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Foreword

Many enterprises are looking to shared services to support efficiency goals and to enhance business integration and agility. The CIO must help ensure that the shared-service model delivers expected benefits, and may be able to take a leadership role.

The sharing of services among enterprise business units is an attractive model. It offers an opportunity to realize economies of scale and scope, develop higher levels of capability and innovation, and promote harmonization of culture and process. On the path to shared-service success, there are important decisions to make and pitfalls to avoid.

This report addresses the question, *What techniques and behaviors do CIOs employ in the most successful shared-service implementations?*

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Executive summary

The CIO must be deeply involved in the design and implementation of shared-service initiatives and may even lead the entire effort and resulting organization. Maximizing the value of shared services and minimizing the risks entail getting a clear view of the benefits the enterprise seeks. The design, implementation and operation of shared services are built around these benefits, taking into account the enterprise's appetite for, and ability to accomplish, change.

Choose your shared-service model based on value

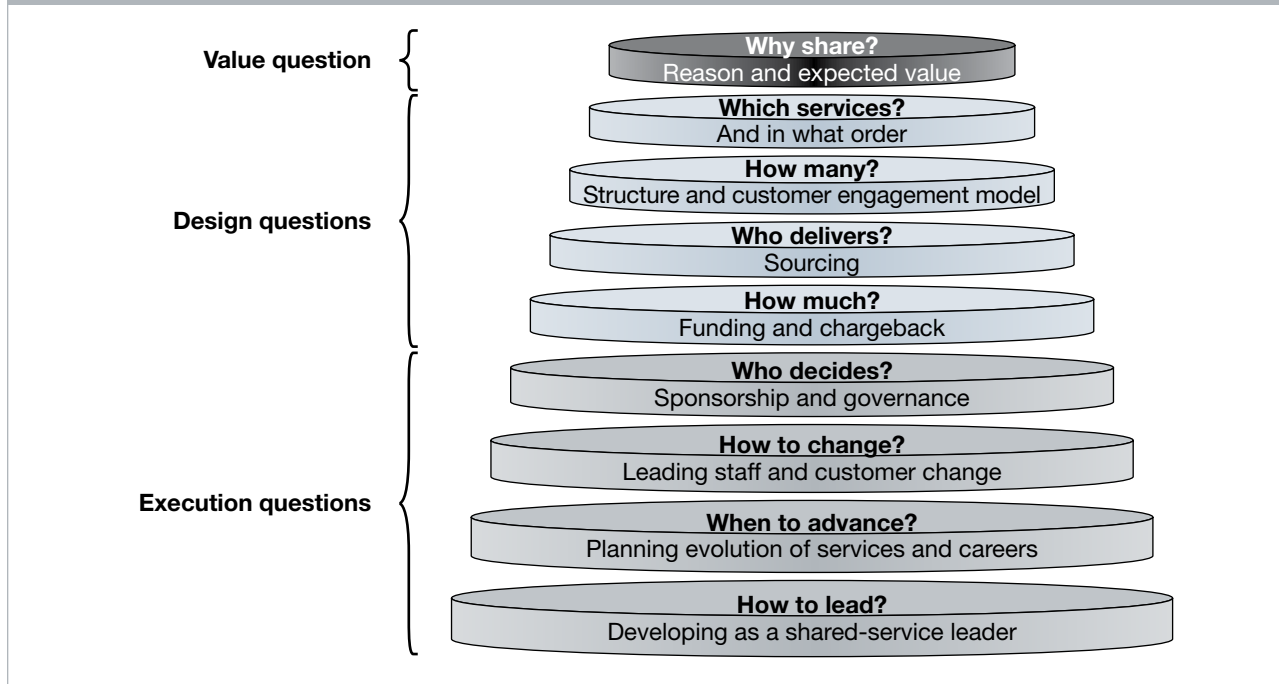
The shared-service model represents a combination of centralization, the strengthening of processes and services, and the implementation of financial disciplines around those services. The services that are shared may come from any area of the business, including IT. CIOs may lead shared-service initiatives, particularly if they include IT services.

A shared-service implementation consumes significant management time and change management bandwidth. Success requires answering nine questions:

1. *Why share?*—Are there are compelling reasons for shared services, and is the enterprise appetite for change strong enough to support their implementation?
2. *Which services* should be deployed, and in what order?
3. *How many?* How many centers? Will they be virtual or physical? Will the services be optional or mandatory?
4. *Who delivers?* Resolving the question of sourcing.
5. *How much?* Should chargeback be used? If so, what chargeback mechanism?
6. *Who decides?*—How will sponsorship and governance work?
7. *How to change?* Designing the change program.
8. *When to advance?* The evolution of the shared-service organization over time.
9. *How to lead?* The leadership plan.

These nine questions fall into three categories: value, design and execution (see figure on page 6).

The nine key shared-service questions



Design for success by answering four questions

Decide which services to deploy in what order based on the level and strategic importance of expected benefits, the likelihood of success and the change challenges.

How many shared-service centers should be established? Are services mandatory or optional for business units? Fewer centers bring economies of scale and scope, but may entail bigger change challenges and higher risk that services will become unresponsive to business unit needs. Mandatory shared services create impetus for fast adoption but may meet greater resistance.

Who provides the services—internal groups, one outsourced partner, multiple partners or some combination?

Do you charge back some or all of the costs of providing services? Base your decision on the enterprise's financial culture, balancing the need to stimulate adoption with the need to impose demand discipline and create financial transparency.

Execute for success by answering four questions

Who decides? Good governance in a shared-service context balances strong internal customer input with strong senior sponsorship. Formal mechanisms must be complemented by informal behaviors and the use of relationship managers.

How to change? Acknowledging change challenges, building alliances and engaging all stakeholders are critical leadership behaviors. Before the shared-service initiative, it is paramount to find out how existing services really work.

Report toolkit—A reference to selected tools in this report

Case studies

Publicis—M&A growth drives a need for shared services

Nihon Unisys—Employing both push and pull engagement models

BMW—Charging that uses the Big Mac Index

ABN AMRO—Evolving phases of benefits

CHRISTUS Health—Shared services as a growth challenge and an opportunity for the CIO

Figures

The nine key shared-service questions

Three generations of shared-service opportunities

Benefits and challenges of chargeback options

Tools

Shared-service decision tree

Identify your benefits

Shared-service evaluation template

Shared-service phase planner

Shared-service business case template

Also, make sure to give your internal customers as much control as possible.

When to advance? Keep communicating and continually refine the vision for the evolution of shared services so that they remain strategic and on the radar of senior executives. Look for three signs that it is time to move to the next phase: current services are being delivered reliably, the benefits of the next phase can now be practically realized, and enterprise strategic priorities are diverging from the existing scope of shared services.

How to lead? For CIOs who step up to shared-service leadership, the biggest challenges are normally customer-facing leadership and financial leadership. The first involves a step-change in branding, marketing and sales capability. The second involves imposing strong financial disciplines to ensure value-based decision making. If the CIO is not the shared-service leader, he or she must be sure to develop strong links with the person who is.

Validate your shared-service business case

Before embarking on shared services, answer the nine questions on page 5. If your shared-service initiative is already in progress, use the nine questions to review, validate or remediate it.

Look for and avoid the most dangerous pitfalls, which include weak sponsorship, poor customer relationships, costs that are uncompetitive (or perceived to be so), strategically irrelevant services, disenfranchised shared-service-center staff, and partners whose motives and interests diverge from yours.

Use the answers to the nine questions to build a complete, compelling business case for your shared-service initiative, and use and evolve the case on an ongoing basis. Though not a new idea, shared services are taking on new twists and gaining relevance in the face of globalization, international competition and the rising number of mergers and acquisitions. CIOs will increasingly be called upon to minimize the risks and maximize the successes associated with shared services, and they will have growing opportunities to play a shared-service leadership role.