with HR, IT and Finance and Accounting (F&A) functions. In combination with our project managers, PwC can help bring together the different elements that drive efficiencies for your shared service center (SSC).

We have many years of experience in helping our clients implement SSC. We have assisted clients in many different aspects of their sourcing strategies, including:

- Performing feasibility studies and development of a compelling business case
- Change management
- Risk management and issue monitoring
- Project management and administration
- Planning and scheduling
- People issues and employment legislation
- Finance, HR and IT issues
- Tax issues
- Process design and transition
- Service management (including service level monitoring and reporting)
Our experience

- We have completed several hundred sourcing projects worldwide, from business case and conceptual design through implementation.
- We have over 1,300 practitioners across the globe.
- Our practitioners work from a common methodology and training.
- Our senior practitioners are regularly published in the business press. We have also published one of the best known books on the topic of shared services, Shared Services, Adding Value to the Business Unit.
- We have helped our clients build shared services centers around the world in countries such as India, the UK, Ireland, the Netherlands, Belgium, Spain, Germany, the US, Canada, Australia, New Zealand, Singapore, the Czech Republic and Poland.
- We have helped our clients implement SSC for Finance, Human Resources, Sales Order Processing, Customer Service and Technical Support.
What works and what does not

SSC move major business processes out of individual business units and concentrate them in order to improve cost efficiencies, service levels, and market responsiveness. As companies globalize and e-business builds momentum, the shared services model is attracting increased attention and resources.

Widely used in the United States, SSC are multiplying throughout the world. To identify the pitfalls and benefits of making this approach work, PwC recently surveyed shared services directors. In the early 1990s, many multinationals moved vigorously to introduce the shared services model around the globe. Today, companies in virtually every industry either have SSC in place or are actively planning them. A robust global Shared Services program offers powerful benefits: lower costs, better decision support, and more efficient service levels are chief among them. But, as many companies are learning, building a successful program isn’t easy.

To find out first-hand which approaches work—and which don’t—PwC recently conducted an in-depth survey of Shared Services and PwC practitioners with experience in building Shared Services Centers. The survey included companies in a wide range of industries, from consumer goods and high technology to pharmaceuticals and financial services. Survey participants ranged in size from global multinationals to middle-market firms—and were at all stages of the shared services life cycle.

The survey had a practical, hands-on focus: to gain frontline feedback from directors about their experiences, including pitfalls to avoid, lessons learned, and emerging opportunities. Among the questions asked: What has worked well? What hasn’t worked as well as expected? What would you do differently if you were launching a program today? What are your future plans?
Survey Highlights

Major change drivers
Not surprisingly, cost reduction was the single most important driver behind the move to a shared services model, according to survey participants. Other key drivers: better management information/decision support, the need to align business services with a global operating structure, business-process integration following a merger or acquisition, and improving customer service.

Major benefits
On the cost-reduction front, participants cited four benefits: cost savings (42%), head-count reductions (24%), increased efficiency (21%), and lower-cost locations (18%).

Shared Services’ role as a catalyst in the shift from an in-country to a global corporate structure was another major advantage cited by survey participants. Other positive results: better decision support (60%), the development of common practices (40%), and common data structures (34%).

Major barriers
The single largest obstacle to implementing a shared services initiative was the lack of senior management sponsorship and a resulting lack of communication. According to survey findings, there was a negative ripple effect when companies failed to support Shared Services with a robust, proactive communications program that identified both the benefits expected and the changes required. Communication shortfalls among SSC, corporate, and country managers were also common.

Other barriers
Conflict between country and corporate managers (30%); poor people management (13%); inadequate IT infrastructure and support (12%); insufficient project planning (12%); and difficulty recruiting in certain locations (12%).
Three operating models

According to our survey, companies are adopting one of three shared services models.

**Option one: The centralized approach**

In this model, all business-support services are concentrated in a single center. This center provides services to a company’s operations throughout the region. The most cost-efficient model, it is also the most demanding to execute because it requires the most extensive operational restructuring.

**Option two: The centers-of-excellence approach**

In this model, specific business processes are located in different locales based on a company’s strongest concentrations of experience. Accounts Payable, for example, might be delivered throughout Europe from Germany, while Sales and Credit functions are administered from Sweden.

**Option three: The regional clusters approach**

In this model, shared services are provided on a region-by-region basis. One SSC, for example, might provide business support to US, Canada, and Mexico while another would deliver services to the United Kingdom, Ireland, and Scandinavia. Many companies view the cluster approach as a stepping stone to a centralized shared services model.
Lessons Learned

In the course of PwC’s survey, participants shared their first-hand experiences, as well as insights from both their successes and failures. In analyzing their feedback, ten key messages emerged.

1. To make Shared Services work, a company must have a global organizational structure in place before implementation begins
   
   An SSC cannot thrive in a fragmented corporate structure, in which country operations are decentralized. Centralizing support services is possible only if a global corporate structure is firmly established before a Shared Services initiative is launched.

2. Cascading sponsorship and buy-in from key stakeholders are vital to swift, effective implementation
   
   Support for shared services must start at the top and cascade throughout a company if the approach is to take root. Key stakeholders, including the business units served and operation managers, must enthusiastically support the model

3. Building a SSC is a long-term, strategic decision, not a short-term, cost-cutting tactic
   
   The key to continuous improvement is focusing on the long-term benefits, not just immediate cost savings. While cutting costs is a strong incentive, other benefits such as Shared Services’ role in supporting globalization, better decision making, and improved customer service are equally valuable.

4. Strong, consistent communication to every level is essential to success, both during the start-up stage and throughout implementation
   
   In building a robust SSC, relationships are just as important as knowledge or technical experience. Companies that select SSC directors who excel in people management—and in forging relationships with operation managers and other stakeholders—greatly enhance their chances of success.

5. Shared services directors must have authority as well as responsibility
   
   PwC’s survey results indicate that SSC directors frequently feel disconnected from both corporate headquarters and the customers they
serve. All too often, they are charged with making deep changes in a company's operating structure, but lack the authority and support required to implement those changes.

6. Companies that give priority to people/cultural concerns are most likely to create a viable global services program

   Survey participants warned against underestimating the depth of change management required to shift to a Shared Services support model. This is especially critical in areas where major cultural barriers to centralization still exert powerful influence.

7. Recognize and carefully address the risks and benefits associated with each SSC migration model

   Whether a company chooses to fully centralize, create centers of excellence, or use a regional cluster model in building a Shared Services program, substantial risks are involved. Before selecting an operating model, it is important to carefully weigh both the advantages and liabilities inherent in each approach.

8. Keep it simple: focus on relationships, buy-in, and long-term benefits rather than purely on structure and technology

   As e-business escalates in importance, it is tempting to emphasize technological innovation over human resources. Survey results reveal that this approach can overcomplicate the implementation process and obscure its long-term goals.

9. Invest significantly in IT to build a common platform that supports shared services implementation

   Fragmented and/or inadequate IT resources and infrastructure can seriously threat the viability of even the most carefully planned start-up. A coherent, fit-for-purpose IT infrastructure is essential to launching a global shared services program.

10. Link reward systems for shared services and country personnel to their performance of end-to-end processes - that is, purchase-to-pay rather than accounts payable

    Survey participants indicated that this is a key ingredient in building a strong shared services resource pool that is committed to customer service and continuous improvement.
Looking ahead

While the potential benefits of building SSC are being eagerly embraced throughout the world, relatively few companies have developed a fully effective global program. A key transition: reengineering vs. centralizing—which happens first? A well-planned migration approach must evaluate such critical issues with care. One global multinational with a highly successful SSC employed a four-step formula: simplify, standardize, centralize, optimize.

Spurred by exciting e-business innovations, many companies are already discussing the “next generation” of shared services initiatives. PwC’s survey provides powerful evidence that such discussions, while valuable, must be tempered by reality. Many directors believe their companies still have significant work to do in strengthening their existing programs. Only with a firm foundation in place are future efforts likely to achieve their intended results.

Looking ahead, e-business offers exciting opportunities—as well as major challenges—to SSC. Fuelled by technological innovation, new migration models are emerging. These will have a major impact on how services are delivered and where they are located. Clearly, more change is on the horizon.

Improvements in cross-border communication services, voice and data communication links are now focusing management’s attention on the benefits that shared services can provide today. During the coming decade, the imperative for success will be the extent to which businesses can control their costs and their return on capital. SSC provide a path towards this goal.
Shared services capability and experience

Value proposition

As our survey shows, establishing a shared services center involves taking repetitive common processes out of individual business units and moving them into a stand-alone organization, freeing up the business to spend more time performing higher value-added tasks.

The SSC achieves improved efficiencies through economies of scale and clear role focus (often technology enabled) while providing a high level of service to the enterprise.

We also recognize that the implementation of shared services brings opportunities to help the business focus and organize to perform its value-creating roles.

Potential benefits

- Business focuses on value-creating activity
- Business units maintain control of decisions
- Enhanced customer service delivery and focus on customer satisfaction and increasing competitive advantage
- Increased strategic and business focus
- Leveraged technology/ERP systems
- Reduced financial and organizational costs through economies of scale
- Reduced IT costs
- Standardized and best practice processes in line with industry benchmarks standards
- Improved controls over regulatory aspects impacting sourcing operations
- Leveraging taxation opportunities to add further value to sourcing operations
Establishing a Shared Service Center

**Ongoing Program Management**
- Define Project Management Team
- Collect business data
- Define business objectives
- Develop operational model
- Develop value proposition & alliance model
- Prepare & finalise business case

**SSC Management**
- Continuously update business case
- Define “go live” criteria
- Define service to be moved to SSC at theatre level
- Define SSC management requirements
- Executive search & selection—SSC management
- Identify and resolve legal/tax issues
- Confirm local management have HR planning/consultation strategy
- Ensure knowledge transfer—training

**SSC Processes**
- Capture “as is” knowledge in each location
- Define process policies
- Define common standards (e.g. chart of accounts)
- Define process boundaries
- Capture “as is” process status in each location
- Design SLA/OLA performance measures
- Design core processes and procedures
- Localise core processes
- Map process interfaces
- Address backlog issues

**SSC Support Infrastructure**
- Define telecommunications requirements
- Define systems requirements
- Define human resource requirements
- Define premises requirements
- Define supplier requirements
- Select and implement systems
- Select and implement telecommunications services
- Redeploy/transfer local staff
- Recruit SSC staff
- SSC staff training
- Locate and fit-out premises
- Select and contract suppliers
- Business Continuity Planning preparation and testing

**Establish SSC infrastructure needs:**
- Select and implement telecommunications services
- Redeploy/transfer local staff
- Recruit SSC staff
- SSC staff training
- Locate and fit-out premises
- Select and contract suppliers
- Business Continuity Planning preparation and testing

**Ongoing communication with local management and SSC staff**
- Establish SSC management structure and organization:
  - Roles and responsibilities
  - Authority levels
  - Budgets and targets
  - Legal and tax
  - Policies (HR, IT, finance, values, etc)

**Develop SSC culture and values**
- Executive search & selection—SSC management
- Business Continuity Planning preparation and testing

**Define SSC infrastructure needs:**
- Select and implement systems
- Select and implement telecommunications services
- Redeploy/transfer local staff
- Recruit SSC staff
- SSC staff training
- Locate and fit-out premises
- Select and contract suppliers
- Business Continuity Planning preparation and testing
Ongoing Operations

Ongoing Program Management

SLA/OLA monitoring

Manage Core Processes

Continuous process improvement

Acceptance testing:

Ensure knowledge transfer—training

Prepare migration plan

Assess migration risk

Migrate processes to SSC

SLA/OLA performance measures

Processes

Systems

Data

Address migration issues

Establish SSC infrastructure:

Support SSC operations:

Prepare SSC management reporting

Ongoing SSC Support

BCP testing and maintenance

SSC management liaison

‘Client’ management liaison

Ongoing Service Level Management

Ongoing SSC staff management

Continue update business case

SSC management liaison

Ongoing communication with local management and SSC staff

Prepare and finalise Service and Operating Level Agreements

Finalise SSC staff performance monitoring and counselling process

Plan and manage migration to SSC

‘Client’ management liaison

Ongoing Service Level Management

Ongoing SSC staff management

Activity Group

Formal Approval Points

Activity
Key elements to the PwC approach

Working along side our clients, PwC can offer a customized range of solutions, drawing on deep experience across the firm that can help you manage the risks of establishing a successful shared service center from inception to completion.

Planning

We can help review management’s plans to evaluate the costs and benefits of various alternatives and solutions. Our services include:

- Business case preparation
- Investment risk assessment/decision support
- Tax and legal decision making
- Service scope definition
- Organizational planning
- Human resource planning
- Performing due diligence reviews
- Transition project planning
Pre-shared services center establishment

We can help improve your business processes and controls with a view to helping you to provide a high level of quality of service to your various business units, divisions and other users throughout your business. Our goal is to help you realize productivity and efficiency improvements that will reduce operating costs. Our experience covers a wide range of activities including:

- Analysis and development of process policies
- Process and controls design, and testing
- Establishing service level agreements and key performance measures
- Provision of a project assurance framework for development and implementation
- End-to-end tracking of controls across organizational boundaries
- Package selection and implementation risk management
- Data migration management
- Establishment of communications infrastructure
- Human resource risk management
- Process and system quality management
- Transition project management
- Training
- Business continuity planning; and
- IT security design and implementation
Establishing the SSC and project management

Our team of experienced process specialists and project managers can help you to bring together the different elements required to establish a SSC and to identify and mitigate the associated risks including:

- Project management and administration
- Planning and scheduling
- Process transition to the SSC
- Service level monitoring and reporting
- Issue and change management
- Risk management

In addition, we have specialists in taxation who can advise on how to realize potential tax savings.

Risk management and quality assurance

PricewaterhouseCoopers can help you to identify, understand the implications of and mitigate the risk associated with establishing shared services. Establishing an appropriate risk management framework is essential to support the decision-making process from the outset of the migration project, including:

- Strategy—policies, objectives and business/performance drivers
- Risk management processes—awareness, assessment, improvement and reporting
- Infrastructure—people, systems, tools
- Environment—culture, third parties, regulators and legislators
Post-SSC establishment

Once the SSC is operational, we can work with you to develop a continuous improvement program:

- Relationship management including service level agreements (SLA) with internal customers and with any third party service providers to the SSC itself.
- An assessment of the SSC which includes:
  - Evaluation of service delivery capabilities
  - Analysis of SSC cost model/cost to client
  - Evaluation of ability to deliver incremental operating efficiencies
  - Assessment of alignment between SSC operating model and client requirements
  - Workflow analysis and optimization
  - Risk evaluation, monitoring and reporting
Client's challenge

Our client rapidly needed to strip costs from a loss making business. A component of management’s cost reduction program was to rationalize the finance function, with simplification and standardization being a prerequisite to making a decision regarding outsourcing. Acceleration of normal project time-scales was to be critical.

PricewaterhouseCoopers Advisory solution

PwC assisted our client with the implementation of a SSC to serve the client’s eight European entities. Deadlines based on the shortest benefit realization time-scales, rather than elapsed time of project tasks, were set. Four countries were to go-live just three months after project initiation, the next four countries in the following two months.

To achieve an accelerated time-scale, it was agreed to:

• Mandate change (as opposed to a ‘traditional’ consultative approach)
• Decrease scope of change to achieve our goal
• Decrease functionality requirement immediately after go-live
• Risk manage project task components on a ‘triage’ basis

Impact on the client’s business

Processes were re-engineered and systems reconfigured to a common standard. The project was recently completed on time and budget, facilitating the closure of 7 European finance functions:

• Generating savings from reduced staff costs
• Realizing capital from the sale of assets
A large pharmaceutical company

Client's challenge
The company's Finance & Accounting (F&A), HR and IT organizations are global and decentralized with varying levels of technical capabilities across the globe. This results in an inability to report globally on transactions and creates administrative burden. The client requested that PwC address the following objectives:

• Transform the way they deliver organizational results and create a more efficient and effective business model overall
• Enable HR to be perceived by its internal customers as adding high value
• Enable technology to be more efficiently leveraged in global F&A and HR delivery
• Ensure that transactional service delivery is appropriately sourced (in/out/co) to enable effective collaboration, strategic services, administration and customer service
• Enable staff to better align their activities with the dynamic issues facing each of the unique business units

PricewaterhouseCoopers Advisory solution
The PwC solution included a global shared services environment, implemented in the four regions of the world. This would be achieved by harmonization of F&A, rationalization of ERP systems and instances, and working with an HR BPO to provide a global HR technology solution that would handle administrative activities. Specifically, PwC proposed:

• Selection of the best in class instances of SAP for marketing and sales, distribution and manufacturing
• Implementation of regional F&A SSCs
• Implementation of SAP regional centers of excellence
• Aligning specialist functions in centers of expertise
• Defining business unit partner, HR and Payroll team roles
• Using sourcing arrangements that promote greater efficiency
• Improving HR Supplier governance structure and management processes
• Establish common programs and processes in order to assist management in its goal of achieving operational excellence

• Supporting measurement and data mining capabilities across the organization globally

Impact on the client’s business

With PwC’s help, the client has established SAP centers of excellence in Milan, Singapore and the United States and plans to open four SSCs around the world. Teams from PwC are working with the client to harmonize processes, and PwC is assisting with site selection for the North American, Asia Pacific and Latin American SSCs. Once the regional SSCs are established, the client expects to have significantly lower costs, better access to data, and greater control. Ultimately, implementation of the regional SSCs should help the client’s organization to become more efficient, agile and flexible, and make it easier to integrate future acquisitions. Through the HR BPO relationship, the client also will have more robust HR capabilities, including self-service capabilities that should enhance employee satisfaction while lowering costs.
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