Sustaining high performance in shared services: An Irish perspective

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Executive summary

The rapid development of the shared service centre (SSC) is challenging conventional thinking about how organisations are organised and operate.

The continued growth of SSCs appears assured, as parent companies now look to grow their shared service organisations into strategic enablers for their business. There is a trend in SSCs towards adopting better practices and providing a higher quality of service whilst migrating transactional processing activities to lower-cost environments. These parallel objectives are creating a dichotomy within the shared services industry, between the traditional transactional SSC "factories" and those Accenture has classified as shared services masters, for the ways they use the shared services model to drive overall organisational high performance (see sidebars on page 3).

Over 25 percent of SSCs in Ireland possess specific characteristics that denote them as masters, compared to just 8 percent of the SSCs worldwide. Additionally, Irish SSC management have reported satisfaction well above their global peers, with fewer barriers to success in the industry. However, over the past four years the percentage of new SSCs established in Ireland has fallen, eroded by other countries offering significantly lower cost operating models and improvements in technology that facilitate truly global operations. The 2010 Irish national shared services survey conducted by Accenture in conjunction with the Smurfit Graduate Business School raises concerns about the future competitiveness of Ireland in the shared services arena.

In light of the declining number of new SSCs, Ireland now needs to refocus its efforts to attract its future share of shared services inward investment. Within Ireland, a firm understanding of the benefits offered by lower-cost locations should direct future shared services planning: Irish shared service organisations need to realise that they will struggle to compete against lower-cost alternatives if they try to offer a full band of services.

Shared service organisations should strive to identify the differentiated core competencies that will cement their position in the shared services industry moving forward. They should offer deeper levels of integrated and insight-based services to their existing client base and expand their customer base both at home and abroad. There are clear opportunities for indigenous companies with less developed SSC capabilities to leverage the maturity of the marketplace to rapidly establish or grow their capabilities. Likewise, there is a growing opportunity within the public sector, where the political motivation to promote onshore jobs already exists. The goal for these shared service organisations should be to reach a critical mass and "steady state" operation that creates a tipping point at which new organisations, with or without SSCs, feel that using Irish SSCs makes more sense.

To continue to prosper, Ireland needs to maintain a balance of scope, quality and service, and position itself at the value-add end of the shared services spectrum for new target markets. We at Accenture Ireland believe that the future of shared services in Ireland lies in the creation of cross-border Integrated Business Services and Centres of Excellence (or "Expertise"). Integrated Business Services is a strategic business partner to the enterprise-wide organisation and runs as an independent entity, reporting to a senior C-Level leader, with global governance and a consistent management framework across services and service providers. Centres of Excellence, on the other hand, specifically target key knowledge intensive services.

This dual Irish shared services offering will provide a growth platform to attract a wide range of companies both at home and abroad. To sustain superiority, the Irish shared services industry will need to learn from its own shared services masters and go beyond the common goal of profitability to focus on longevity, growth, consistency and future positioning–key attributes of a high performance business.

Our research methodology in brief

Accenture conducted a survey of executives with responsibility for managing shared service organisations in Ireland for their companies in conjunction with the UCD Michael Smurfit Graduate Business School. These executives, who included directors, vice presidents and senior management, came from organisations representing more than 13 industries and a combination of both new entrants to the shared services market and mature incumbents. The survey was conducted between February and April 2010, and achieved a response rate of approximately 40 percent. The survey contained 31 questions, focusing on the past, present and future situation of shared service organisations within Ireland. We compiled and analysed results to identify companies displaying the characteristics of shared services mastery, as defined in Accenture's 2009 global research report, *Achieving high performance through shared services: Lessons from the masters.* We also compared results from the Irish survey to outputs from the *Lessons from the masters* research to draw insights and conclusions on the current state of shared services in Ireland and the key areas of focus for the next three years.

Shared services mastery

Accenture's extensive ongoing research program into what defines high performance began in 2003. Since that time we have studied more than 6,000 companies, including more than 500 that meet our criteria as high performers. Shared services masters operate within this framework for high performance. They stand apart from other organisations operating shared services models in that their shared services themselves are organised and operated as entities on par with the operating units served. Their actions contribute to growth, profitability, longevity and/or positioning for the future.


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Introduction

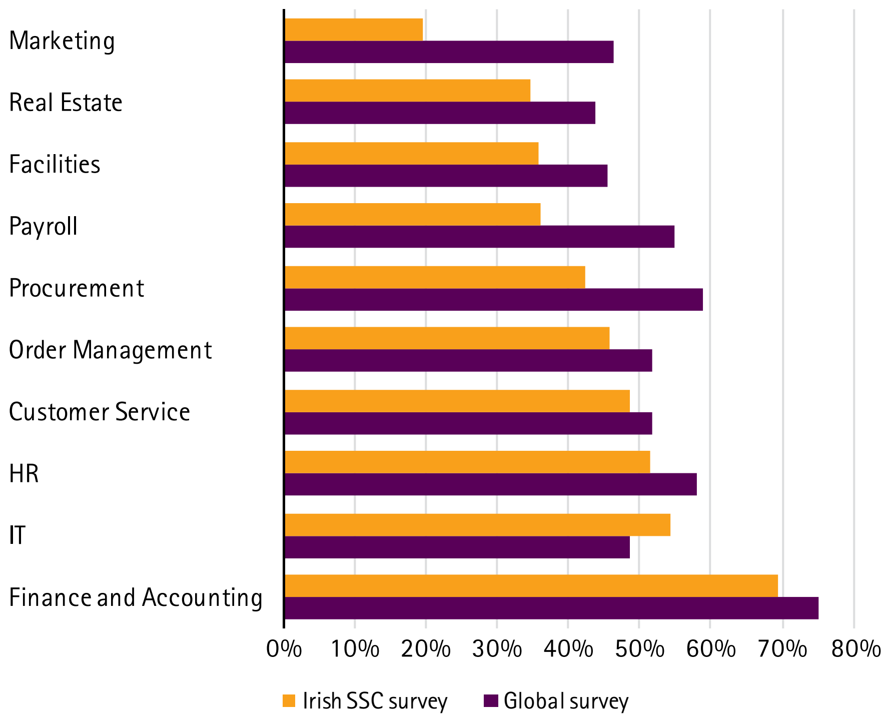
Originally established with a strong focus on cost efficiency through centralisation and standardisation, shared service centres (SSCs) first added value by allowing corporate organisations to concentrate on their core activities. The delivery of cost-effective, flexible and high-quality services has been well established in areas such as financial services, logistics, customer service, human resources and technology services.

Increasingly, SSCs have been able to provide value by offering integrated services to the organisation. Today, SSCs go far beyond eliminating waste through process and technology standardisation, as the more mature SSCs are expanding to deliver higher-value services, such as business analysis and decision support.

Managed as separate business units in their own right, SSCs today take on a strong customer orientation and, through service management and improved governance, drive a spirit of partnership.

More than 100 SSCs currently operate in Ireland, with approximately 30 percent operating in the electronics and high technology sectors, a level four times higher than the global average. Almost seventy percent of Irish SSCs perform finance and accounting services and approximately 50 percent manage IT and customer service functions. In contrast, procurement, payroll and marketing are less frequently performed in Ireland's SSCs when compared to the global average, highlighting a possible opportunity for established SSCs (see Figure 1).

Figure 1. The most common functions performed by Irish shared service organisations



Defining shared services mastery

SSCs have a clear role in supporting the performance of their parent organisations. However, not all SSCs are equal in performance. A 2009 Accenture study, *Achieving high performance through shared services: Lessons from the masters*[1], found that some centres significantly outperform their peers and that relatively few centres have reached operational mastery. SSCs identified as masters operate upon the principle that, for shared services to contribute to high performance in business, they must essentially be run as a high-performance business themselves (see Figure 2).

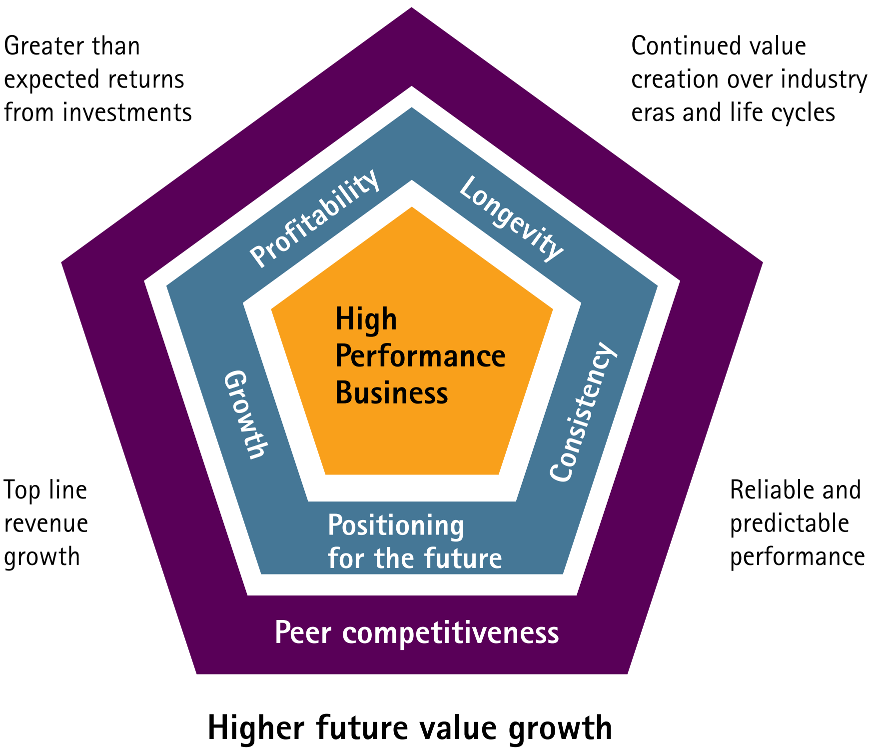
The Irish national shared services survey conducted during 2010 by Accenture in conjunction with the UCD Michael Smurfit Graduate Business School explores the subject of the longevity, consistency, growth and future positioning of shared services in Ireland, and whether Ireland can compete with the lower-cost operating models offered by emerging markets. This poses the question, how should Ireland build on its past shared services success, mitigate cost disadvantages and ensure that it positions itself at the strategic end of the shared services spectrum going forward?

This report attempts to answer that question, by examining:

- The varying makeup of Irish and global SSCs and how both Ireland and Irish shared service organisations' existing strengths can be leveraged to ensure continued shared services success.
- The need for a reconfigured shared services model, with effective talent management being a key dependency of future success in the industry for Ireland.

[1] http://www.accenture.com/Global/Consulting/Finance_and_Performance_Mgmt/Finance_Operations/R_and_I/Achieving-Masters.htm

Figure 2. The attributes of a high-performance shared service centre



Meaning of the five attributes in the shared services context

1. Profitability: Dramatically lower cost operating model

2. Longevity: Sustainable traction not achievable through reengineering alone

3. Consistency: Agreed services and measurable service predictability

4. Growth: Accommodate volume changes without an equivalent increase in cost

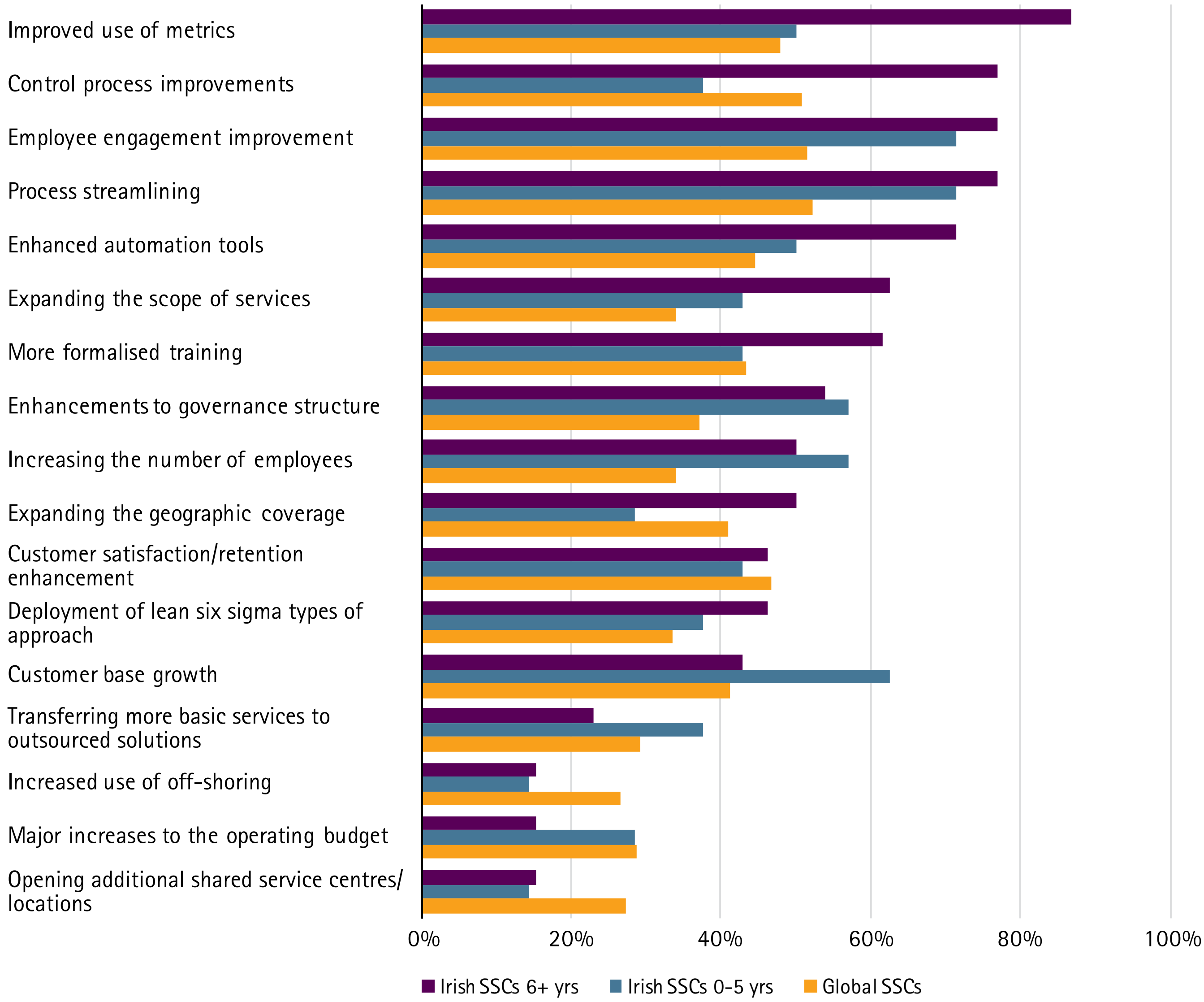
5. Positioning for the future: Continued adaptability to changing business environment and goals

Short-term planned initiatives in Irish SSCs

Achieving high performance through shared services: Lessons from the masters uncovers an increasing market demand for expanding shared services' scope and geographical reach. While Ireland still holds a great deal of potential as a shared services location (because of the experience of its shared services industry, among other factors), questions arise regarding Ireland's future position in the world of off-shoring to exploit labour arbitrage. The maturity of the shared services capability as a whole, economic challenges and the rise of outsourcing have led to greater demands from parent organisations of the SSC, and the consequent need for leaner processes, a stronger customer orientation and a higher-value service offering.

Accenture's research indicates that Ireland appears to be positioning itself to adapt to this forthcoming environment and that Irish shared service organisations are planning to implement a larger number of SSC initiatives next year than the average global SSC (see Figure 3).

Figure 3. Strategic initiatives planned by shared service centre managers for next year



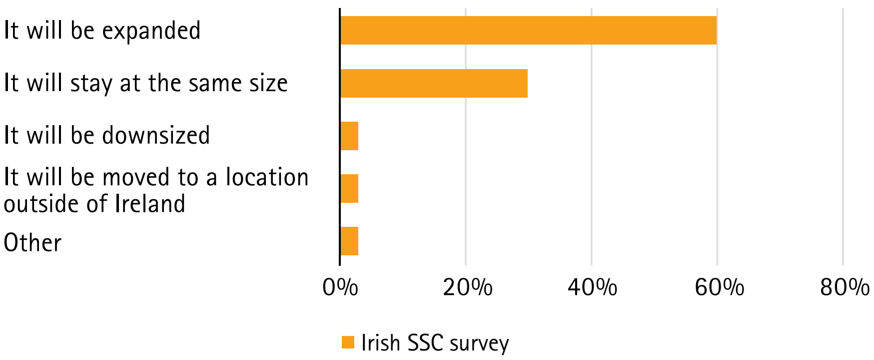
Most notably, 52 percent of the Irish respondents indicate a desire to expand the scope of services offered, 61 percent are planning to enhance automation tools and approximately 74 percent are targeting an improved use of metrics. The increased focus by Irish SSCs to implement these initiatives may indicate a sense among shared services managers in Ireland that they are losing competitive ground and need to respond rapidly with higher-value offerings to regain a competitive edge.

In particular, the increase in improved use of metrics is spurred on by more mature SSCs who, having been allowed to establish themselves and perform, are now being tasked by their parent companies to demonstrate their value based on key performance indicators and clear service management capabilities. They face a level of scrutiny that may be absent within a traditional centralisation of services in a corporate head office. Figure 3 also shows that organisations with less than five years experience appear more conventional with their plans for the short term, focusing on improving select areas such as growing the customer base, employee engagement and process streamlining.

Ireland's SSCs see great potential in automation and the greater use of technology, both as an enabler of future business success and for closing the divide between Ireland and lower-cost locations. However, SSCs rarely realise the payback on reducing headcount quickly. This point is emphasised by the number of shared service organisations that plan to expand their services next year and believe their headcount will also increase. Figure 4 shows that 60 percent of Irish SSCs are planning to expand their services, whilst Figure 3 shows that nearly 48 percent expect the number of employees in shared services to increase next year. All but one of these SSCs also report that attracting and retaining the best talent is important, very important or absolutely critical.

Interestingly, most SSCs did not plan to move operations out of Ireland, with less than 5 percent of respondents indicating they would reduce the size of their operations or relocate it out of the country, a finding that runs counter to global trends. There are a number of likely drivers for this—a reasonable amount of off-shoring has already taken place and Irish SSCs now feel they can attract higher value-add work (as indicated by the 60 percent of respondents who believe their operations will expand) or Irish SSCs are choosing to buck global trends using favourable economic incentives as an economic buffer.

Figure 4. The likely development of Irish shared services over the next three years



The move towards value-add shared services

Although growth is an admirable goal in this economic climate, Irish shared service organisations need a self-examination to determine which of their existing service offerings will continue to create value going forward, and which can be revised or divested. This review may result in organisations adopting greater off-shoring capabilities for more routine transactional-based activities whilst refocusing the existing centres on delivering knowledge-intensive support functions (e.g. legal, fraud, procurement and financial planning).

Conventional wisdom has been for longer-term shared services leaders to continue to deliver on the promise of their original business case, achieving and maintaining the balance between scope, cost and service. However, for Ireland to adapt to its new cost-driven environment, it must strive to bring a new transparency to costs that were previously hidden within divisions and add value through better and more sophisticated levels of service.

Despite global trends towards offshore centres, governments have been slow to leverage these sourcing options. It is likely that they will continue to hesitate to adopt off-shoring models, due to a desire to keep jobs in Ireland. Instead, we expect public service organisations will seize opportunities to overcome the challenges that stem from limited central coordination among departments and inconsistent approaches to back-office functions by leveraging a more integrated shared services model. This more integrated model will use a single service management framework across functions that enable both consistency and longevity. Accenture research suggests that the public sector has been more successful than the private sector in providing shared services to multiple organisations.

In any case, the role of shared services in the public sector should become more significant in the future, with government organisations looking to deliver value for money and to increase citizen's satisfaction levels.

Irish shared services masters differentiate themselves from their peers by viewing shared services as high performance businesses in their own right, and they judiciously invest in the practices and technology that will sustain lower costs over time. Furthermore, they see a continuous improvement model as an opportunity to increase scope and add higher-value activities, thus giving the workforce a chance to increase their skills and capabilities.

Interestingly, key performance indicators, voice-of-the-customer surveys and external benchmarking were the three best practices shared by all of the masters. In contrast, less than 50 percent of the non-master shared service organisations used key performance indicators and less than 40 percent used voice-of-the-customer surveys and benchmarking practices (see Figure 5). This trend is confirmed in the survey results outlined in Figure 6, which has "Focus on Business Performance" as a key change in the driver for SSCs today versus three years ago. Masters show they understand this point and have made it an integral part of how they run their operations.

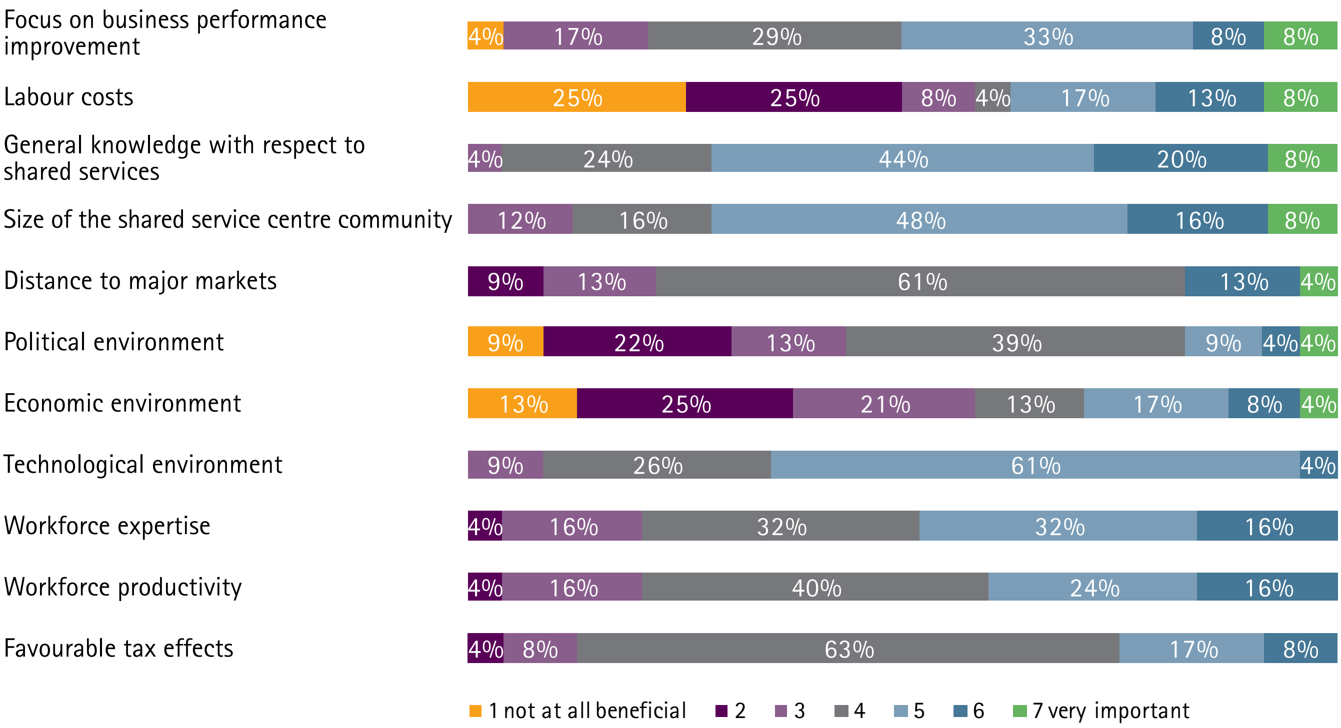
Overall, there is a growing realisation that talent management is now considered as one of the key ingredients to future success in the shared services industry. Survey results show planned investment over the next three years by many of the non-masters in employee engagement tools, reflecting the increased recognition that talent management may help close the gap to masters.

"There is a definite trend towards the right sourcing/outsourcing of transactional processing activities, with the remaining shared service organisation moving towards becoming strategic enablers for the business and not simply providing routine support services."

Irish shared services master organisation

Figure 5. The best practices that are employed by Irish shared services 'masters' and 'non-masters' today and those that will be employed within the next three years.

Figure 6. Drivers of change in shared service centres.



"Shared services will not grow or fall. It will have approximately the same numbers but will continue to move up the value chain performing higher value add tasks."

Irish shared services master organisation

Ireland's strength in shared services

Ireland has always prided itself on being a leading shared services destination for global organisations, and for the past decade has had most of the right ingredients: a favourable fiscal policy, a native English-speaking population and a highly skilled workforce. These business factors have contributed to 25 percent of Irish SSOs (compared to 8 percent globally) reaching Accenture's pinnacle of high performance—operational mastery.

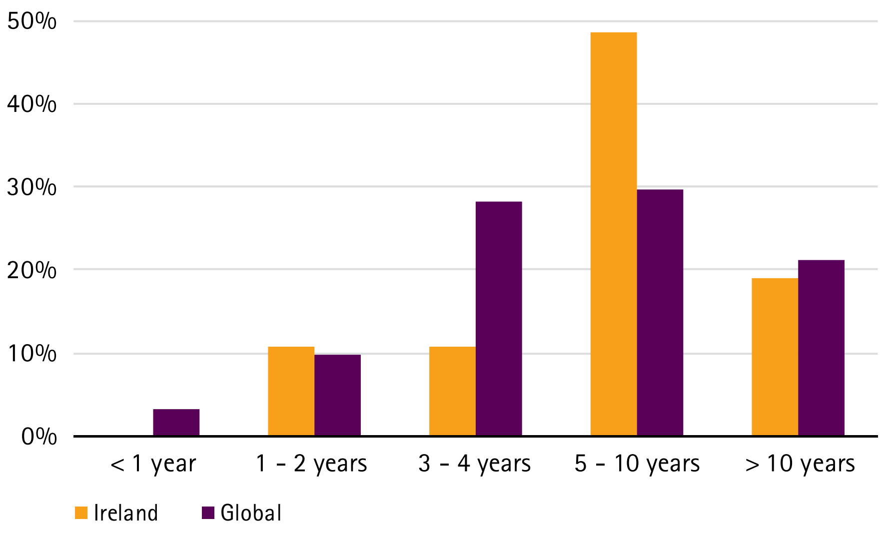
Among the factors pivotal to achieving mastery in shared services, are the roles played by a highly skilled workforce practicing a cross-function operational strategy, and the number of years for which the strategy has been successfully implemented. Not surprisingly, those SSCs identified as operational masters in Ireland have all amassed greater than five years experience in the industry.

Irish public policy, coupled with a favourable business environment, continues to make Ireland a desirable location for multinational organisations. In fact, Ireland's ability to attract new foreign direct investment and keep existing operations throughout current economic fluctuations is a testament to the attractiveness of a mature shared services industry with experienced management. To ensure ongoing competitive advantage, Ireland needs to maintain these benefits whilst developing additional attractions to mitigate the risks associated with a change in national tax strategy or the adoption of a similar tax regime by competing countries.

The maturation of Irish shared services

The number of new SSCs setting up in Ireland has slowed down, with only 20 percent of centres being set up in the last four years. This figure is low when compared to global trends, where over 40 percent of shared services are less than four years old. As can be seen in Figure 7, the maturity of the Irish landscape is clearly evident, as are changing global trends towards the emerging markets—both as offshore locations for international organisations and as onshore locations for local players.

Figure 7. The maturity of shared service centres in Ireland



Ireland, once a pioneer of the shared services model, is now challenged by lower-cost options from Brazil to Poland and from India to the Philippines. The country's greater sensitivity to both the rise in competition and the existing economic uncertainty has made the current landscape even more important from an Irish context, as competing purely on cost is no longer a viable option. As described previously, the Accenture national shared services survey highlights a plan among Irish SSCs to invest in sophisticated technology to automate basic tasks and enable more self-service capabilities. This technology will support Irish SSC managers' objectives to lower costs while allowing for greater standardisation, an enhanced focus on core processes and a simplified customer interface.

The criticality of talent management

Working in Ireland's favour, Irish SSC's do not see the level of talent available in the Irish workforce as a barrier to success today (see Figure 8). Indeed, Ireland's knowledge economy often has been claimed to be the key differentiator for attracting and retaining SSCs. The results from our survey support this belief, as Irish SSCs report that Ireland is a significantly better location for attracting and retaining the talent they require than the global average shared services location. Given the high quality of the talent pool in Ireland, talent management should become an especially vital component in Irish SSCs' strategies to differentiate and achieve higher levels of performance.

Accenture's research behind *Shared services talent management: Lessons from the masters*[2] supports the point of view that shared services longevity will require the adoption of a talent management mindset. According to Accenture research, a talent management mindset includes the following elements:

- Measuring culture regularly
- Focusing on talent management from the start of the implementation of shared services, and implementing specific talent management practices alongside other components of the solution
- Targeting recruitment processes, training and development to fulfil the shared services strategy
- Using advances in technology to offer user-friendly tools to enable talent management processes

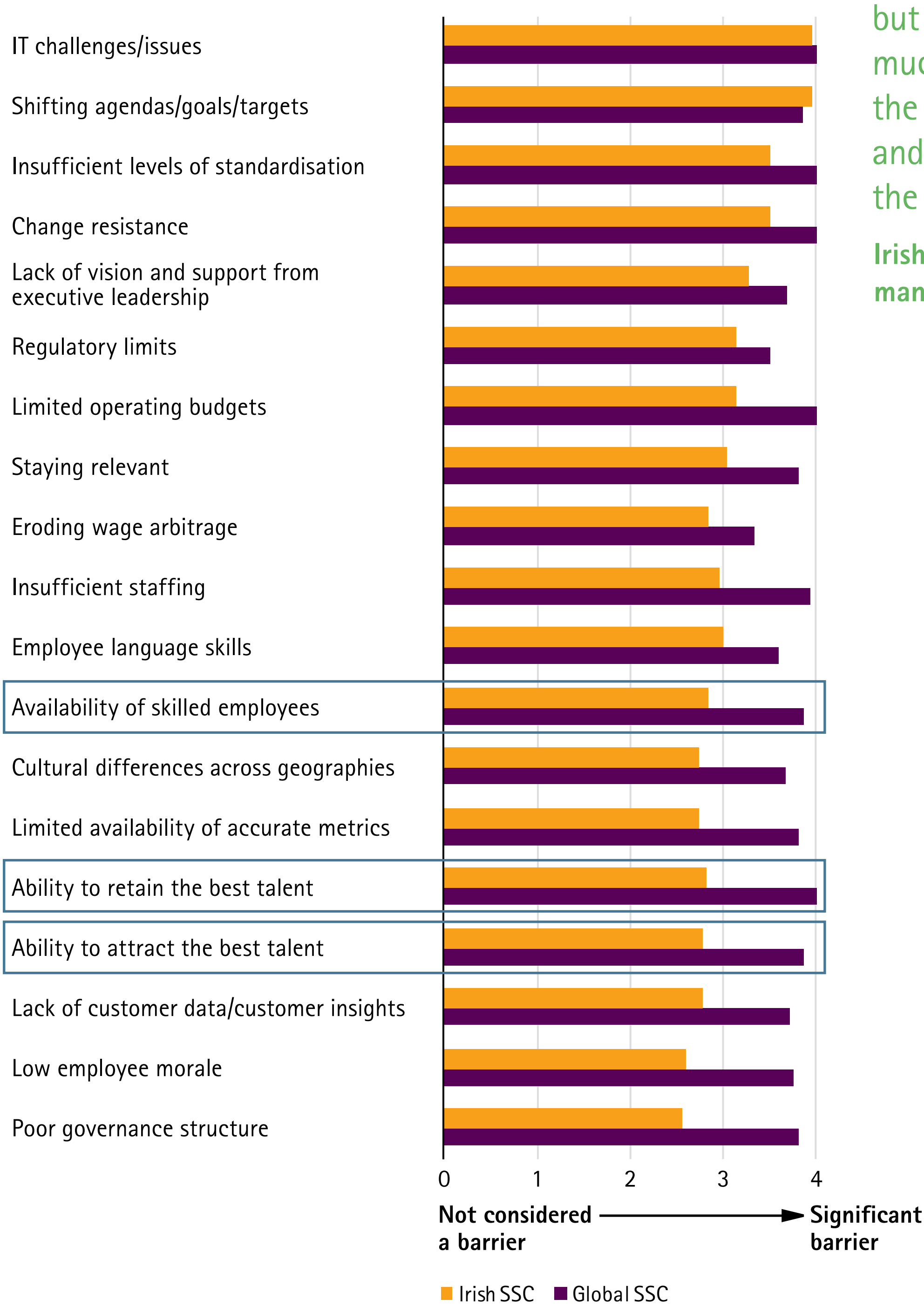
These activities will enable employees to reach a point of competence earlier, increase their capability and efficiency over time and most importantly, remain with the organisation longer.

As described earlier, in the past Ireland's talent pool has not only been adequate to meet the requirements of SSCs, but has also been recognised as a competitive advantage. This fact has most likely influenced current perceptions among Irish SSC managers that the availability of skilled employees or the ability to attract and retain employees will not be major barriers to shared services success in the future (see Figure 9). Such a belief may indicate a short-sightedness in Irish SSC mangers' vision for future success. Irish SSCs must maintain a continuous focus on their talent to ensure they have enough skilled people to fulfil the more complex roles required by value-add SSCs.

In fact, meeting the human resource requirements of the future shared services models may prove to be Ireland's toughest challenge. For instance, according to UNESCO, Ireland's tertiary enrolment rate (percentage of people attending college) only ranked 30th out of 151 countries. At 47.5 percent, Ireland ranked behind Poland, the United Kingdom and all of the Nordic countries, and only slightly ahead of countries such as Hungary and Bulgaria. Furthermore, Ireland's most highly skilled graduates may be less likely to choose a career in shared services now than in the past. As a country, Ireland needs to exercise its marketing capability to return the spotlight to the benefits of a career in shared services.

[2] http://www.accenture.com/Global/Consulting/Talent_and_Organization/Human_Resources_Mgmt/R_and_I/Shared-Services-Masters.htm

Figure 8. The barriers to success within the shared services industry

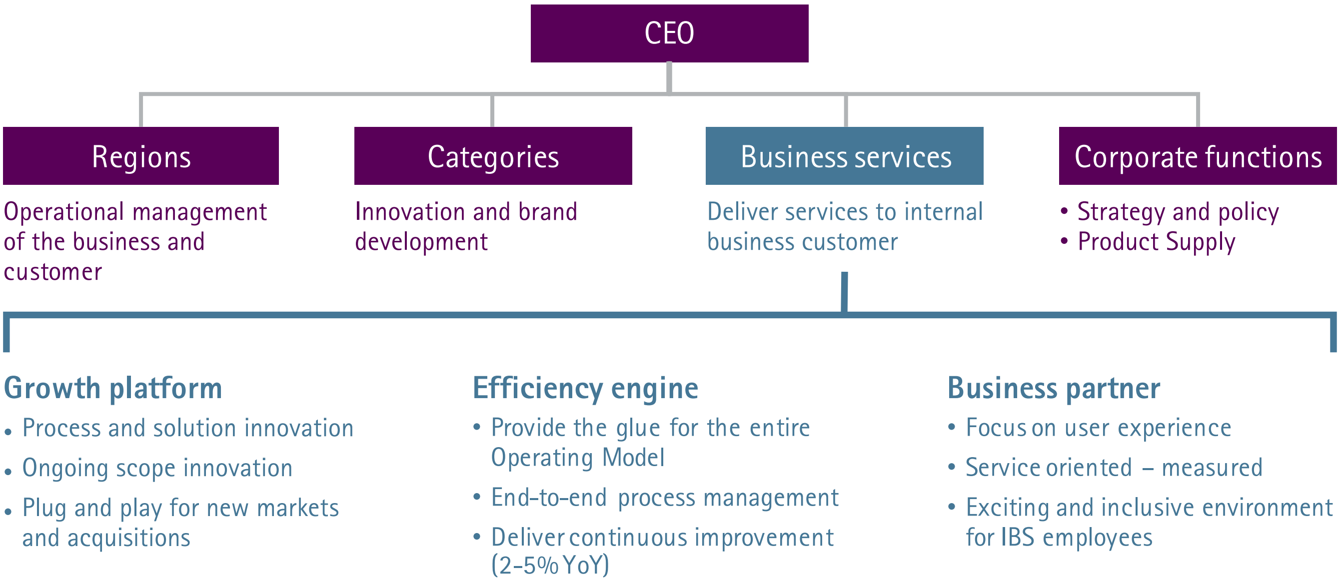


"I see more use of SSCs, but it needs to become much more focused on the quality of the service and the ease of use to the customer."

Irish shared service centre manager

The future—Integrated Business Services and Centres of Excellence

Figure 9. Integrated Business Services Model



A well defined strategy for the future requires sound understanding of Ireland's shared services landscape. The future of shared services in Ireland will predominantly consist of four key groups of consumers: existing, foreign owned, indigenous and Irish government organisations. Existing organisations are those that have been operating a shared services model in Ireland with an ongoing requirement to justify their position to their parent company and demonstrate their inherent business value. New foreign organisations are looking to use Ireland as a shared services destination for its stability and ability to provide a gateway to Europe. They want a fast and cost-effective penetration: effectively "plug-and–play" services that support business start-up and operations. These companies may also look to Ireland for a particular expertise and avail of its language and location benefits. There is a trend to have Ireland as a "near-shore" node in a larger shared services blueprint supporting "higher-value" and language-driven skills. Finally, indigenous companies and government organisations are looking to establish full-scope SSCs with more routine, as well as higher value tasks, being performed in Ireland. They are looking for the provision of a common and standardised business operating platform that enables the quick on-boarding of new businesses. As was indicated previously, to date there has been a limited appetite within this category for leveraging off-shore models.

Accenture proposes two distinct business models, in addition to the more established multifunctional shared services model, to cater for these diverse groups of consumers: "Centres of Excellence" and "Integrated Business Services".

Centres of Excellence are a specialist offering requiring in-house specialisation to be able to provide best-of-breed service to customers in a knowledge-intensive function. As a gateway to the EU, Ireland has the potential to carve out a niche in more knowledge-intensive activities such as fraud, executive compensation and risk.

In contrast, Integrated Business Services is a global capability and the cornerstone of the new global operating model, playing a strategic role by enabling growth and execution efficiency and effectiveness. It facilitates the consolidation of ownership of standard supporting processes into a one-stop-shop support function and provides an enhanced business process capability that delivers continuous improvement in cost and service levels. Integrated Business Services currently represents the highest level of maturity in the shared services evolution, which ultimately tries to provide an end-to-end process organisation. Integrated Business Services will enable Ireland to serve all four groups identified, as well as drive process and solution innovation wall-to-wall by owning enterprisewide process knowledge and technology delivery capabilities (see Figure 9).

Conclusion

Ireland has more than three times as many shared services masters as the global average. Although the country is ultimately well positioned to attract new business, shifting trends in the industry require that the country's SSCs focus more on moving up the value chain. Ireland's past success stemmed from what was an optimal combination of industry maturity and experienced management. Moreover, the country's knowledgeable and highly skilled workforce is one of the Irish market's most powerful advantages, and further drove Ireland's shared services success.

Rebranding and reconfiguring the Irish shared services offering will be essential elements to future success within the industry. The management of Irish shared services appear to have aggressive plans in place to reconfigure their models and time should be allowed for the benefits of these initiatives to be realised. However, Accenture proposes that Centres of Excellence and Integrated Business Services are two capable vehicles to lead Ireland on a road to further shared services success. In addition, we expect the development of shared services across all parts of the public sector to be a high-priority initiative over the coming years.

However, if Ireland is to transition from providing shared services to Integrated Business Services and Centres of Excellence, a concerted effort must be made towards developing a talent management mindset. Shared services longevity requires addressing talent management from the outset and ensuring operations maintain a focus on continual improvement.

Ireland's future ability to fill highly skilled roles will need to be managed effectively in the wake of high levels of unemployment and consequent inexperience among graduates. Moreover, the current trend towards emigration by some of our most knowledgeable graduates will also have an impact on future resourcing.

At a national level, a career in shared services historically was often desired by many graduates. Today, however, this career option may have lost its appeal due to its frequent association with high-volume call centres and manually intensive administrative work. Such challenges need to be countered by creative initiatives at both the national and at individual SSC levels.

To that end, Accenture recommends that Irish SSCs collaborate with higher education institutions to develop a pipeline of talent to sustain employment needs over time. Additionally, SSCs should intentionally recruit candidates not only for their technical competency, but also for their ability to work in a customer-orientated, continuously improving organisation. At a national level, Ireland needs to expand efforts promoting shared services as a desirable career and reducing the flow of its highly skilled talent to other geographies that promote other industries.

Shared services has been a pillar for success in Ireland's past and has the capability to be a cornerstone for its future.

Acknowledgements

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UCD Michael Smurfit Graduate Business School (www.smurfitschool.ie) is an international business school and research centre, offering a wide range of postgraduate business programmes in addition to being the Ireland representative for the CEMS Master's in International Management. UCD Michael Smurfit Graduate Business School is one of fewer than 50 schools worldwide to hold triple accreditation from the United States, Europe and the United Kingdom accrediting bodies.

IDA Ireland (www.idaireland.com) is Ireland's inward investment promotion agency. The agency works with global organisations to secure new investment and collaborates with existing foreign investors in Ireland to help expand and develop their businesses. For those considering foreign direct investment to Ireland, IDA Ireland offers a range of assistance, including funding and grants, information and statistics, and introductions to local industry, government, service providers as well as research and educational institutions.

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