Moving up the value chain: making effective data analytics happen within your SSC [Shared Services and Outsourcing Week, Dublin]

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Moving up the value chain – making effective data analytics happen within your SSC

Ian Herbert, Deputy Director, Centre for Global Sourcing and Services, School of Business and Economics – Research project funded by CIMA

Jason McGovern, Head of Record to Report, Marks and Spencer
63% of SSCs claim that they are already using data analytics to improve their processes.....

....whilst 75% of SSOs say business intelligence activities are ramping up, either within their captive or outsourcing strategy.

However, while there are some really innovative examples of analytics, many SSCs are having difficulty in articulating what a systematic approach to data analytics might look like, or indeed, why shared services should be leading the agenda for this activity.

This workshop will discuss how you can build a data analytics strategy within your SSC.
Content

• Using big data and analytics within the finance function.

• Big data to business reporting: Remaining close enough to the business to manage the data.

• Creating a coherent strategy to develop a deep data culture within your organisation.

• Linking the business partners, SSC and business.
Nothing’s changed but everything’s different!
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

How?
- Inhouse Shared Services
- Captive Shared Services
- Outsourcing

Where?
- Near-shoring
- Offshoring
- Crowd & Cloud Services

Back-sourcing?

Bringing the jobs home

Changing what is done

Stay sourcing?

And increasingly... ‘who’?

Impact sourcing?

The attainment of world-class business support services through the application of New Working Practices and Advanced Service Systems in a sustainable manner.
Some people will spend a lot of time getting data analytics right, and a lot of people will spend some time getting it wrong.
There are significant opportunities for generating insight through data analytics and big data. But...

- research by Loughborough University’s Centre for Global Sourcing and Services suggests that this potential may not be realised if organisations do not ask the right questions about the links between
  - business partners,
  - business process centres, and
  - business units.
Data analytics (& big data)

• Whilst corporate-wide master data has improved significantly in recent years, data analytics requires new thinking.

• This means creating a different culture that values and leverages data to better support global end-to-end processes which deliver real outcomes.
But first, a ‘recap’.....

What is the essence of the SSC model?

A simple idea that needs no big agenda!
Moving to a Shared Service Centre Model

Conventional Divisional structure
(support services embedded)

Shared service centre structure

Semi-autonomous
Thinking like a business
Networking & benchmarking
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
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 ‘brave new world’ of data analytics?
Organising for data analytics and big data

• Data analytics: needs new structures and thinking to go with the technical opportunities?

• Big data is messy and its application needs to be tailored around individual business problems.

• But, what if the talent pipeline dries up as the professional ‘training camps’ are offshored?
Segregated finance?

SSC

Globalisation

Finance operations

Retained finance

Business Partners
Segregated finance?

SSC

MI and analytics?

Finance operations

Globalisation?

Retained finance

Business Partners

Buy in – MBAs or SSC training?
Data analytics?

Source: CIMA
But before we go on..

What is essence of ‘big data’

And,

is it just a fad?
“Big data” refers to datasets whose size is beyond the ability of typical database software tools to capture, store, manage, and analyze.

(Big data: The next frontier for innovation, competition, and productivity, McKinsey Global Institute, June 2011)
WHAT IS BIG DATA – THE 4 Vs?

**Volume**
- Scale of Data
  - 40 Zettabytes (43 trillion gigabytes) of data will be created by 2020, an increase of 300 times from 2005.

**Velocity**
- Analysis of Streaming Data
  - The New York Stock Exchange captures 1 TB of trade information during each trading session.

**Variety**
- Different Forms of Data
  - As of 2011, the global size of data in healthcare was estimated to be 150 Exabytes (160 billion gigabytes).

**Veracity**
- Uncertainty of Data
  - By 2015, 4.4 million IT jobs will be created globally to support big data, with 1.3 million in the United States.

Sources: McKinsey Global Institute, Twitter, Coca-Cola, Gartner, EMC, SAS, IBM, NEPTIC, GDS
"I think you'll find that mine is bigger..."
What is the basis for finance professionals’ claim to be well placed to help unlock Big Data?

Use core skills
In business context to bring insight
To influence people
And lead the organisation

Efficiency
Data capture
Reports
Analysis
Insight
Influence
Impact

Value
Comfort zone

Source: CIMA
Insight, influence and impact requires...

- Inspiration/creativity
- Leading-edge expertise
- Broad views & multidisciplinary collaboration
- Business connectivity & understanding
- Data security
- Intelligent information users
- Interpersonal skills
CIMA Survey 2015

• For most companies, fully adapting to a data driven era of business remains a work in progress.

• ‘86% of the finance professionals we surveyed agree that their businesses are….

... struggling to get valuable insight from data, not least due to issues such as organisational data silos, challenges relating to data quality, or difficulties in working with unfamiliar non-financial data.’
Challenges in harnessing Big Data

- Bringing data together from different databases/business silos: 62%
- Ensuring the business captures reliable good quality data in the first place: 51%
- Extracting insight from non-financial data: 46%
- Ensuring insights gained from data are used to improve performance: 43%
- Identifying meaningful trends and insights in a mass of data: 39%
- Intelligent visualisation and reporting of data: 34%
Challenges in harnessing Big Data

- Combining siloed data (62%)
- Capturing good quality data (51%)
- Extracting insight from non-financial data (46%)
- Making impact (43%)
- Identifying trends (39%)
- Intelligent presentation (34%)
Challenges in harnessing Big Data

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Categories:
- Organisation & SSC
- Skills Bus. partners
- Technical back office
- C-Suite advisors
The competencies required for data analytics

- Commercial
- Performance
- Conformance
- Technical

Diagram shows a quadrant with axes labeled 'Commercial' and 'Technical' on the vertical axis, and 'Performance' and 'Conformance' on the horizontal axis.
The competencies required for data analytics

- Behaviours and systems in data analysis
- Motivation for data
The competencies required for data analytics

- Technical
  - Monitoring & control
  - Reliability
- Conformance
  - Performance
  - Value added
  - Validity

Commercial
The competencies required for data analytics

Data culture

Value creation

Data management

Analytics

Commercial

Conformance

Performance

Technical

Source: CIMA
New roles for management accountants

Data Champion

Data culture

Value creation

Business Partner

Data management

Analytics

Data Scientist

Data culture

Value creation

Data management

Analytics

Source: CIMA
New roles for management accountants

Data Champion
Data Manager

Data culture
Data management

Commercial

Value creation
Analytics

Performance

Technical

Business Partner
Data Scientist

Source: CIMA
A practical example

Marks & Spencer
Jason McGovern
Insight – an example of product extension
Routes to enlightenment?

inspiration

Focus Group

brainstorming

intention data

consultant

actual data
Insight from data – people without babies buy baby wipes – but WHY?

Wipe buyers

No babies

Dog owners
Insight from data – people without babies buy baby wipes – but WHY?

Expert knowledge? - explicit

No babies

Paralysis through analysis?

Wipe buyers

Domain knowledge? - tacit

Dog owners

Extinction through intuition!
A third dimension?

- Domain
- Function
- Technical
“It’s not an exact science.”
Have you got the right culture?

Weekend

Weekday

Are we trapped in a digital stone-age?
Questions?
Data Analytics – Structured insight?
PROFESSOR FARMILOE - BROWN OF FRENSHAM HAD JUST RETURNED FROM A FISHING TRIP OFF FALMOUTH.

HE COMPLAINED OF FLIES AND THE UNUSUAL SMELL OF FRESH AIR!
A FISHING FABLE

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THE WOODWARD TEST

FINISHED FILES ARE THE RESULT OF YEARS OF SCIENTIFIC STUDY COMBINED WITH THE EXPERIENCE OF MANY YEARS.
THE WOODWARD TEST

FINISHED FILES ARE THE RESULT OF YEARS OF SCIENTIFIC STUDY COMBINED WITH THE EXPERIENCE OF MANY YEARS.
Woodward’s mantra to Jonny Wilkinson, Martin Johnson et al was simple: if you want to win the World Cup, you have to stop seeing just 3Fs, and become a 6F team.

He says: “If our brains miss the word ‘of’ because we take it for granted, what do you think we might be missing about the way we play, coach and manage rugby?

What are we taking for granted in the way we play our game that might actually be the one thing that could give us an advantage on the pitch?”

Sunday Times 26th September 2004
Case study 1 – Rolls-Royce
Smarter aircraft create a wealth of data but it remains underexploited

Financial Times 12th June 2015
Changing the business model through data

• Rolls-Royce, the world’s second-biggest aero-engine maker, was one of the first in the aerospace industry to innovate using the data streamed by its engines. Instead of making money on the turbine itself, the UK-based group offered airline customers the chance to buy a package based on the number of hours its engines kept an aircraft flying.

• “We combined the latest-generation communications with data analytics to make sure we know what the engines are doing in service and what early intervention might be needed,” says Paul Stein, chief scientific officer of Rolls-Royce.

• “By being able to make decisions about which engines need to be pulled off, overall fleet reliability has been growing and growing.”
Optimising performance

• ...help pilots adjust their navigation through real-time chart planning to avoid turbulence or bad weather.

• ...track how fuel consumption differs according to piloting techniques.

• With one terabyte of data generated on every flight, aircraft manufacturers are considering how to leverage the information they gather across their global fleets.
However… “It is complicated,” says Boeing’s Mr Tinseth.

• “… [we need] the ability to filter out the bits that matter from the thousands of terabytes generated every day.

• An engine tends to have one manufacturer and a data-rich environment. With an aeroplane, you have hundreds or thousands of suppliers. There are 21,600 aircraft flying today and each has a wide variety of capability in terms of information.

• It is an apples and oranges world.”
But also communication and people!

• Another industry executive suggests there is a lot of hype around the potential for mining this mountain of data in radically new ways. “We have always had this data,” he says.

• But, there is the lack of sufficient communications infrastructure to harvest and transmit the data in real time.

• Plus, a shortage of engineers as older workers retire.
And of course, security...

• Security experts have warned for some years that airlines are a possible target for hackers.

• Planes including the Boeing 787 Dreamliner and the Airbus 350 and A380 have a single network that is used by both pilots to fly the plane and by passengers for their wi-fi connections.

• "The risk is that a hacker sitting in the back of a plane, or even one on the ground, could use the wi-fi connection to hack into the avionics and then remotely fly the plane," explained security expert Bruce Schneier.
But..... same old basic problems persist

- Rolls-Royce has issued its third profit warning in just over a year, blaming lower oil prices and weaker demand for some of its aircraft engines.
- Rolls last issued a profit warning in February, claiming the sharp fall in oil prices had "increased uncertainty for many of our markets and customers".
- It had previously said its 2015 profit would be between £1.4bn and £1.55bn.
- But on Monday, the engineering firm lowered its profit outlook again, this time to between £1.325bn and £1.475bn.
- **Rolls-Royce shares** fell nearly 9% to 780p on the profit downgrade.
• ...to induce in the inmate a state of conscious and permanent visibility that assures the automatic functioning of power.

• Michel Foucault’s *Discipline & Punish: The Birth of the Prison*
Questions?
Role general business and Revenue process

- Continuous improvement lead supporting Shell’s global revenue process, inc. credit assessment.

- 1200 staff located in Malaysia, Philippines, India, Poland and Scotland.

- Team of 10 staff members that are Lean Six Sigma professionals.

- Looking for improvement opportunities that will generate value for Shell,
  - cost savings in executing processes,
  - improving working capital for the company and
  - generating more income.

- And, creating a continuous improvement mindset in our leaders.
How has Shell used DA in the Revenue process?

- Analytics tool called Process X-ray to identify process improvement opportunities.

- Data extracted from global ERP to capture the key activities for each transaction including customer order date, product delivery date, delivery location, invoicing date and customer payment details. Each activity has a time stamp and it also shows who completed the activity.

- Improvement opportunities might be:
  - Which part of the process has high rework?
  - Which customers or business have late payment patterns?
  - Where invoices are issued late?
  - Identifying best performing countries to foster best practice sharing?
  - Creating a platform that enables benchmarking?
How do you know the output is right?

• The data is directly from the global ERP thus, correct.

• Biggest challenge is in how we interpret the data.

• For example, a delay between product delivery date and invoicing date, is that really a value leakage or is due to our business model or sales contract that we have with the customer?

• A value leakage might be an opportunity for a Lean Six Sigma improvement project.
How far do you see DA and BD going?

- The focus on data and data quality has increased significantly over the last 3-4 years. Our initial focus was on improving the quality of our master reference data.

- However, over time we have transitioned to DA and now we have moved to exploring value from BD to help us structure our product offerings.

- I think both DA and BD will play a more significant role in influencing key business decisions in the future and it will be a tool that many companies will use to help them remain competitive and generate greater company value.
New Data Analytics team

• Start with the problem or the solution?

• Play with the data to generate solutions (Garbage can model)

• Start with the pain points / activity hotspots
How do you know what is happening in the analytical blackbox?

• We always validate data with the facts (events)

• ‘Numbers show us where there are potential improvement opportunities, our job is to understand the difference between data and facts. Facts can only be derived by talking to the staff that do the job and understanding the process or the business well.’
Data analytics – flows and checks

- Events
- Facts
- Data
- Information
- Processing
- Interpret
- Validation
- Pilot runs
- Implement globally
Questions?
Shared Services Research

Welcome!

Welcome to the Shared Services Project Website: A Resource for Academics and Practitioners

Here we'll tell the story of our investigation into the emerging phenomena of the Shared Services model. Through speaking with leading companies we have discovered a real need to understand the Shared Services model and come together to formulate best practice.

News

- Andrew Rothwell to present at Universities UK conference
- Malaysia Activity Report
- Intellectual capital: Optimising performance in SSC’s
- Ian Herbert Participating in CIMA Expert Roundtable – 15th January 2013
- CIMA-Loughborough Sourcing event – 18th January 2013 – Colombo, Sri Lanka

If you have any query on the project, a story to tell from your Shared Service Experience, or if there is anything you would like to see added then please contact the team on ssc-research-team@lboro.ac.uk or let us know what you think through our Discussion Board.

In the Spotlight

Revisiting Ian Herbert and Will Seal’s 2011 article ‘Shared Services as a new organisational form: some implications for management accounting’ – can you see any other issues that we must consider? Join the discussion by clicking here.
**HOW DO DATA LAKES WORK?**

The concept can be compared to a water body, a lake, where water flows in, filling up a reservoir and flows out.

1. **The incoming flow** represents multiple raw data archives ranging from emails, spreadsheets, social media content, etc.

2. The reservoir of water is a dataset, where you run analytics on all the data.

3. The outflow of water is the analyzed data.

4. Through this process, you are able to “sift” through all the data quickly to gain key business insights.

**STRUCTURED DATA**
1. Information in rows and columns
2. Easily ordered and processed with data mining tools

**UNSTRUCTURED DATA**
1. Raw, unorganized data
2. Emails
3. PDF files
4. Images, video and audio
5. Social media tools