

Five Ways to Maximize the Value of Shared Services Centers



To streamline operations and improve service levels many organizations are considering establishing shared services centers. Near-cash processes, such as Accounts Payable and Accounts Receivable, are very mature, transactional in nature, and have a vast repository of industry-independent best practices; therefore, these processes are often the first ones that are moved into a shared services environment.

While there are many benefits of moving to a shared services model, there are five key points to consider that will maximize the value of the shared services center to the organization.

1. Reduce Costs with an Eye Toward the Future

Reducing the cost of operations is the primary reason organizations want to move to a shared services model. According to the Hackett Group, the most successful organizations implement cost optimization measures “that are more likely to be sustainable during recovery and growth.” (The Hackett Group, 2014). It is essential, therefore, that organizations keep an eye on the future as they think about how to reduce costs. Understanding how the shared services center will align with the organization’s current and future business strategy will ensure that the organization will be able to reduce costs, maintain service quality levels, and support future growth.

2. Improve Cash Flow with Faster, More Efficient Processes

Moving inefficient processes to a shared services center will allow an organization to reduce processing costs, but it will not improve cash flow. To maximize the value of a shared services center and put the organization in a position of strength now and in the future, organizations should look for ways to improve cash flow. With more cash on hand, procure to pay teams can negotiate better purchasing terms and early payment discounts from vendors. Order to cash teams can improve the speed of in-house cash application as the number of electronic payments increase. With

a stronger cash position organizations can also fund innovation and business transformations. According to an IBM study on shared services centers “improved cash flow can fund the cost of transformation while driving ongoing innovation and sustainable performance improvements that can translate into lasting shareholder value for the entire business” (IBM, Dec. 2011).

3. Address Process and Structural Risks Early

In any shared services environment, organizations must ensure that there are appropriate checks and balances in place to safeguard against duplicate and fraudulent transactions and enforce appropriate fiscal controls. When transitioning to the new model, it is important to review processes and identify where new controls need to be introduced to reduce process risk. ‘Structural risk’ should also be considered. Whether the organization is moving to an outsourced shared services center or moving an in-house shared services center to an offshore location, both decisions involve structural risks, such as lack of access or control, and should be weighed carefully against the overall value the shared services center will bring to the organization. In some cases, organizations will be restricted by current or pending regulations. According to the Deloitte 2014 Global Outsourcing and Invoicing study, 40% of respondents believe increased data privacy regulation will likely lead to a decrease in outsourcing (Deloitte, Deloitte’s 2014 Global Outsourcing and Insourcing Survey, 2014).



Five Ways to Maximize the Value of a Shared Services Center

4. Leverage Technology to Support a Global Business Model

The current trend in shared services centers is for an organization to move from multiple, regional centers to a single global center for all business services (Finance, HR, etc.) (Shared Service Link, 2014). However, many companies are not prepared for such globalization. According to IBM, “regardless of where a company is in its evolution or whether it is large, small or somewhere in between, a global perspective



is critical to success in the 21st century because it enables a stronger growth strategy at a pace that is right for that particular business.” (IBM, Dec 2011).

Leveraging enterprise technology that has built in support for globalization can significantly reduce the cost and complexity of moving towards a global business services center. SAP systems provide organizations with a combination of modern technology such as cloud and mobile, and business functionality required to make the vision of a global shared services center a reality regardless of the size of the organization.

5. Carefully Consider How to Divide In-house and Outsourced Tasks

The decision about whether to use in-house or outsourced services centers is one that each company must make for itself. Some organizations want to control the processes while others are happy to outsource part or all of their transactional business services. For some organizations a “hybrid” model provides the best combination of functionality and service.

Consider the complete spectrum of tasks performed by your current organization from the simple to complex, then determine where to divide those tasks between outsourced and in-house resources. This decision can differ significantly based on the maturity and sophistication of the organization.

In all cases, organizations must look at shared services centers as they would look at a vendor. Establish key performance indicators and real-time metrics to ensure service levels are maintained and that processes can be monitored from end-to-end. This way, organizations can continue to improve the processes and maximize the value of its shared services centers.

To learn how to maximize the value of Shared Services Centers, contact Dolphin today.



888.305.9033
www.dolphin-corp.com
contact@dolphin-corp.com



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