From Back-Office Functions
To Strategic Drivers

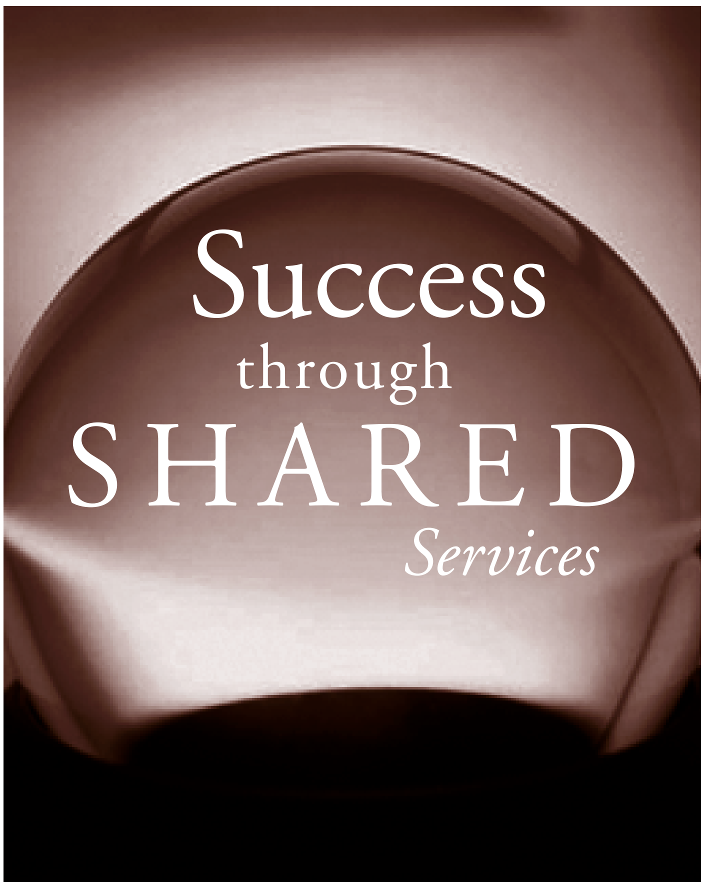

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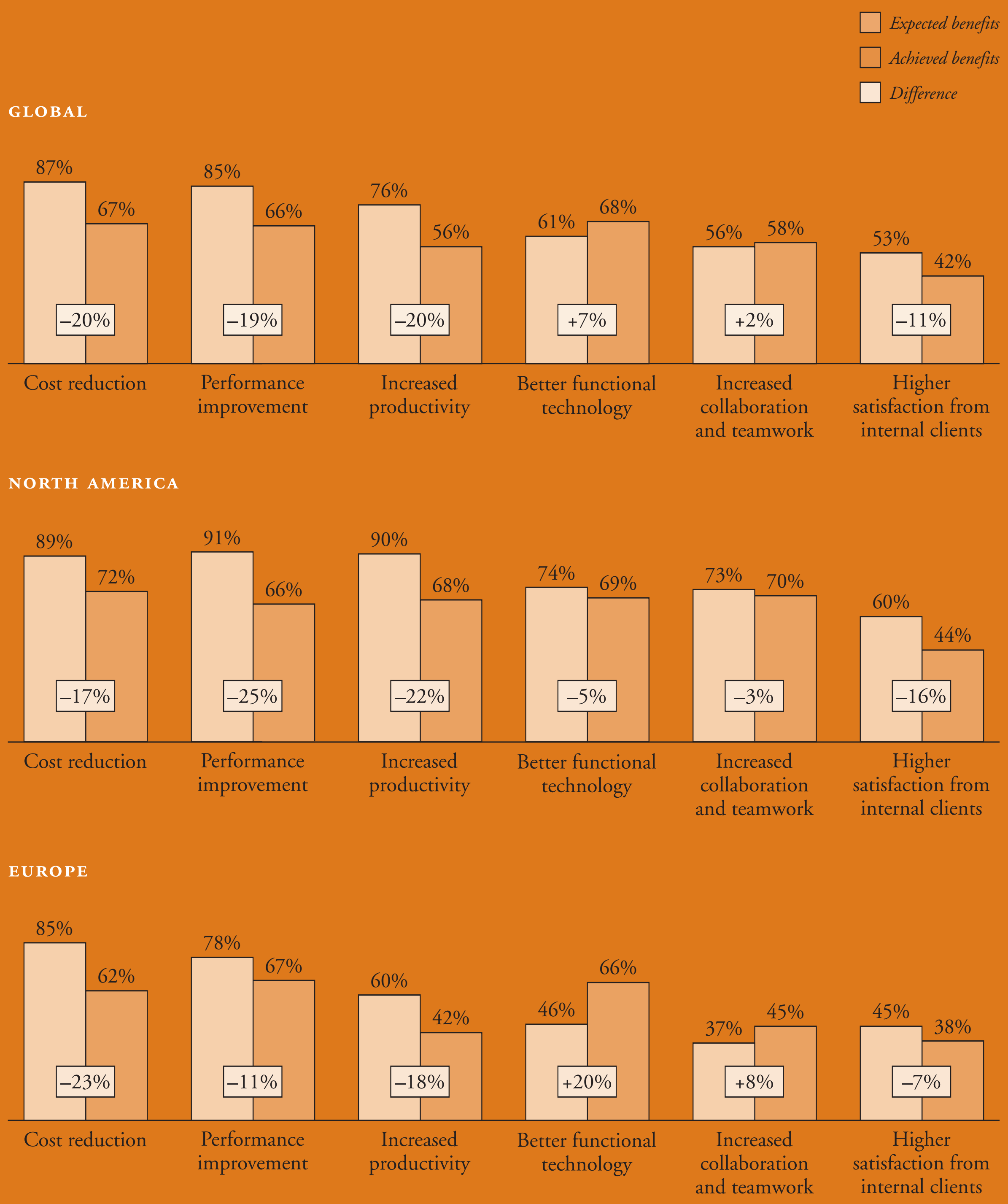
Figure 1: Success rates for shared services



Sources: Harris Interactive, A.T. Kearney

Introduction

If you think the book has already been written on shared services, think again. With the renewed emphasis in recent years on profitability as the key corporate metric, "forgotten" functions such as finance, human resources, procurement and IT are back in the spotlight. They are not only being viewed as sources of cost efficiency, which has been the traditional focus, but also as tools for corporate strategy and competitive advantage.

But turning these functions into strategic value drivers can be as difficult as spinning straw into gold. Indeed, companies have adopted a variety of approaches, from simple cost reduction and consolidation to discrete outsourcing and offshore strategies. Inconsistent approaches, however, have led to equally inconsistent results. Benefits are available, but, in many instances, they are less than ideal and frequently short lived.

Despite the difficulties, many global corporations are moving toward shared services, which is the centralized management of activities for multiple users. An A.T. Kearney survey conducted by Harris Interactive reveals that, on average, companies share the services of nearly six departments, and most are willing to invest the time and money necessary to make a complete transformation. We also found that companies with shared services organizations are highly sophisticated—many use service level agreements and charge-back systems, and either have or are considering outsourcing strategies.

Additionally, 70 percent of senior executives rank their shared services efforts as successful—citing benefits that range from reduced costs and improved productivity to superior employees.

However, some expectations are not being met. For example, although executives in 85 percent of companies expected performance to improve through shared services, only 66 percent believe they have achieved improvement *(see figure 1)*. Similarly, 76 percent expected increased productivity, but only 56 percent have realized this goal. Finally, whereas 53 percent of companies expected improved internal client satisfaction, only 42 percent report success in this area. Clearly, shared services have potential, and have delivered value, but there is still room for improvement.

In this paper, we highlight why shared services are a proven method to deliver value in the support services field. We explore the factors that are currently driving this renewed focus on back-office functions, explain the key to creating a successful shared services program, and discuss how to steer clear of common pitfalls. Finally, we peer into our crystal ball and forecast the back office of the future and the next generation of shared services.

SHARED SERVICES TODAY

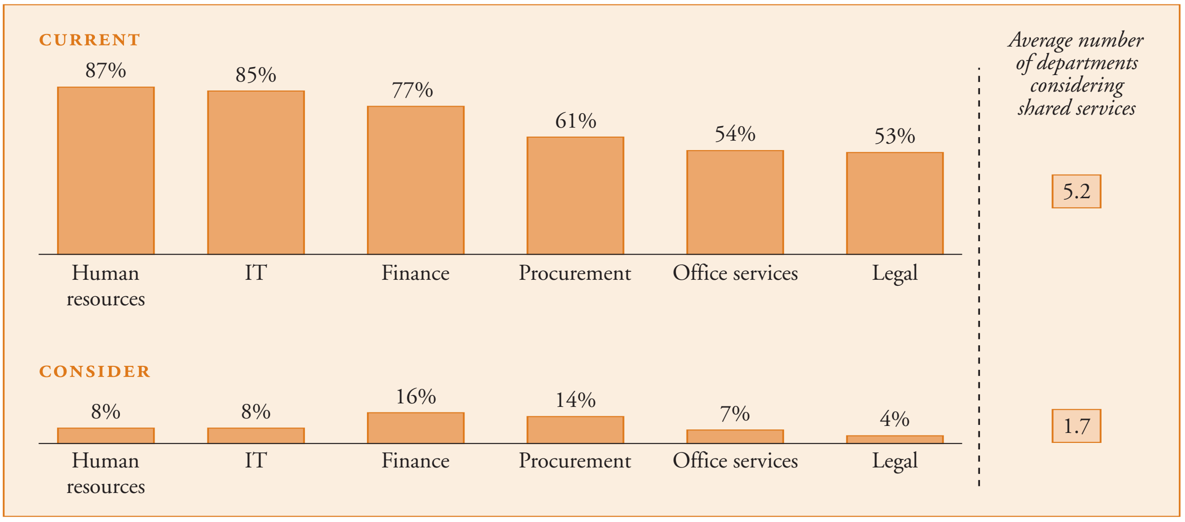
Companies have been experimenting with shared services since the late 1980s *(see sidebar: Fundamental Truths of Shared Services)*. Shared services, at best, offered companies a way to cut costs, improve quality and encourage teamwork among their employees. In the 1980s, however, many executives doubted that shared services were viable, believing that the implementation costs and risks would outweigh the benefits.

Since then, a number of external and internal forces have merged to propel shared services, and their benefits, forward *(see sidebar: The Three Pillars)*. For example, the pressure to improve shareholder value and new regulatory requirements has combined with shifting business dynamics. Advances in technology—including the internet and broadband—mean that companies are better able to pull together business processes and policies across the organization and across the globe. And with more capable service providers in the market, companies have more choices in outsourcing an array of functions.

Together, these forces are driving companies to focus on front-line performance and customer satisfaction, not on internal machinations.

Our survey findings reveal a clear picture of just how prevalent shared services are today *(see sidebar: About the Study)*. The most popular support functions to target for shared services are IT and human resources: each has adoption rates in excess of 85 percent *(see figure 2)*. Regionally, human resources is the number one shared function in North America (95 percent); IT tops the list in Europe (97 percent). Additionally, these centralized functions provide broad-based support. Roughly 80 percent of respondents in North America indicate their support functions serve the

Figure 2: Top functions for shared services



Sources: Harris Interactive, A.T. Kearney

entire company; in Europe the number is closer to 75 percent.

Globally, 70 percent of executives report their shared services as either successful or extremely successful; 75 percent in North America and 63 percent in Europe share that view. This discrepancy occurs primarily because European executives must overcome more barriers—regulatory variations, along with social, cultural and linguistic differences—when implementing shared services than their North American peers.

European leaders also have more realistic expectations about the promise of shared services. In almost all performance dimensions, from productivity and functional technology to team collaboration and internal customer satisfaction, the gap between expected performance and achieved results is smaller among European respondents than those in North America. Once again, the reason for this difference is because of the more complex European environment. Given the additional hurdles, European managers are likely to be more careful when setting up shared services.

Fundamental Truths of Shared Services

As shared services have matured, some fundamental truths have emerged:

Decentralization of back-office operations is dead. *Decentralizing support services is a luxury companies can ill afford. Although geographically dispersed operations or transaction centers will not go the way of the dinosaur, companies must design and manage each support function according to an integrated and, when possible, standardized model. This framework should allow for necessary geographic, regulatory or cultural variations, while ensuring maximum control and management. It must also achieve economies of scale and leverage employee expertise.*

Companies must adopt a broad, strategic approach to their support functions. *Companies must take a closer look at their support functions to determine how strategic—or not—each is. Human resources, for example, includes strategic activities such as leadership development and compensation policy design, as well as more routine, transaction-type functions such as payroll and benefits administration.*

Companies must professionalize their support functions. *This means ensuring the support function behaves as a professional, independent, internal organization—one that will be held accountable for performance in the same way an external service provider would be. This is a key trait of progressive shared services organizations: centralizing management for defined support activities and tasks, and transforming them into a client-focused, specialized organization that serves multiple business units within a company. Although some companies go further by turning a support function into an independent market-facing unit, most derive the greatest benefit by stopping short of this action.*

Shared services organizations make sound economic sense. *Many executives cling to the misconception that shared services will result in increased costs. Examples of companies that tried shared services and abandoned them because of higher expenditures or increased operational complexity are easy to come by. In almost all cases, however, the problems these companies faced was with flawed implementation. Moving too far, too fast, for example, will likely result in more problems than benefits. The key to avoiding unexpected costs is to establish clear objectives, set a realistic timeline and remain focused.*

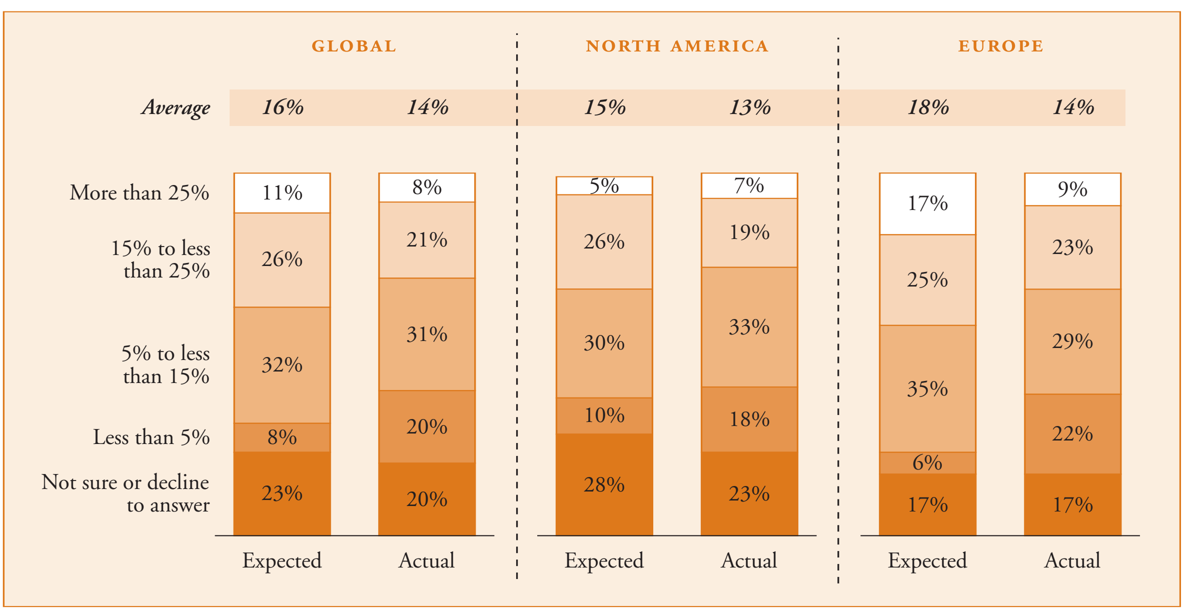
GOING FROM GOOD TO GREAT

Companies are well along the path to implementing shared services, and most are reaping the rewards. As figure 3 illustrates, cost reductions from implementing shared services average about 14 percent globally, with European companies slightly more optimistic (18 percent) than those in North America (15 percent). In part, these savings are a result of headcount reductions, which average about 12 percent. In North America, headcount reduction rates are about 6 percent higher than in Europe largely because of the different regulatory and social environments.

Two-thirds of respondents believe the quality of their employees is better since implementing shared services, while the rest say quality remains the same. North American executives were noticeably more positive about their employees, with a 10 percent gap over European executives. Some attribute the improved talent to new staff members or placing people in new positions and training; the latter is more prevalent in Europe. Given the regulatory emphasis on retaining employees, European leaders must work with existing staff.

Yet our research and experience suggest that many opportunities are still being left on the table. Although executives are generally pleased with the results, they are also clear on the challenges of implementing shared services *(see figure 4)*. Although it is relatively easy to achieve some success with shared services, taking that additional leap to achieve exceptional results requires something more. The following outlines the attributes of companies that have made the shared services jump—going from good to great.

Figure 3: Cost reduction achieved by implementing shared services



Sources: Harris Interactive, A.T. Kearney

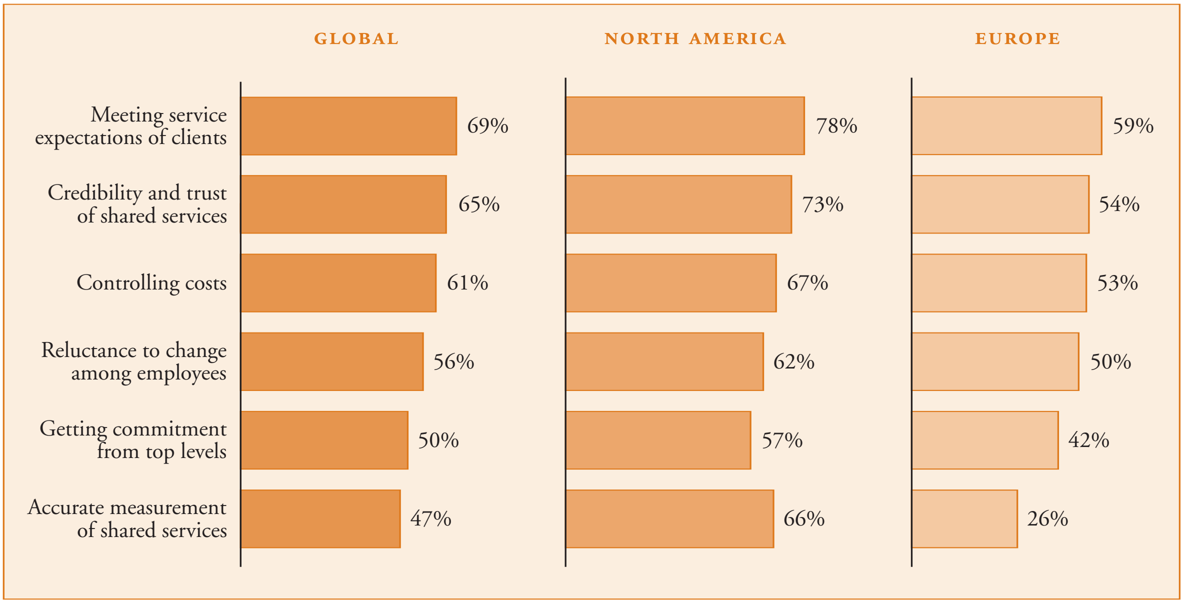
1. Define the scope, set realistic targets

The top shared services companies seldom fall short of expectations. In the areas of cost reduction, and improved performance and productivity, for example, the leaders achieve their expected results while the followers suffer a 20 percentage point gap between expected and actual results. Falling short of goals is politically inconvenient at best, destructive at worst.

Leading shared services organizations identify activities within a given function and determine which are strategic, which require decision-support, and which are transactional. They then manage them accordingly. Typically, the more strategic activities are best managed through an expert, center-led organization. Transaction-based activities are prime targets for a transactional center. Activities that require decision-making support are somewhere in between; the "location" of decision-support activities depends on how specific they are to the business unit. The key is to identify all activities and processes that can achieve economies of scale, and that can be managed remotely without risking the quality of the service. Examples include call centers, procurement (particularly for indirect materials), payroll and human resources administration.

Executives who set realistic goals—and manage expectations throughout the company—are more apt to achieve the expected results from their shared services implementations. These executives focus on internal customers and involve them in all stages, from design and implementation to ongoing management of the shared services organization. In our study, a majority of respondents say their internal customers view shared services as successful,

Figure 4: Major challenges to making shared services a success



Sources: Harris Interactive, A.T. Kearney

whereas 46 percent say their internal customers do not. Not surprisingly, actual results for the latter group also fell short of expectations.

Similarly, most executives (58 percent) say collaboration and teamwork have improved since they implemented shared services, exceeding their original expectations. However, almost twice as many executives in North America report this improvement, as compared with European executives.

2. Select the appropriate operating model

Today, new technology and a growing supply of viable third-party service providers mean that companies can choose from an ever-expanding group of operating models. For example, companies can establish internal service providers, outsource to full-service providers, or establish national, regional, continental or global shared services centers. The decision is a delicate one. It depends on corporate and functional objectives,

The Three Pillars

As the concept of shared services evolves, leaders must continue to adopt new strategies and revise existing ones to achieve the full benefits. However, there are three pillars that serve as the foundation for shared services. These not only help define its past and present state, but will help shape its future:

Consolidation. *Rather than have many people, places and centers performing the same function or process, shared services companies adopt centrally managed service models. For example, a company may choose to establish national, regional (such as North American or European) or global centers to perform a transaction-based function, such as payroll. Traditionally, these functions are managed in the head office, particularly in the case of the more strategic work. But many executives are beginning to send them off to independent facilities—whether onshore, near-shore, or offshore—to reap even more cost savings. In some cases, of course, they are outsourcing them altogether to third-party providers.*

Standardization. *By standardizing processes and systems companies can begin to realize the benefits of economies of scale. Ensuring that people work off the same processes and standard software applications, the company will more easily realize cost reductions that come through critical mass. Just as important, this standardization also leads to improved policies, smoother processes, and information harmonization. The overall result is increased transparency and improved management.*

Automation. *Technology is the single most important tool for effective and efficient shared services. Global telecommunications networks have reduced the cost of international communications to nearly zero. The internet's ability to connect various parts of the business through the web enables companies to share processes and information more quickly and inexpensively than ever before. And in large part, the fundamental success—and future competitive advantage—of shared services depends on technological improvements. In our study, almost 80 percent of respondents agree that technology is either extremely or very important to the success of shared services. Additionally, nearly three-fourths of executives report that their technology has improved since implementing shared services. However, regional differences do exist. North American executives are much more positive about technological advances than their European counterparts. Of the respondents, 84 percent of North Americans cite improvements, whereas only 54 percent of Europeans make the same claim.*

Companies are well along the path to implementing shared services, and most are reaping the rewards: Cost reductions from implementing shared services average about 14 percent globally.

cash flow projections, risk assessments and potential return on investment.

Consider the following two cases. With operations spanning 100 countries, a European global airliner was struggling for survival. The airline's cash-collection system was in bad shape, it had individual accounting units rather than a central accounting organization, and employees were spending excessive amounts of time on routine activities such as reconciliations and entering data in duplicate systems. The company adopted a global shared services operating model. The model combined functions across 90 countries into a single global center that used the company's existing mainframe system. By bringing regions aboard in waves—first Europe, followed by the United States, East Asia and the rest of the world—the airline was able to build momentum while testing out new processes before full implementation. The result was a 35 percent cost reduction and measurable improvement in service and quality.

In another case, an US$8 billion European global electronics company that manufactures and markets branded consumer products opted for a regional model for its shared services center. The company established a pan-European shared services center that integrated all sales and marketing activities with associated back-office functions. Within four years, the company saved 35 percent in annual administrative costs, reduced headcount by 40 percent while increasing productivity, and slashed working capital expenses in half.

Clearly, an operating model has to be flexible to address areas that call for both strategic decisions and transactional support. For example, human resources performs strategic activities such as defining compensation policies, as well as more routine, transactional functions such as administering payroll and benefits.

3. Create an effective governance structure

Effective governance represents perhaps the single most important success factor for shared services organizations. In general, it includes two categories: executive oversight and customer-related governance.

Executive oversight. Leading companies manage their shared services from the appropriate levels of the organization *(see figure 5)*. In North

About the Study

A.T. Kearney's study on shared services, conducted by Harris Interactive in late 2003, began with three core objectives: to understand the current state of shared services across major corporations, to identify strengths and challenges in implementing and operating successful shared services, and to identify successful approaches to resolving key shared services challenges.

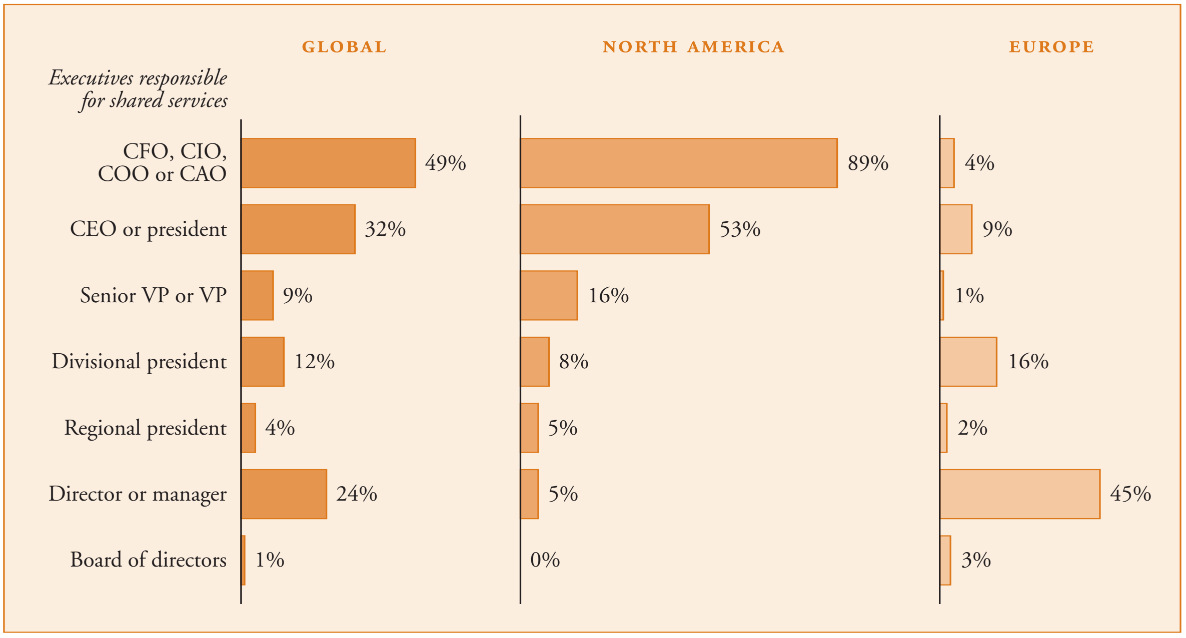
Study participants included director-level (or equivalent) executives or higher at companies with US$1 billion or more in annual revenues. The companies spanned four major industry segments: automotive, consumer products, financial institutions, and transportation. The respondents have either deployed shared services within their company or helped develop shared services policies. In total, Harris Interactive interviewed 140 executives, with roughly half based in the United States and Canada, and half in the United Kingdom, Germany and France.

America, 89 percent of executives of shared services organizations report to the executive level. In Europe, it is more common to report to the director or manager level. Globally, only 13 percent of respondents indicate that all shared services report to a single senior executive. This suggests too little overall control and accountability for shared services performance. However, as shared services executives begin adopting and overseeing more complex strategies such as outsourcing, a straight reporting line to a senior-level executive will become more prevalent.

Some companies, however, establish the appropriate management level but fail in the implementation. For example, a global industrial products manufacturer launched an enterprisewide effort to create a shared services organization for its human resources function. The company began the effort, as it should, from the executive levels. But it left responsibility for the implementation to a few people within the HR department. These people had little or no experience in managing large-scale projects and their time was not fully dedicated to the initiative; they still had to perform their day-to-day work activities. The result was a flawed implementation that exceeded budgets and ran well past deadlines. The project was ultimately saved with outside help—but at great expense to the company.

Customer-inclusive governance. For customer-inclusive governance, the shared services organization must engage in ongoing dialogue with its internal customers. This ensures that performance expectations and targets are appropriately set, managed and delivered. Discussions can

Figure 5: Reporting responsibilities for shared services



Sources: Harris Interactive, A.T. Kearney

take place in formal steering committee meetings or through informal conversations among key decision-makers. From our research, it appears that European companies are more advanced in this area, having deployed cross-business governing bodies that bring together executives and key internal customers. Importantly, companies that have adopted these governance models enjoy significantly higher rates of customer satisfaction relative to other governance models.

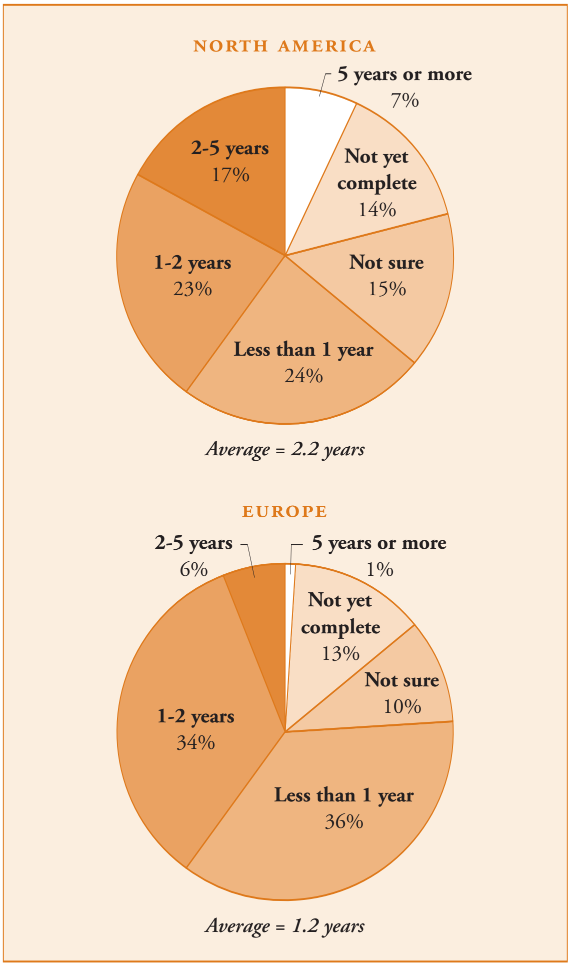
4. Take your time

Implementing shared services is not a simple process. The rollout and implementation will take time. On average, full implementation takes about two years, with companies in Europe being almost twice as efficient as their North American counterparts *(see figure 6).* Companies that recognize these time requirements achieve greater scope and a more disciplined implementation. To have foresight is to be forearmed.

The most successful implementations begin in the design phase, where decisions are first made about structure, make-versus-buy strategies, location and operating models. Executives must decide if a single leap or a step-by-step approach is best. If it is the latter, they must lay out the order of the steps: Should we consolidate activities first, then streamline processes and systems for outsourcing? Or should we move right to outsourcing? In most cases, it makes sense to consolidate functions, streamline them, and then outsource. This approach allows the added benefit of quick wins through cost reduction and labor arbitrage, while minimizing up-front investments for standardizing processes and systems.

Another key element to consider—yet one that is often overlooked—is whether or not the functions targeted for a shared services center have a direct or indirect impact on customers. One of the biggest risks a company faces during implementation is jeopardizing its customer relationships. The best shared services organizations identify the links to customers and monitor them from the beginning. By taking these steps, companies can begin to close the gap between their targeted and realized goals.

Figure 6: Implementation: a lengthy process



Sources: Harris Interactive, A.T. Kearney

5. Manage rising technology costs

Among the best ways to improve shared services implementation is to understand and manage technology expenses. Overall, respondents to our study spent double what they initially expected on technology. If not managed properly, such a discrepancy may destroy the business case of the shared services effort. This was the case at a major automotive company in Europe that was trying to bring together its IT environment. In the end, the technology costs almost doubled the original estimates, significantly undermining the business case.

It is not unusual for European companies to spend more on technology than their North American counterparts. One reason is that European companies are generally less centralized than North American companies. Also, in Europe, IT has long been relegated to the lower company ranks where IT departments are prone to customize standard packages. Additionally, the dominant ERP software platforms in Europe make it easy to proliferate different versions of the software, and local managers tend to resist standardization initiatives because they mean loss of control and autonomy.

To get the most out of shared services, leading companies not only centralize and standardize their IT departments, they make doing so a top priority. In cases where a piecemeal approach is already underway, a costly IT restructuring may be required to cope with structural changes within the company.

6. Integrate offshore and outsourcing strategies

As companies fully integrate their back-office services, many are taking steps to outsource key activities to third-party service providers. Currently, 62 percent of executives say their companies are outsourcing services, with IT, human resources, and legal being the most popular functions to go *(see figure 7 on page 12).* These are probably not full-scale business process outsourcing, but rather discrete outsourcing of sub-processes and activities within individual functions. For example, specific types of law or benefits administration within HR would be considered discrete outsourcing. North America surpasses Europe in terms of adoption, mostly because the provider market in North America has evolved faster. Again, North American companies have fewer structural issues to overcome.

Another increasingly popular—and hotly debated—option is offshoring. Many low-cost countries are maneuvering to become the offshore location of choice for various functions. Countries beyond the oft-mentioned India and China—countries such as Malaysia and Singapore—are emerging as strong offshore locations by offering appealing cost structures. Also, the scope of functions that providers are offering is expanding. In the past few years, providers of offshore solutions have gone beyond process- or transaction-based functions into more complex business functions. Companies in India and the Philippines, for example, are offering market research, audit services and analysis.

Despite the current media attention, only 17 percent of executives in our survey say they expect to outsource more functions in the future. This is probably because they believe they have already tapped into all existing opportunities—at least to the extent they are comfortable. In turn, this suggests that executives may not be fully aware of the advances in the market of external providers; providers are quickly acquiring new skills and capabilities.

Similarly, only 11 percent of respondents consider going offshore to be a key strategy for shared services. Of companies that do not have an offshore strategy, only 15 percent plan on developing one in the next five years, with companies in North America significantly more likely than companies in Europe (23 percent to 6 percent) to do so. In North America, IT is the most-preferred function that companies choose to send offshore, whereas European companies favor sending finance.

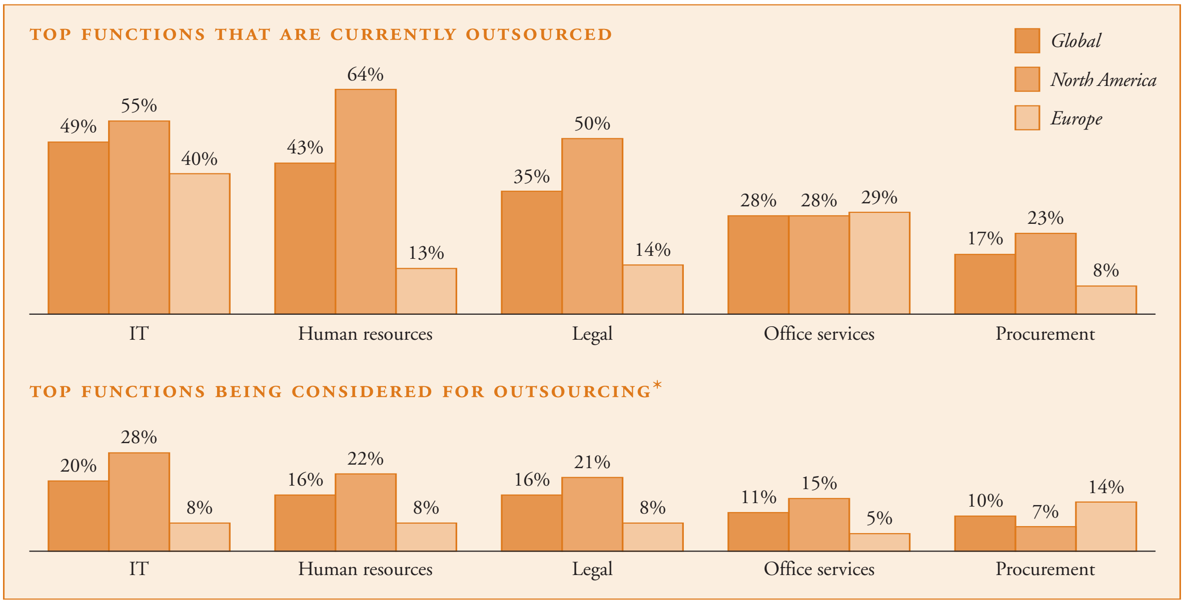
Nearly 60 percent of executives indicate their biggest concern about going offshore is the ability to maintain service levels and quality standards, with political considerations and labor relations close behind. While companies in North America and the United Kingdom look to India, Asia and Canada, the expansion of the European community is encouraging many companies there to look to Eastern Europe for shared services and business process outsourcing. Countries such as Hungary and the Czech Republic have the advantage of geographic and cultural proximity, and they offer an educated workforce with language capabilities for Western Europe.

7. Choose your management tools

Managing shared services organizations is a touchy topic. Every executive seems to have a strong point of view either for or against the two most popular management tools—service level agreements (SLAs) and charge backs.

Globally, more than two-thirds of companies use service level agreements; most use them specifically for managing their shared services organizations. Evidence suggests that almost all companies have tried SLAs at some point. But the results have been less than satisfactory.

Figure 7: Outsourcing will continue to play key role in shared services



**Among companies that currently outsource*
Sources: Harris Interactive, A.T. Kearney

Some companies abandon their SLAs because of their excessive and complex administrative requirements. In Europe, there is similar angst. Executives complain of poorly developed SLAs and lack of appropriate stakeholder buy-in and involvement.

Almost two-thirds of executives surveyed admit to using charge backs in their management reporting—with North American executives preferring them more than their European counterparts. There are two primary charge-back methods: charge back by the function or service provided and charge back by specific unit characteristics (such as revenues or number of employees per unit). The choice of one over the other is, for the most part, driven by complexity and ease of administration. And in some cases, there is no appreciable difference between the two. Most charge-back systems are performed manually: Only 37 percent of companies say their charge-back system is strongly integrated with their IT systems. Executives who do not use charge backs say it is because they are too difficult and cumbersome to administer.

Given the drawbacks, should companies abandon the SLA? Should they drop charge backs, and simply focus on the "total" corporate picture? The answer is no, or not necessarily.

The strategic purpose of both tools is sound, and there are ways to skirt their shortcomings. For example, leading companies do not over-structure or formalize the SLA process. Rather, they keep it simple and turn the process into an ongoing dialogue with the internal client, emphasizing the importance of adhering to written commitments and performance levels. And rather than eliminating the charge back, these companies implement it in such a way that some level of transparency is embedded for the services provided—ensuring there is clear accountability and a focus on services that internal customers value most.

8. Measure your performance

Top corporations track the performance of their shared services organizations. They go beyond measuring the usual—costs, quality and service (the latter are often only addressed when there is a crisis)—to enforce a transparent system that holds managers responsible for their functions.

These companies use performance measures to ensure that the support function behaves as a professional, independent and internal organization. Indeed, this is a distinguishing trait of progressive shared services organizations: They centralize support activities and tasks, and transform them into client-focused, specialized organizations that serve multiple business units within a company.

Additionally, only 38 percent of companies said their reporting measures are extremely or very integrated with IT. The same number of European companies claim reporting measures are only slightly—or not at all—integrated with IT.

A company wouldn't think of working with an external vendor without defined cost and performance targets—and it shouldn't with an internal provider.

9. Focus on internal customers

Finally, building a shared services organization requires focusing on your internal clients. From our research, only 46 percent of respondents think their internal clients view shared services as a success. In addition, while 53 percent expected improved client satisfaction, only 42 percent felt they were successful at achieving it.

The solution is not a simple, quick fix—but calls for careful consideration and implementation of all the points raised through the course of this paper—from strategy and design to governance and transparent metrics.

THE NEXT GENERATION OF SHARED SERVICES

The concept of shared services is a viable one—even if not implemented perfectly today. And as executives work to improve their shared services organizations, they must also look ahead. From our perspective, several trends are shaping how shared services organizations will operate in the future.

Centralization will define the future of the organizational model. Most companies will establish a centralized functional framework, both in terms of technology and services. This framework will explicitly define key roles and responsibilities for each function, including where it should be managed. Activities that remain outside the control of the center-led organization will generally be necessary in only two situations: when selected activities are unique to a business unit or site (consultative HR activities, for example), and when structural limitations, such as regulatory, social and operational differences, demand it.

Centralization does not necessarily mean that the work must be done in one physical location. Rather, it implies that all work will be governed by similar principles and levels of accountability. For example, Europe and Asia may have different HR models than North America, but they should be measured as part of a center-led, integrated performance management approach.

Location is irrelevant and, hence, even more relevant. Today, most companies implement their shared services at their corporate headquarters. In the future, the location of these activities will be determined by the ability to drive competitive advantage. Only senior leaders for the support function will likely stay in the headquarters, with the remaining functions either outsourced, sent offshore or managed at a low-cost and low-wage location. Such virtual models already exist. Some consumer products companies, for example, keep their R&D and marketing close at hand, yet outsource manufacturing to offshore locations. In the future, this will become increasingly commonplace with support services.

Technology will drive opportunity. Technology has come a long way, but there is a long road ahead. Productivity will increase significantly as new technologies enable more automated processes—particularly transaction-based functions. Invoices will only be sent electronically, and even paper-based invoices will be scanned and automatically processed. The vision of "lights-out accounting," in which a company needs only a few accountants to monitor its systems, is still on the horizon. Improved technology will also affect the offshore decision: By automating processes, the benefits of labor arbitrage, for example, will become less important. Taken to the extreme, full automation could fundamentally alter offshore strategies.

Outsourcing will become a functional necessity. As service providers mature, outsourcing entire business processes will become commonplace. Based on the economic theory of comparative advantage, a specialist (an outsourcing provider) that provides a service to many has a far lower cost than an internal function that provides a service to a few. The end result is an economic advantage for both. Progressive shared services organizations will integrate business process outsourcing—both full service and discrete—into their business strategies, thus optimizing their make-versus-buy decisions.

Companies will become preferred providers. Some companies are becoming so good at performing a process in-house, they commercialize it for the outside market. For example, GE Capital, one of the most experienced players in the offshore arena, is soliciting clients in targeted segments. HP is planning to offer finance and accounting services. In the future, we will see more of this type of activity, but it comes with a caveat. Remember what business you are in: It is risky to expand focus and devote scarce resources to new business models.[1]

The scope of opportunity will expand. A typical company can improve its total savings by broadening the scope of its shared services program. Our study reveals that, on average, only 20 percent of total support activities and expenses have been consolidated globally. The leaders have achieved the broadest scope, doing so by first distinguishing between their core and non-core activities and then acknowledging that all non-core processes are ripe for shared services. These companies are on the leading edge. They have already moved beyond setting up shared services for traditional areas such as finance and accounting, human resources and IT to also establish shared services organizations for their non-traditional areas such as research and development, logistics and procurement. Indeed, when a shared services program is applied to procurement, the benefits range from improved productivity and leaner structures to reduced costs. These companies also reap the rewards of increased transparency and further savings from reducing their total "influenced" spend, which includes both direct and indirect materials.

The role of strategic functional consultant will emerge. Given these trends, the future for senior leaders of functions is clear. They must become strategic consultants, providing direction to their companies in their areas of expertise. Of all the opportunities, this one is the most dramatic as it represents a steep change for the role of the functional leader—a shift from focusing on routine transactions and "fire fights" to thinking in terms of value.

Although responsibilities for managing transaction-based activities will not disappear, executives will manage their functions as hybrid units. They will become internal, client-facing consultants who provide strategic advice to senior management. At the same time, they will oversee and integrate a broad array of service delivery options, ranging from business process outsourcers to offshore solution providers (captive or otherwise) to internal service providers. A close analogy would be today's progressive legal departments. Staff members are educated, well paid, trusted advisers to senior management, and operate departments that mix internal providers and external legal counsel. As shared services organizations become more strategic, so too will their managers, and the managers' roles within the company.

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[1]For more about this topic, please see other A.T. Kearney publications available at www.atkearney.com.

Conclusion

Compared to most other business strategies, the success rates of shared services are remarkably high. The risk, however, is the temptation to let well enough alone. Constant attention and oversight to shared services will not only help companies achieve all possible benefits, it will also help uncover new opportunities. As its growth over the past decade illustrates, shared services is an evolving concept. And as it changes, so do the potential rewards it offers. Those companies that are constantly ready to tap into these emerging benefits will ultimately enjoy the biggest strategic gains. Looking forward, shared services organizations will serve an increasingly important role for senior managers striving to deliver ever-growing shareholder value.

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