

## 2008 Shared Services Best Practices Roadmap

Every business needs access to Shared Services at some time during its lifecycle.

Shared Services benefits organizations by:

1. Ensuring quality processes and best-of-breed tools and technology to support employees, managers, and executives are being utilized
2. Enhancing visibility and insight through measurement and metrics, dashboards, and monthly reporting
3. Enabling on-demand access to specialist expertise cost-prohibitive to most individual business units
4. Providing more cost-effective programs (average company reduces functional cost by a third and saves more than \$100 per employee per month)

Whether Shared Services is built in-house, outsourced, or a combination approach is taken and what functions (Human Resources, Information Technology, Financial, Accounting, Procurement, Distribution, Logistics) are needed varies by organization.

Shared Services have been adopted by nearly 50 percent of enterprises with more than \$100M in sales and are in place or scheduled to be implemented in some capacity during 2008 for 30 percent of the mid-market. While the service delivery models vary widely companies are benefiting. Properly executed Shared Services leads to increased profits, happier employees and customers, increased brand equities, and increased shareholder value.

solving the value equation





## About Ephor Group

Ephor Group increases valuations for mid-market technology and service businesses. Our approach is proven, pragmatic, and performance oriented.

Our methodology, the Perform Business Process™ fills in the gaps where functional expertise and capital are constraining the business. Ephor has a deep track record for creating wealth for founders, executives, and investors.

## About the Ephor Group Team

Garry Meier founded the Ephor Group to apply the performance improvement methodologies and shareholder value enhancement processes he and his associates developed over his thirty plus year career.

Ephor Group is a boutique growth consulting and capital investment advisory firm comprised of seasoned executives with a deep track record of transforming small businesses into emerging platform or niche leaders.

**“I’ve found that businesses almost always have a fundamental strategic issue on top of whatever operational or financial problems they have identified. Solving the underlying barriers to value creation can be a real challenge with the wrong tools.”**  
—Garry Meier, Investor Webinar Fall 2007.

### Ephor Group Background

Ephor Group’s executives are seasoned veterans that have been consultants as well as either an investment banker, institutional investor and /or company operator.

### Assignments Highlights

- Achilles Group, HRO
- Perquest, Outsourcing
- CCVG, Business Services
- SmartTime Inc., Workforce Management
- Certus Corporation, Healthcare Services
- CentriconHRA, HR Technology and Services
- Latin American Card Services, Business Services
- Personalogy, HR Services
- Workplace Solutions, HR Technology
- TalentTree, HR Services
- Outsource International Inc, BPO
- Medaphis Physician Services, Healthcare Services
- Global Integrity Outsourcing, BPO
- Technology Service Solutions, IT
- Automated Information, IT

Ephor Group is highly recognized as an industry thought-leader in outsourcing technology and service companies including BPO/HRO/HCM/FAO/CRM/IT and healthcare services.

Ephor Group provides growth consulting, financial engineering, and capital to guide small businesses into emerging enterprises while creating wealth for all shareholders.

Additionally, Ephor Group is an advisor to private equity and venture firms on their investment strategies and portfolio companies.





## About the Author: Rich Dunphy

Rich is a leader in the areas of process and system architecture, technology implementation, operational improvement, and a trusted advisor across all functions of human resources.

Mr. Dunphy has more than 30 years of experience delivering high valued solutions both insourced and outsourced, in the Human Capital Management (HCM) and Human Resource Outsourcing (HRO) space across a wide variety of industries.

For corporations Rich has led team implementations integrating HCM and point solutions and improved employee and manager service levels.

Additionally, Mr. Dunphy has provided services for HRO suppliers and HCM/Point Solution Suppliers in the areas of customer acquisition, product enhancement, functional integration of multi-point solutions, service model and implementation improvement and market analysis and planning.

Rich currently runs large HCM/HRO projects across all market segments.

**“Great leaders are fully engaged in assisting with transformation of business - ready with tools, driven by workforce analytics and ensuring every process is integrated, easy to use and scalable to support their organization.”** – Rich Dunphy, HR and technology advocate.

## Rich Dunphy Background

Principal experience in human resources including Human Capital Management (HCM) software and services, Human Resources Outsourcing (HRO), benefits, payroll, and outsourcing extending back over thirty years across many scores of client projects.

### Representative Experience

- Enbridge Energy
- Countrywide
- Hexaware Technologies
- Fidelity
- Pfizer
- ProBusiness

### Industries Served

- Automobile manufacturers
- Business services
- Chemicals and pharmaceuticals
- Communications and technology
- Construction and engineering
- Energy services
- Financial institutions
- Healthcare
- Hotels and casinos
- HR providers and suppliers
- Petroleum, energy, and utilities
- Retailers
- Transportation

### Capabilities

- HCM/HRO strategy development through execution
- Analysis of requirements, solution definition, process development, and delivery of HCM solutions and execution of HRO services
- Implementation of software, services, and methodology execution
- Product, service, and process review
- Process and organizational design, change management, and best practice optimization
- Project assessment for implementation, and software development projects





## 2008 SHARED SERVICES BEST PRACTICES ROADMAP

### PEOPLE DICTATE THE SUCCESS OR FAILURE OF ANY BUSINESS

Because employee abilities and actions ultimately drive business results, companies must optimize employee performance to grow and profit. This is truer now more than ever given factors such as globalization, outsourcing, technology advancement, and the war for talent.

### SOLVE BUSINESS CHALLENGES WITH HUMAN CAPITAL BEST PRACTICES

One of the ways Fortune 500 corporations leverage employee capabilities is by utilizing a Shared Services approach to support critical staff functions like IT, Accounting, and Human Resources. Large companies have found that grouping expert staff resources at a central location and operating common systems across the organization is an extremely cost effective means of providing high value services to multiple divisions and locations. Because most organizations today have multiple plants or office locations, employees in these organization are accustomed to remote management and services making the transition to Shared Services straight forward.

Because the Shared Services team can provide highly competent staff support and advice, business unit line executives are free to focus on operational improvement, revenue enhancement and increase shareholder value.

In today's world of automation and outsourced services, SMBs (small and medium businesses) have the same opportunities to reduce employee administration costs as do their larger counterparts. But owners and executives at most SMBs do not have on-demand access to expertise in training, recruiting, employment law, compensation – to list just a few topics – that can be readily available with Shared Services.

#### People Performance Drives All Business Outcomes:

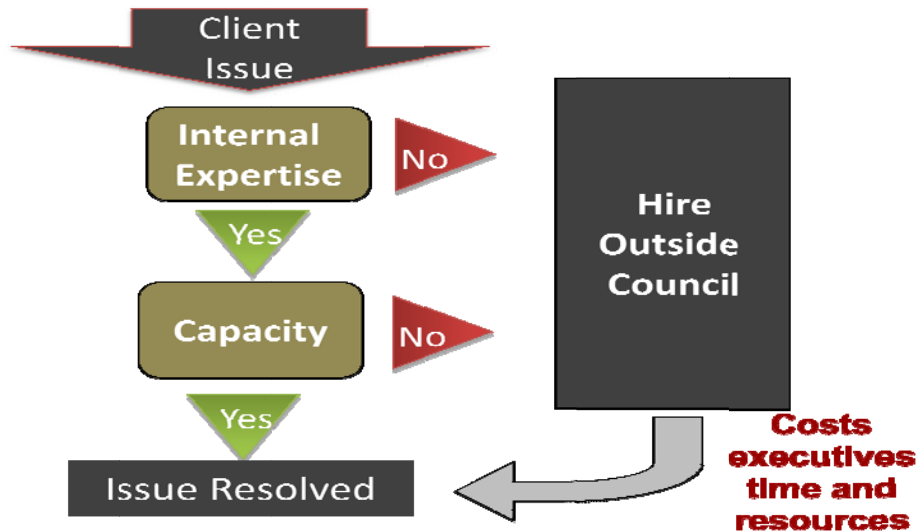
- ☑ Revenue Growth
- ☑ Customer Satisfaction
- ☑ Quality of Product/Service
- ☑ Workforce Efficiency
- ☑ Continuous Improvement
- ☑ Profits

**“Companies with Shared Services improve client satisfaction, staff productivity, and overall quality while also achieving cost reductions of 20 to 80 percent. Furthermore, companies spend up to \$400 less per employee per year on human resources services.”**



**VALUE OF SHARED SERVICES**

Activities in a non-Shared Services environment:



**Shared Services provides SMBs additional resources at the most cost-effective rate.**

Shared Services benefits also include:

- ☑ **Expertise:** On-demand access to experts as detailed in the diagram

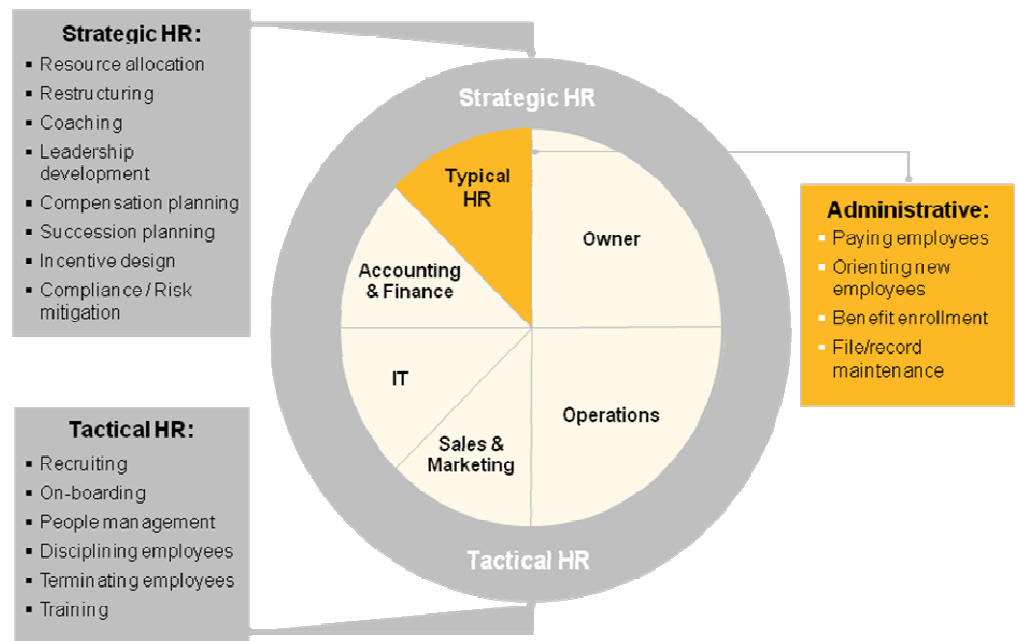
**TYPICAL HR VS. SHARED SERVICES**

- ☑ **Capacity:** Augment existing distributed staff

- ☑ **Quality:** Decisions about employee and organizational issues can be made with greater confidence and speed by relying on the expert in residence within the Shared Services group

- ☑ **Build a compelling case for best practices and budget:**

By its very nature, Shared Services shifts the focus of human resources to value-generating and risk mitigating activities





- ☑ **Organizational change:** Creates a flexible business model that can respond to changing market demands – i.e. when a business needs to grow Shared Services will train employees and staff for new positions; during business declines, Shared Services can assist with workforce realignments and expense controls. Also the Shared Service center itself can be reduced and then increased as necessary
- ☑ **Measurement and metrics:** Instill reporting and dashboards to empower front-line employees and provide visibility and insight to managers for forecasting and decision making in an area of ever increasing costs
- ☑ **Leverage technology:** Support employees with tools, systems, and software such as online performance management, ERP/CRM systems, productivity tools, etc.
- ☑ **Learn and incorporate best practices:** From benchmarking to installing best-in-class tools to knowledge sharing
- ☑ **Cost:** Costs can be reduced through the economies of scale from centralization of services, reducing expenses, and avoiding duplication of effort. Shared Services **drives the cost of transactions down and empowers the person who has the most knowledge to handle the task.**

**Typical HR does not have sufficient resources and focuses on administrative functions.** If too many resources are in place then HR may build a fiefdom and may become a greater cost burden.

**By 2010 there is an anticipated 10% skilled worker shortage in the US.**

Organizations will need to be evermore creative in their quest to find the right resources to fill their positions.

As the labor markets tighten organizational success will depend upon the availability of resources and skills matching. People respond to processes and metrics when tied to their daily activities.

Most executives have a strong desire for immediate fixes vs. positioning the business for long-term maximization (“expectation gap”).

Underperforming employees are often “entitlement oriented” and change is not easily accepted by organization.

Every component of the business needs alignment from the strategic to operational to tactical to expand in an economically efficient manner. Before success can be realized the alignment of all activities needs to occur.

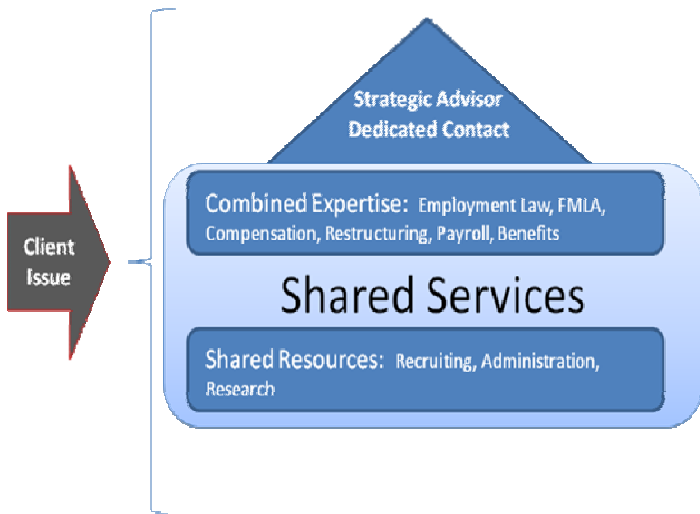
Shared Services is well positioned to provide an edge not only to bridge this gap but to become competitively superior.





SHARED SERVICES DELIVERY MODELS

1. POD STRUCTURE



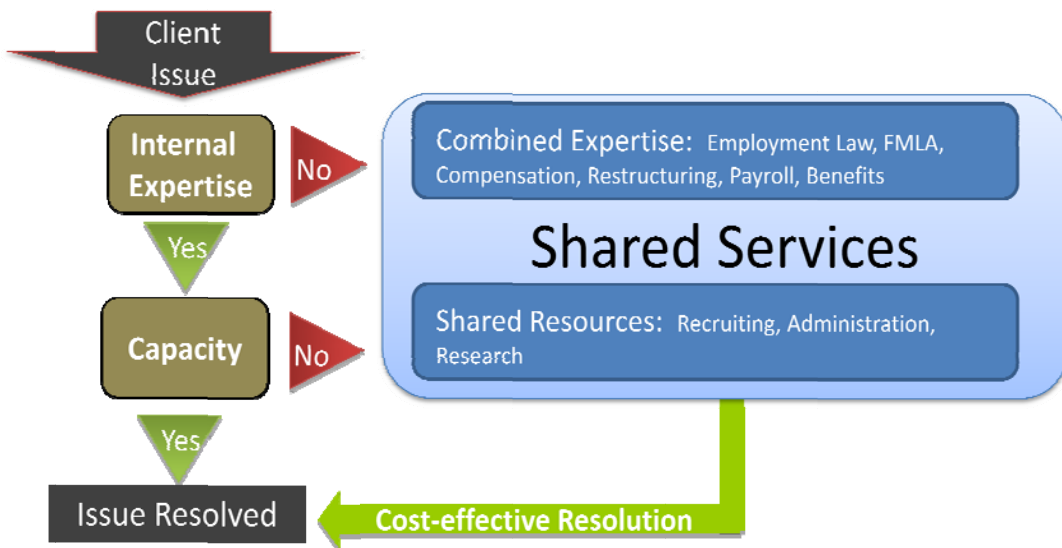
Shared Services can be resourced by in-house personnel or they can be outsourced to specialists; in practice, it is most common to see hybrid models that vary depending upon industry, company size, and other company specific growth characteristics.

B. TIERED STRUCTURE

A typical program may involve the following combined resources:

1. **Account Manager:** Single point of contact. While this will be an out-of-office position majority of the cases, in some cases where the program or project is sizable the position may be created onsite.
2. **Team Leaders:** Process owners responsible for maintaining service levels in each process. Small clusters of specialized teams are managed by Team Leaders.
3. **QA/QC:** Quality is serious business. Reviewers do independent audits of all the work performed by the teams and follow a pre-defined error escalation and resolution process.
4. **Domain Experts:** High-level input and advice on domain related issues / knowledge.
5. **Process Experts:** Mandated with continuous improvement of process and productivity.

MIXED MODEL





**GETTING STARTED: IMPLEMENTING SHARED SERVICES**

A lot of thought needs to be given when looking to set up Shared Services. Some of the areas to take into consideration include:

1. **Determine a clear case** for creating Shared Services that is based on the value-added to the business - i.e. how will Shared Services help the organization manage its business more effectively and reduce costs?
2. **Clarify the roles** and accountabilities of Shared Services
3. **Communicate** the responsibilities. Employees must be given the appropriate support including:
  - i. Communication and involve before, during and after the implementation
  - ii. A wide range of communication tools can be used, including briefings videos, brochures, guides and checklists, dedicated website portals,
  - iii. Training

**TEN STEPS TO SHARED SERVICES SUCCESS**

Shared Services are successful when the following are completed:

1. Buy-in from executives, managers, and key employees
2. Start with the end in mind
3. Build scalable processes then fill with people – NOT vice-versa!
4. Communicate and consult and repeat
5. Utilize best-of-breed external resources after exhausting all internal resources
6. Create a performance oriented culture aligned with the business vision
7. Recognize people’s efforts
8. Set the right goals
9. Apply the right measures
10. Implement continuous review and improvement process with rotating team members

**SHARED SERVICES BENCHMARKS**

Learning needs to stem from both internal and external practices. Any Shared Services project should examine existing processes and procedures. This is often most effectively undertaken by third-parties.

This examination provides a baseline from which to evaluate the future and then examine the approaches other organizations have taken to Shared Services. Once the internal state is understood now other companies can be approached with whom to conduct external benchmarking.

For external benchmarking to be most effective a matrix needs to be created of information and processes to be reviewed.

This process needs to be as abbreviated as possible as people are busy. It is helpful to provide the team with an outline of expectations prior to the visits. This further reduces the time for the review.

The next step is to consolidate the information gathered and to identify processes and procedures that will be applied to the future model. Be selective and implement those processes that you feel will add the most value and then in phases.

As can be seen the benchmarking process can add significant value to your HRSS implementation. It is highly desirable to re-benchmark periodically to gain new insights as regulations and







**HANDLING CHANGE FROM HR SHARED SERVICES IMPLEMENTATION**

One of the most important yet over looked aspects of a successful implementation is Change Management.

There are a number of key success factors such as:

1. Building of the HRSS (Human Resources Shares Services) team
2. Development of the HRSS organizational structure, development of themes and a charter, employee training and communication
3. Creating excitement around the vision and direction of Shared Services
4. Motivating employees and teams

These keys allow the implementation team to overcome people ability to:

1. Understand change
2. Cope with and adapt to change
3. Perception of how individuals benefit from the change
4. What will be lost as a result of the change

**ISSUES UTILIZING SHARED SERVICES**

Transition issues may include:

- Shared Services liaison must be a trusted advisor of the business – from attending executive meetings to serving as an outside advisor and partnership manager
- Implementing Shared Services needs proactive employee communication and in some cases pragmatic change management
- Migrating in-house professionals from reactive to proactive mindset
- Aligning all business activities and employee motivations to the businesses goals

There may be a need for a third-party provider in the case where software or service would be too costly or complex to bring in house.

In the case where there is a requirement for additional service or support choose a service provider who will:

- Have a competitive cost-structure and high quality service levels
- Be a stable partner for the long term; with customer value creation as the sole objective

**EMPLOYEE PRIVACY CONCERNS**

Employee privacy concerns are subject to conflicting interpretation and changing trends.

Over the years questions regarding age, military experience, religion and marital status have gradually dropped off employment applications.

It is not easy to keep up-to-date on the stream of privacy rules from legislatures, courts, labor officials and human rights commissions, but professionals in the United States may find it less challenging than their counterparts in Europe.

“In the United States we are used to using information as freely as water, but in the [European Union] it is viewed as a controlled substance like a drug,” says Donald F. Harris, Ph.D., president of HR Privacy Solutions Ltd. of New York, who assisted the U.S. Department of Commerce in its data privacy negotiations with the European Union (EU). “HR staff really needs to get the viewpoint that they are working with a controlled substance, which is not the American way of thinking about it.”





- Keep pace with, grow, and be flexible to meet ever-changing needs
- Have expertise in managing business processes with a strong technology background
- Provide service without high disruption risks
- Provide seamless interface for the enterprise
- Provide world class "safety/confidentiality practices"
- Have an outsourcing methodology that will render discontinuity quick and easy

**Ensure the engagement model puts the organization in control:**

1. The ability to view the online dashboard of the process management system real time to monitor the status, pile ups, errors, etc. is imperative
2. Having an onsite representative(s) depends on the size of the outsourcing initiative
3. Provide a single window interface between the service provider ensure that systems are located in your premises and service providers access remotely to do transaction processing
4. Make sure your processes are documented and thus leave an audit trail in the process management system agree with the service provider on desired service levels and then be able to monitor traction to those service levels

Moving processes from your premises to be a step by step process:

**A. Technology infrastructure setup**

- a. Establish facilities and delivery centers through a VPN (virtual private network)
- b. Proprietary process management software is setup in client's premises
- c. Setup a high speed scanner to digitize all input documents
- d. Access software systems located on premises

**B. Workflow Setup**

- a. Processes are studied and mapped on to process management software
- b. The process management software is updated with process rules, error handling routines and escalation routines
- c. The process management software is setup in nodes into which the client could upload input documents periodically

**C. Conversion**

- a. Data must be reconciled and corrected prior to being loaded into a new system
- b. Prior to final conversion an audit process needs to occur

**D. Communication**

- a. The change a management section will discuss communications role. The key is to communicate early, honestly and often

**E. Testing**

- a. Everything must be tested as it is developed and as it is integrated into the entire service process. Often testing is overlooked or often very late in the project



**EXAMPLE: HR EMPLOYEE SERVICES DELIVERY STRATEGY & PLAN****I) Executive Overview**

- a) **Mission Statement**
- b) **Service Delivery Straw Man Outline**
- c) **Quality of Service**
  - i) HR service level philosophy and scorecard
- d) Service delivery levels
  - i) Payroll
  - ii) Benefits administration
  - iii) Employee relations
  - iv) Help desk
  - v) Recruiting
  - vi) Human capital expertise and support
  - vii) Strategic HR – other activities within HR as they are defined such as compensation and succession planning, M&A, or workforce development

**II) Operations**

- a) Overview
- b) Operational model
- c) Measurement and metrics
  - i) Dashboards (Executive, Manager, Front-line)
  - ii) Monthly reporting package
- d) Volumetrics and growth anticipation

**III) Employee Privacy and Information Management****IV) Service Center Delivery Model**

- a) HR operations center model
- b) Benefits operations center model
- c) Payroll center model
  - i) Back office/front office
  - ii) Third-party administration and information access (i.e. tax compliance)

**V) Supporting Technologies**





iii) Budget impact and considerations

**II) Testing and Cutover**

**III) Training**

**IX) Adaptability to Change**

**X) Projected Delivery Dates**

This table represents the projected delivery dates for services, as defined in this strategy document, within the center.

Functional Area	Responsibility	Go Live Date	Status
Employee Relations			
HR Helpdesk			
Recruiting			
Disaster Assistance (Employee)			
Benefits (ongoing enrollment)			
Benefits annual enrollment			
Payroll Service			
Full HR Service			
Learning Management			
Travel & Expense			
Performance management and employee evaluation			
Background investigation			
Incentive Compensation			
Business Intelligence support			





**OUTCOMES OF SHARED SERVICES IMPLEMENTATION**

<p><b>Strategic Clarity</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Position the firm to take advantage of its internal workforce capabilities to full capability and capacity while maintaining high quality</li> <li><input type="checkbox"/> Solve workforce and business needs</li> <li><input type="checkbox"/> Assess whether workforce structure is able to support future needs</li> <li><input type="checkbox"/> Develop practices with corresponding best-in-class processes</li> <li><input type="checkbox"/> Focus and align the business strategically, operationally, and tactically across all activities and constituencies</li> </ul>
<p><b>Tactical Clarity</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Make the model routine and of high quality to ensure employee motivation, utilization, and productivity</li> <li><input type="checkbox"/> Focus on implementing the right businesses processes and then identify the correct roles, responsibilities and outcomes needed filling the roles with the right people at the right time</li> <li><input type="checkbox"/> Implement a decision management system to guide executives, managers, and front-line staff</li> <li><input type="checkbox"/> Talent selection – what is the most cost-effective method for identifying A” and B Players” for each role across the organization</li> <li><input type="checkbox"/> Align people activities and their compensation with tactical objectives</li> <li><input type="checkbox"/> Successfully onboarding the right employees will lead to higher job performance (1 in 5 new hire salaried employees fails)</li> <li><input type="checkbox"/> Create compelling and motivating workforce environment</li> <li><input type="checkbox"/> Regular identification of people performance and role clarification</li> <li><input type="checkbox"/> Refined organizational design and development including leadership development, management development, and coaching</li> <li><input type="checkbox"/> Ensure all technology is contributing to the financial performance</li> </ul>
<p><b>Operational Clarity</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Benchmark top quartile operational performance at each department and functional level</li> <li><input type="checkbox"/> Measure outcomes against performance and compensation measures</li> <li><input type="checkbox"/> Implement measurement and metrics at the day-to-day activity and weekly management review level</li> <li><input type="checkbox"/> Implement dashboard of top 8 -12 indicators for all roles</li> <li><input type="checkbox"/> Develop functional support (in-house or outsourced relationships) for talent acquisition, onboarding, employee relations, management, and training</li> <li><input type="checkbox"/> Move from event-oriented to process-activity orientation</li> <li><input type="checkbox"/> Implement leadership development program</li> <li><input type="checkbox"/> Risk management/workers comp initiatives</li> </ul>





## Conclusion

Businesses are either growing or shrinking. Because of technology advancement, legal and employee risks, the Internet, globalization, talent shortages, and larger enterprises moving down-market, labor intensive businesses that do not have the resources of their larger counterparts are more apt to fail; especially if their region or industry experiences an economic slump.

Shared Services is an increasingly common organizational response to creating efficient operations. A recent study on the factors that drive performance found that working environments with flexible culture and focus on continuous improvement outperformed the competition on average by more than 20 percent!<sup>1</sup> Clearly, business leaders and management must be responsible for building strong, performance oriented cultures.

*"Hope is not a strategy - a metrics based decision management system should support and guide all business decisions."*

- Ephor Group Chairman Garry Meier

Every business, regardless of whether they have quality functional capabilities or not, needs Shared Services because all growing firms need additional horsepower and expertise. Shared Services is the most-cost effective method for firms to obtain Fortune 500 caliber services and support systems.

***Did you enjoy this article? Drop us a line and let us know your thoughts on solving the value equation at [ephor@ephorgroup.com](mailto:ephor@ephorgroup.com).***

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<sup>1</sup> Workforce survey results from McKinsey and Deloitte 2006 studies.

