The shared services model and new opportunities for the global professional service firm

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The shared services model and new opportunities for the global professional service firm

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The shared services model and new opportunities for the global professional service firm
The Centre for Global Sourcing and Services

Nothing’s changed but everything’s different!
All this technology is making us antisocial.
What we do?

“The Centre is dedicated to carrying out both academic and ‘focus on practice’ high impact internationally renowned research on how organisations source and manage business and IT services in a global context”........Centre for Global Sourcing and Services Website

The attainment of world-class business support services through the application of New Working Practices and Advanced Service Systems in a sustainable manner.

The attainment of world-class business support services through the application of New Working Practices and Advanced Service Systems in a sustainable manner.
Case 1 - Trainco – A story of Shared Services for... 
Unity and integration!
The story of a PSF – 1997 to 2016

• Nature of the shared service model v. Traditional functions v. outsourcing

• SSC as a capability, as an enabling a platform organisation?

• Deprofessional theory – Organisational professionalism – embedded v. embodied

• The PSF as a seamless, integrated, global force?
1997 - The empowerment challenge!

“If we do our job properly there won’t be any need for a separate management accounting department!”

“The objective is to create resource consciousness at the point of resource consumption”.

Management Accountant talking about his department’s role in supporting empowerment (1997)
Trainco


Operates in over 10 countries, more than 20 offices around the globe

History
- Formed in April 1994 from the former InterCity engineering arm of British Railways.
- Management buy-out from British Railways in March 1996

Services
- Wide-ranging service portfolio, encompassing all aspects of the railway system and its operation:
  - Including technical services, engineering and strategic railway management;

Clients
- Across the international rail industry, e.g. in UK: TOCs, Network Rail, TfLondon, etc.

Staff
- Approximately 60 shared service staff by 2011
Trainco – Business Context in early years

- Private co. – venture capital back (strong pressure for £ returns)
- Expanding opportunities (potentially)
- But limited in UK – 3 similar competitors!
- And, professional retention & recruitment issues
- Many strategic variables
- Many customers, ‘perishable’ and variable products (billed by the hour)
- Less direct cost pressure (mainly about volume and cash)
- Ex-public sector, very bureaucratic cultures,

= Internationalisation was the only option!
A need to change the business model and culture

but....

what to do? and

how best to do it?
Role/task variety?
New Working Practices - finding the balance?

- Dilemma between factory or empowered style
- Reality tended to be ‘nudging’ along the continuum but more like a random walk.

traditional style (coercive)  empower (enabled)
- centralised
- bureaucratic
- structured
= efficiency & control
- devolved
- participative
- fluid
= effectiveness & flexibility
Shared Services
- Cinderella of the plot

Perhaps a ‘third way’??
Moving to a Shared Service Centre Model

Conventional Divisional structure (support services embedded)

Semi-autonomous
Thinking like a business
Networking & benchmarking

Shared service centre structure
Shared service (&BPO) - Success factors

- Simplification
- Division of labour/deskilling
- Standardisation
- A single version of the truth
- Objective/independent
- Scalable
- Efficient & achieving continuous cost reduction
- Finding the cheapest place on earth
- Networking and benchmarking
- Invisible to the business
- Phased migration, building on the wins

But... are these strengths compatible with the PSF?

Deprofessionalisation thesis – Haugh (1973) & Oppenheimer (1973)
More than just a new organisation chart - The SSC model blends different approaches

Combining a market outlook with inhouse management control

Working across the organisation

Enabling a single source of the truth in real-time throughout the management chain

New structures, ‘philosophy’ & techniques
A sharing ‘philosophy’ or a sharing ‘contract’?

- Contractual sharing?
- Mutual adaptation?
- ‘Learn’ to share?
- Or, collaborate?
2003 – 2011

Global expansion & Shared Services

Unity and integration (not uniformity)!
Matrix of services

<table>
<thead>
<tr>
<th>Group</th>
<th>Operational</th>
<th>Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialist Finance</td>
<td>Software Solutions</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Marketing Communications</td>
<td>Bid Team</td>
<td>Information Centre</td>
</tr>
<tr>
<td>IT and Facilities</td>
<td>Quality</td>
<td>Finance - Transactional</td>
</tr>
<tr>
<td>Contracts</td>
<td>Safety</td>
<td>Finance - Business Analysis</td>
</tr>
<tr>
<td>Knowledge Management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

‘Pick & Mix’ menu of options. Annual recharge based on negotiated % of total cost base.
3 stage SLA

- **Gold service** – new business incubation
- **Silver service** – main services + local specialist
- **Bronze service** – Divisional resources + main corporate

- In other words perm any 12 from 36!
SLA as scoping and negotiating framework and.....
A corporate governance mechanism

• Maintains strategic & tactical alignment throughout company
• Promotes visibility
• Service Level Agreement defines rights AND responsibilities (Know what your getting, get what you expect)
• SSC at arm’s length with entrepreneurial mindset
• Scalable
The Tutti Fruiti of shared services?

- Many more functions than usual
- Matrix of service needs
- Matrix of service delivery
- Cost management rather than cost reduction
- Unity and Integration
Service Dimensions

Policy

Ad hoc

Routine

Passive  Reactive  Proactive

HR relocation policy (e.g. house prices)

IT systems – user need e.g. office relocation

HR - new starter processing

Accounts - Transactions process

HR - Evolving compensation policy

Accounts - capital appraisal

IT systems – system design

Marketing - comms & strategy

Accounts – Business analysis

Accounts - report & interpretation
An alternative view – the organisational rubric cube
But how to stop it becoming this?

What is the essence of shared services?
Not matrix management but management of a mix?
Tichy (1983) technical, political, cultural strands.
Shared Services – the balancing act?

- Standardisation v. customisation?
- Centralised v. decentralised?
- Efficiency v. effectiveness?
- Factory v. empowerment style?
- Coercive v. enabling?

= a platform of support functions

= firm-level resource for international expansion and control
1997-2013 People now understand their situation in financial terms and the impact of their actions better.  *Finance Director*
Case 2 - Profco

• Applying the SSC to professional accounting firms

AND

• Enabling the virtual SME
Conclusion

• IF an SSM can be framed as an enabling rather than just a coercive force...

... then it might allow even modest-scale PSFs to operate globally in a sustainable manner?
Deprofessionalisation – caution required?

SSC

Globalisation

Finance operations

Retained finance

Business Partners

More embedded & role-based

More embedded & process-based
Finance operations

SSC

Globalisation

Retained finance

Business Partners

More embodied & role-based

More embedded & process-based

More virtual location

More physical location
Segregated finance?

Globalisation?

Finance operations

MI and analytics?

Buy in – MBAs or SSC training?

Business Partners

Retained finance
Earn to Learn Scheme

The Earn to Learn Scheme is an initiative being piloted by Loughborough University in collaboration with a number of other universities across the UK.

The scheme endeavours to attract Shared Services/BPO organisations to establish premises on or near campuses to develop mutually beneficial working relationships for both organisations and students.

- Access to multi-language talent pool
- Flexible, competitive, labour force
- Work with universities to develop work relevant, world-class, learning
- Reduced labour attrition

Students

Earn to Learn Scheme

Organisations

- Earn whilst studying
- Develop practical skills for a range of sectors
- Potential career progression opportunities
Questions?