

Strategic Advisory Service  
for Human Resources

# Shared Services

Concept Note



## Shared Services

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## Acknowledgements

The Strategic Advisory Service for Human Resources (SAS-HR) works to strengthen the human resources network of the Consultative Group for International Agricultural Research (CGIAR). It devises strategies that recognize the diversity and autonomy of each participating CGIAR research center, define short- and long-term needs with staff and management, create solutions, and help establish a virtual community of human resources professionals in CGIAR centers, donor agencies, and partner institutions.

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# Introduction to the Best Practice Showcase

“If only we knew what we already know” is a dilemma that haunts knowledge-based organizations. The CGIAR is no exception.

Every organization does certain things exceptionally well. But most organizations do not actively capture those experiences or make them available to others. As a result, valuable knowledge is lost.

The CGIAR system is actively renewing itself. In the complex network of autonomous centers that characterizes the system, sharing best practices will help to save money, speed progress, avoid costly errors, foster teamwork, and enhance the quality of our products and services. All of this will strengthen our brand in the world and reinforce the faith of stakeholders in the ability of the CGIAR to evolve and meet future needs.

The Strategic Advisory Service for Human Resources—a service established by the International Center for Tropical Agriculture (CIAT), International Maize and Wheat Improvement Center (CIMMYT), International Plant Genetic Resources Institute (IPGRI), International Water Management Institute (IWMI), WorldFish Center, and the CGIAR System Office—is pleased to present this series showcasing best Human Resource Management practices. The practices described come from staff members who chose ingenious options—often counter-intuitive to the thinking at the time—and managers who implemented them with imagination and effectiveness. By expanding the realm of the possible in the discipline, they also add to our body of professional knowledge.

For more information about the practice described in this publication, please contact the CGIAR Center that implemented the practice. For more information on other titles in this series, please contact the SAS-HR.

## What Motivated the New Practice?

The WorldFish Center's Corporate Services were managed under a strict budgetary regime with high overhead costs and process delivery that was highly regulated by controls at all levels of the center. The obvious challenge for improvement was to convert a 'cost-focused' and "control driven" center into a market driven/ customer-focused business unit.

Processes needed to be user friendly and not impede the delivery of core business; the position was that they were prescriptive, laborious and actively frustrated the seamless process of core business delivery.

It is WorldFish Center's vision to create a Shared Services business unit in keeping with modern business philosophy by pooling available resources throughout its business operations to provide services that will dramatically reduce overheads and streamline work practices.

This requirement has been driven by the diminishing availability of unrestricted core funding from donors and investors which place even greater demands on support units to reduce their cost structures in an effort to ensuring that these scarce funds are converted to core business ventures.

Common management practices will be consolidated into a business-oriented unit with a focus on providing the highest value services at the lowest cost to customers by achieving economies of scale.

## What Was Done?

Transforming a cost center into a profit center will involve the integration of business processes: standardizing, consolidating and rationalizing transaction processing methods and traditional support services product delivery leveraging off the investment in state-of-the art information technology and telecommunication systems that will be driven by a comprehensive enterprise

resource planning (ERP) methodology that will ensure rapid implementation of a range of leading business initiatives.

The Corporate Services business unit will deliver clearly defined product groups, costing structure and pricing methodology. The products defined will include expenses management, asset management, project management, procurement, revenue raising, debt administration, general accounting, management accounting, budgeting and planning, facilities management, administrative services and human resources and staff welfare. Service delivery strategies will also be implemented.

Business processes will be carefully examined under the conceptual design methodology, utilizing best practice detailed process mapping. This process will require the determination of the “As is” position and the “To be” plans. Under this strategy we will plan a best practice service delivery vehicle offering state-of-the-art products at market prices. Performance standards and indicators will be used to measure and validate the performance of the Shared Services business unit and to strive at all times for market outcomes.

A “one-stop-shop” service will be provided to internal and external customers with clearly defined service standards.

## What Was Achieved and Learned?

The modified business processes will be standardized and work practices will be more streamlined. Incorporating enterprise resource planning information technology (ERP IT) with its associated workflow business delivery mechanism (e-business, e-service etc.) and other value adding initiatives, shared services will save costs for the Center without compromising on results and customer satisfaction.

Rationalizing the use of scarce resources, the Shared Services business unit encourages multi-skilling, higher empowerment, accountability for staff

members that will create a center that is considerably more effective than the present. Cultivating a ‘work smarter – lower cost’ mindset among staff, the business unit will achieve quantifiable success through improved delivery of customer service. The major impact will be savings in the unrestricted core expenses on administration that becomes available for core research activities.

The identification of measurable performance indicators for quality control, efficiency and effectiveness by benchmarking and other best practice methodologies well in advance will ensure that the Shared Services providers are evaluated objectively and in relation to objective external standards determined by the market place.

This business unit will be an economical model, efficient, and service-oriented. Customer-focused, the Shared Services business unit will be performance-based, providing value added products and services at the right price.

## Where Do We Go from Here?

The transformation to a profit-motivated, full-cost recovery and customer-focused function that incorporates people, processes, and technology is a daunting challenge. This involves major behavioral and attitudinal changes and a realistic management of risk based on achievement of business objectives without creating exposures that may be detrimental to the overall business. Once this is achieved, the Shared Services business unit will become the leading driver of technological and business advances. The experience and tools will deliver an effective model to all CG centers who wish to leverage off such initiatives.



# What is Shared Services?

Dr Leland Forst of the Amherst Group one of the conceptual founders of Shared Services notes:

*“The underpinning for shared services is that common management practices can be concentrated in a business-orientated unit focused entirely on delivering the highest value services at lowest costs to customers.*

*This creates accountability within the organization that is more effective than having multiple points of responsibility and varied management practices.*

*In a Shared Services company, a unique provider/recipient relationship is established. The same best practices used to gain competitive advantage with external customers are applied internally to create a harmonious partnership that addresses both sides of the internal equation. Customers can specify the services and how much they need and can expect service providers within the Shared Services business unit to be responsible for meeting those requirements.*

*Shared Service providers can expect to have their performance evaluated objectively as a result of having measurable criteria in place....”*

The CG Centers are now faced with intense global pressure from investors, partners and donors to develop and implement projects that attract the diminishing pool of funding for projects that they desire to participate in.

It is therefore imperative that Corporate Services delivery is more efficient and works actively to reduce cost so that funds can be diverted to core business research projects.

Shared Services may be operated under two models which are discussed below:

## 1. The Basic Model

- Delivers economies of scale.
- Actively reduces operating costs.

- Operates under a shared resources model.
- Leverages of expertise and state-of-the-art business initiatives i.e. ERP IT systems, Business Process Re-engineering (BPR), Best Practice.
- Operates under a cost recovery pricing model to cover cost of services.
- Delivers services under customer and business orientation focus.

## 2. The Marketplace Model

- Delivers economies of scale.
- Actively reduces operating costs.
- Operates under a shared resources model.
- Leverages of expertise and state-of-the-art business initiatives i.e. ERP IT systems, BPR, Best Practice.
- Operates under a cost recovery pricing model to cover cost of services.
- Delivers services under customer and business orientation focus.

In addition, the Marketplace Model has the additional attributes that further assist core business customers.

- o Operates under the philosophy of supplier of choice from a pool of customers who seek market outcomes.
- o Delivering market-based pricing models.
- o Separates governance functions (policy formulation and audit) from service delivery.

The Marketplace Model is the most attractive from a core business standpoint as it strives for optimum internal economy which promotes a demand driven mindset in which all customers are treated as valuable customers and are offered goods and services at market prices.

# Why Shared Services? - The rationale for pursuing shared services

The major business drivers that predicate the adoption of a shared services approach are:

- To reduce overall costs through driving down costs of support services.
- To rationalize services and to eradicate costly duplication of services throughout business units.
- To improve service levels to all customers organization wide (cheaper, better, faster).
- To ensure the continuity of service delivery in an environment of constant change.

Shared Services provides a logical and effective solution to the following four (4) major challenges that face a multitude of businesses in this day and age:

- It rises to the challenge of **productivity demands** that require organizations to do more with less.
- It compliments the growing practice in many organizations that dictate the need to **re-engineer and promote best practice philosophies** which concentrate on the need to streamline, harmonize and rationalize a range of common business processes.
- It operates in a business environment where **service demands** are escalating but are nevertheless required to meet the test of quality, timeliness delivered at a market driven price.
- It is harmonious to a culture that strives to implement state-of –the –art **technological advances** as it leverages off such initiatives to further streamline and improve service delivery with its resultant reductions in cost and improvements in service delivery generally.

The key attributes that the Shared Service Model delivers are:

- It has as its highest priority customer service.

- It undertakes business as a partner/leader solving a range of business solutions on strategic and operational issues.
- It continuously improves services levels and anticipates emerging business needs.
- It continuously measures performance and customer satisfaction as key performance indicators (KPIs) to determine adequacy, timeliness and competitiveness of service delivery and to reward achievement of staff.
- It attracts and develops high-performing people who can develop and enrich their roles by delivering high quality outcomes.

# Why services? - A quick reference to products that are delivered under a Shared Services process

The following table records the products and services which are frequently delivered under a Shared Services environment:

Product	Transactional/Administrative	Professional/Technical
<b>Finance</b>	<ul style="list-style-type: none"> <li>• Accounts payable</li> <li>• Procurement</li> <li>• Accounts receivable</li> <li>• Debt administration</li> <li>• Customer billing</li> <li>• Travel /expense</li> <li>• Taxation filing and reporting</li> <li>• General accounting</li> <li>• External reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Financial analysis</li> <li>• Business case support</li> <li>• Capital planning</li> <li>• Business analysis</li> <li>• Budgeting and planning</li> </ul>
<b>Human resources</b>	<ul style="list-style-type: none"> <li>• Benefits administration</li> <li>• Pension administration</li> <li>• Salary administration</li> <li>• Employee records</li> <li>• Claims</li> <li>• Employees enquiries</li> <li>• Job evaluations</li> </ul>	<ul style="list-style-type: none"> <li>• Labour relations</li> <li>• Organizational development</li> <li>• Training and development</li> <li>• Compensation and rewards</li> <li>• Advisory services</li> <li>• Occupational health and safety</li> </ul>
<b>Information technology</b>	<ul style="list-style-type: none"> <li>• Data center operations</li> <li>• Networks services</li> <li>• Maintenance</li> <li>• Help desk</li> <li>• Data support</li> </ul>	<ul style="list-style-type: none"> <li>• Application development</li> <li>• Application architecture</li> <li>• Software/hardware installation</li> <li>• Strategy and training</li> <li>• Telecommunications</li> </ul>
<b>Supply/Support</b>	<ul style="list-style-type: none"> <li>• Administration support (reception, clerical, secretarial etc.)</li> <li>• Travel arrangements</li> <li>• Mail and courier services</li> <li>• Fleet management</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing and warehousing</li> <li>• Materials management</li> <li>• Logistics and distribution</li> <li>• Facilities management</li> <li>• Public affairs</li> <li>• Communications</li> <li>• Printing/graphical services</li> <li>• Legal services</li> <li>• Security services</li> <li>• Library and information services</li> </ul>

# Implementation of a Shared Services Model

The following steps are required in the effective implementation of a Shared Services center:

1. There is a need to determine the **potential scope** of the shared service delivery. This process requires that a decision be taken in regard to which products are to be included and those which are not. Some products are automatic choices, however other may fall more effectively into other delivery mechanisms:
  - decentralised services;
  - outsourced services; and
  - corporate governance functions to be maintained by a unit/s for security and statutory requirements.
2. It is essential that the **current services** are carefully analysed and considered for transfer to a shared services environment. Possible services that qualify readily for application in a shared services delivery are detailed in the previous table.
3. There must be an effective **benchmarking cost review** to ensure that costs of services are measured against comparable service providers of both internal and external services. Benchmarking confirms whether or not the cost of services are competitive in the marketplace.
4. There must be a **comprehensive analysis of pricing and billing**. Costing must be based on full cost recovery methodologies using effective tools such as activity-based costing models. Under a market-based model, attempts will be made to isolate all cost of service delivery in the determination of the price for the services/products. These will be based on market-based pricing models which to remain competitive, are based on the price charged by external suppliers of such products/ services.

5. Parties to the shared services arrangements must enter into a ***service level agreement (SLA)*** which should clearly highlight the following essential matters:
  - mutual roles and responsibilities;
  - products and services that are to be delivered;
  - price of the respective services; and
  - agreed performance standards and the indicators that are to be applied.
6. There must be agreement to operate the shared service under an effective ***organizational structure***. Ideally it must be provided autonomy and a structure that will engender the delivery under a market driven approach. This will require that it be managed by a team that has the ability to set marketplace conditions which are not then usurped by core business managers.

## What are the benefits - How do we measure the success of embracing a shared services delivery mechanism?

In the pursuit of measurement of benefits, the balanced scorecard methodology can be used as an effective tool to determine the benefits that accrue from a shared services strategy:

1. The ***financial and operational performance*** of the shared service unit can be measured by its own profit and loss statement. Under the marketplace model it will adopt commercial business practices that are driven from adopting market price models. Under these principles, the shared services unit should be self-sufficient and will derive a profit that will be by influences by market forces.
2. The shared services unit will have as one of its ***predominant performance measures*** (KPIs) those that clearly measure customer performance. These

measures and KPIs will be subject to agreement in the SLA. Some of these measures will be:

- Quality
- Product knowledge
- Timeliness
- Turn-around time on requests
- Disputes resolution
- Professionalism
- Innovation

3. Shared services by its nature will strive for high levels of **employee satisfaction**. By its nature a shared services unit must attract and retain staff that have high levels of energy, are self-motivated and are results and achievement oriented. Staff having these attributes will maintain high levels of satisfaction in this environment as it provides significant opportunities for reward systems that are high in both intrinsic and extrinsic rewards.

4. Shared services are breeding grounds for **retained knowledge, intellectual capital and leveraged learning**. Some of the attributes that shared services deliver in this quadrant are:

- The building of core competencies in systems and infrastructures to meet future needs.
- Rapid accumulation of marketplace knowledge and commercial business acumen.
- The natural ability to build and manage partnerships and relationships that are vital in project delivery.
- To develop a global mindset in adopting and maintaining universally accepted best practice business philosophies.



# Conclusions

The WorldFish Center has embarked on an exciting strategy. Comprehensive measures are being taken to address the aspect of staff satisfaction by a developing strategies that promote an equitable and transparent human resource management system with the following key attributes:

- Recasting of job descriptions to correctly record the roles, accountabilities and responsibilities of each position that will be used to equitably determine job evaluations.
- Equitable job evaluations processes and systems that provide adequate market driven reward for each job.
- A performance management systems that will provide an equitable evaluative mechanism to assess staff performance and to regulate and determine appropriate rewards.

On the systems and infrastructure side, plans are in place to undertake a critical review of business practices by completing detailed process mapping and undertaking business process re-engineering. In addition we are presently proceeding with implementation plans to commission a business wide ERP system that will drive the business forward in terms of best practice transactional processing and financial management practices.

We have fully embraced the initiatives of the Information, Communication and Technology – Knowledge Management (ICT-KM) project that is being driven by the Chief Information Officer, Ms Enrica Porcari.

WorldFish Center is in position to proceed with the establishment of a Shared Services delivery philosophy as a natural progression to the enhancements that it will drive across the areas of systems, people and organizational structures.

In keeping with current business practices, in both private and public enterprise, there is significant movement by businesses in general to direct

delivery of products and services to specialist of shared services providers. This practice has developed after comprehensive studies have confirmed that it delivers substantial cost savings and allows core business units to proceed with what they do best.

It is apparent that similar outcomes are available throughout the CGIAR family. Centers that have embarked on similar strategies to WorldFish Center by wide spread process business improvements that are driven by significant investment in systems, business practices and increased employee satisfaction with commensurate increases in performance have the ability to provide a service to smaller centers or those who have chosen a purposeful path of concentration on science and research pursuits.

In these times of increasingly scarce resources and reducing levels of donor and investor funding, it would be a sound business strategy to concentrate shared services units across those centers equipped to deliver these processes. They would then be in a position to provide a range of transactional processing and support services at market driven prices to those centers who wished to concentrate on core business.

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