

THE EVOLUTION OF SHARED SERVICES

from 97' to now

Trends, tools and technologies
that have shaped the
Australasian shared services
landscape

20th Australasian

sson
SHARED SERVICES &
OUTSOURCING WEEK

SSOW

13 - 16 June 2017 • The Hilton, Sydney, Australia

Upskilling SSO Executives to Become Leaders in
Process, People, Technology, and Business Partnering

 **VIEW
AGENDA**

A NOTE FROM SSON...

The rise of new technologies, evolving customer expectations and changing market conditions has seen shared services take many shapes and forms over the past 20 years.

Originally known as 'centralisation' when it first emerged in Australia in the mid-1990s, the foundations of shared services was built on cost savings and efficiency gains.

Fast forward two decades and a lot has changed. Business transformation is no longer just about achieving cost savings and has become a core way for businesses to drive value. There is now a focus on measuring the impact of shared services and how it can be evolved to meet business needs.

What's more, shared services has become more customer centric and making it known as more than just a back-office function. Today, shared services is connected and aligned to the broader business more than it has ever been in the past.

Ahead of **Shared Services and Outsourcing Week Australasia 2017** (and to coincide with its 20th Birthday Celebrations), we're taking a look back at the biggest business transformation achievements and trends over the

past 20 years. During this time, SSON has interviewed and conducted research with a number of key influencers in the industry about some of the biggest success stories and lessons learned in Australian and New Zealand business transformation.

So ahead of this year's **SSO Australasia Summit**, we've compiled this report to explore how a number of Australian and New Zealand organisations have responded to different trends over the years, and the biggest lessons you can learn from their journeys to date.

No matter what function, organisation, or process, this report aims to explore how you can learn where others have succeeded and failed to become more efficient, fast-paced and insightful in your own shared services journey.

We hope you enjoy it and look forward to seeing you at the 20th Annual Shared Services and Outsourcing Week in Sydney this June.

The SSON Team

KEY TRENDS DOMINATING SHARED SERVICES

1997



Shared services emerges in the private sector, the agenda is heavily focused on cost savings. Large organisations make up the majority of those adopting the model.



The Global Financial Crisis hits, bringing a crackdown on cost and efficiency - a drive that propells Shared Services to the top of board room agendas.



Transactional savings are no longer enough - high value strategic alignment of Shared Services is now the name of the game to maximise full business value-add.



Public sector joins the party, with many across Federal and State organisations looking to adopt centralisation as a core business model.



Australasian businesses began gearing up to capitalise on projected economic growth and reassessing back office activity.



20th Australasian



SHARED SERVICES & OUTSOURCING WEEK



SME's enter the mix. So does Data analytics and Business Intelligence



Outsourcing and offshoring become less taboo.



GBS make its way to Australian and New Zealand shores



With more organisations adopting hybrid multi-function models, effective leadership emerges as central to successful transformation.



RPA, innovation and process redesign are the new trends shaping business transformation



**TOP LESSONS LEARNED
OVER THE LAST 20
YEARS...**

GOOD LEADERSHIP EMERGES AS THE BACK BONE OF TRANSFORMATION



A shared service's value to the organisation is driven by its people. For the back-office to thrive and become influential, having an inspirational leader is critical, as is attracting the best talent. Setting the vision of SS as a career, and not merely transactional work will ultimately determine the competitiveness of your back-office.

In January 2013, Air New Zealand's Payroll and People Solutions team was merged with the financial shared services team to form a new Group Shared services function reporting to Finance.

According to Klaas Blokker, Manger of People and Payroll Solutions at Air New Zealand, transformation begins and ends with leadership.

"Transformation all starts with leadership; leadership leads to engagement and engagement leads to better culture, which in turn ultimately leads to improved performance.

The message is, don't just focus on performance right away. Focus on your leadership first to ensure it is at the right level and at the right capability," he says.

Over the course of their transformation, Air New Zealand rolled-out a program called *Leadership Everyday* which all management are part of.

Klaas says the program is a good method to provide insight about what managers can do better and provides them with the opportunity to commit to lead better on the job.

"It involves things like ensuring managers are having regular one-on-one discussions and real, open and honest conversations with people. It also involves building a vision for teams that they can aspire to and involving the team in that process so they buy-into the change," explains Klaas.

CULTURE = THE SECRET INGREDIENT TO SHARED SERVICES SUCCESS



**Government of
South Australia**

In 2007, Shared Services South Australia was established as a measure to rationalise IT, payroll, finance and procurement services in the state's public sector.

With a savings target of 60 million dollars per annum, the transformation involved the consolidation of employees from 52 different agencies – all with a different set of systems, processes and way of doing things.

Like all shared services journeys, developing a high performance culture was essential to improving performance, productivity and service delivery across the organisation throughout the transformation.

“In the public sector people don't worry too much about culture, because over the years culture typically hasn't changed much. People hadn't been subject to change and were used to working in a certain way.

Even though South Australia is one government, it was quite obvious everyone had a different way of doing things

and there were a number of different cultures. But they all had one thing in common: they all wanted to stay where they were and change was definitely not welcome,” says Kate Stephens, Former Director of Human Resources and Organisational Development at the Department of the Premier and Cabinet South Australia.

To overcome these challenges, Shared Services SA embarked on a massive transformation journey, with an emphasis on building a culture focused on learning and development within their teams, pulled together from multiple agencies.

“The key message is culture change takes effort and planning, and results do not show straight away – changes will happen over time. Our objective was to create a contemporary workplace and to ensure our people understood what they were accountable for. But we also wanted to ensure that accountability would be paired with new opportunities for them as well,” says Kate.

The Suncorp logo features the word "SUNCORP" in white, uppercase, sans-serif font on a dark green rectangular background. To the right of the text is a stylized sun icon composed of a red semi-circle and a yellow semi-circle with radiating lines.

GETTING TRUE VALUE FROM OUTSOURCING

Jane Stafford, Executive General Manager, Personal Injury Claims, Insurance. Suncorp, has been in the banking and finance industry for more than 20 years. She has spent several years managing the optimal blend of insourcing and outsourcing strategies and implementation for business processes.

At Suncorp, she led a team on monitoring, measuring and delivering business improvement strategies with a focus on process simplification, cost reduction and improved customer experience.

Below, Jane shares the key ingredients for achieving an optimal blend – helping other organisations to maximise the true value of outsourcing:

1

Build capability in-house first

"The secret is building capability in-house to manage optimal blends. Optimal blends means that you are constantly looking at your landscape, making decisions around what is appropriate to outsource, automate and keep in-house.

It's not as simple as locking in on those three things; it's constantly evolving depending on what's happening within your business, what's happening within the environment and what's happening in your innovation stakes. We have found most success in just having that management capability pool."

2 Executive sponsorship is critical

"There needs to be an appetite to manage the people and cultural components, because every decision you make around in-house, automation or outsourcing has knock on effects that need to be managed throughout that change period. You won't get your benefit if that isn't addressed very early on.

One of the key things we learnt five or six years ago is that it's okay to have a strategy that's learnt during outsourcing, but if the business is not ready in its own maturity and its own journey, where you haven't intervened enough to support a new culture, that culture will eat your strategy anyway."

3 Set clear objectives

"Be clear on what your drivers are if you're choosing to outsource. For us, it was about cost efficiency, labour arbitrage and accessing scale from the outset.

But the more and more I get into it, the less important those factors are to me personally, the more I'm actually looking to have providers perform innovation, lean and refine our processes to remove waste from them. If you don't have that, your processes end up being old and full of waste."

USING ANALYTICS TO EXPAND THE SCOPE OF SHARED SERVICES



Over the past four years, property management giant Lendlease has been developing and rolling-out a standard process framework across HR services, with the aim to ensure HR is aligned to the business and the broader economy.

At the heart of their strategy, is utilising analytics to provide better insights to the broader business.

“When we first started HR Services in late 2012, we were reporting out to different parts of the business. But now we’re able to analyse a lot of the data and provide better insights to our business.

We are providing further information in our offices around labour problems and financial liability and as we identify trends in information we can share, our offices are coming to us and seeking further information and help,” says Melinda Stewart, Head of HR Services at Lendlease.

Melinda and her team are not only using data to grow the capability of the HR function, but are also using insights to drive their own internal focus – whether it’s around adoption of self-service tools and systems, or greater consolidation of existing practices.

Data analytics are also enabling Lendlease to compare volumes of transactions and look in greater detail at how to improve end-to-end processes.

“Analytics are used in identifying the number of hand-offs in a process, or the time it takes for a manager to approve a transition or complete a certain step. Getting the data is one thing, but it’s what we’re doing with it that is proving to be most beneficial,” says Melinda.

AUTOMATING PROCESSES TO DRIVE EFFICIENCY



In 2014, ANU began their transformation journey with the roll-out of automated and standardised travel processes across the university.

From there, digitalisation of processes became a core focus of their transformation project, and in 2015 Intelledox Digital Transformation Centre was established to improve efficiency and service delivery by digitising processes across functions.

“We started with a list of about 170 key end-to-end processes that were identified by our academics and our administrative communities as being high pain-point processes. Over the last 20 months we have digitised over 22 per cent of those processes,” says Lakshmi West, Director, Intelledox Digital Transformation Centre at ANU.

While the journey to date has not been without challenges, ANU is set to realise some big wins over the next couple years as a direct result of standardisation of processes and improved data quality and reporting.

“In July 2016 we had an independent audit done by a third party management audit team over a six month period to find out what the net benefits of digital transformation can be. The result is we achieve over \$6.1 million of net benefit over the next seven years for the work we have done to date,” says Lakshmi.

So what is their secret to success?

According to Lakshmi, the answer is engaging end-users throughout the entire journey.

“Part of our aim is to ensure derivative agile transformation, which involves a lot of prototyping and including users in the design and review process. We also do large demonstrations in lecture theatres of new processes from design through to implementation phase to get that feedback,” she says.

AUTOMATING PROCESSES TO DRIVE EFFICIENCY



MONASH
University

In 2009, the Monash Finance team embarked on a transformation journey with the objective to improve efficiency, achieve operational cost savings and enhance financial governance across the organisation.

“Transformation isn’t just one step, it is an ongoing exercise. For us, it was about looking at what additional service offerings we could provide as part of transformation and making sure we were able to put them in place,” said Nicole Tournier, Former Director of Finance Strategy at Monash.

Over five years on, and the university has realised some impressive results – including a 20 per cent reduction in the cost of finance across the organisation and an increase in internal customer satisfaction from 55 per cent to 80 per cent.

In order to improve systems and processes, Nicole and her team introduced process automation and implemented a number of self-service solutions for purchasing.

“In the past, there had been a number of attempts to implement shared services or centralise services in other functions or departments across the university and these had failed. We went in with a new approach and proposed the creation of ‘hubs’ that would be located very close to customers that required them,” she says.

These hubs consisted of purchasing service hubs, research and accounting hubs and financial planning and budgeting hubs. Based on a hybrid model the aim was to ensure all corporate service functions of the university are serviced out of the centre, but each individual faculty has their own embedded hub.

“These steps to adding value provided the foundations for the remainder of our transformation journey. They removed the need for a lot of complex risk mitigation processes we had in place for things just as simple as asset management. We were also able to change a number of our thresholds because we’d centralised services,” says Nicole.



THE RISE OF GLOBAL BUSINESS SERVICES (GBS)

Telstra is well-known for its telecommunications and technology as one of Australia's largest companies. Telstra also operates in over 20 countries globally – and its overseas business has been expanding rapidly.

Recently, the telco-giant has begun to establish global shared services operations and a mixture of captive and outsourced operations.

Within HR, a single global Shared Services model is being put in place, including a customer support centre in the Philippines, which will align with Telstra's successful Australian model (which currently manages over 100,000 HR queries annually and has outstanding efficiency performance metrics).

According to Darren Fewster Executive Director - Global



HR Shared Services and Innovation at Telstra, the key to GBS success is process simplification.

“We have a really strong focus on global process simplification and standardisation, as opposed to everyone developing their own individual processes and approaches.

This is supported by technology as the key enabler. For example, we put in a single core HR team globally last year and we also have appointed ten global process leads that have accountability globally,” he says.

With the new model set to go live in May 2017, Darren also says that having a focus on employee experience is also key.

“The other key thing for us is also having a focus on the employee experience. Our aim for our employees is to focus on our customers and their roles. Providing a high-quality shared services offering is something that saves time for our managers and our people. This also then drives them to become advocates for our internal services,” he explains.

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The logo for South East Water, featuring the text "South East Water" in white on a blue background. To the right of the text is a circular graphic composed of white dots of varying sizes, arranged in a pattern that suggests a globe or a network.

South East
Water

PUTTING THE CUSTOMER AT THE HEART OF TRANSFORMATION

Over the past couple of years, South East Water has embarked on a massive business transformation journey, to deliver efficiencies across the business for the benefit of customers and stakeholders.

Like most government organisations, the state-owned utility has had to reimagine their service delivery model in the wake of increased demand for cost-effective and efficient services from citizens.

Faced with the task of achieving an estimated operational savings of 10 million dollars per annum by 2016, South East Water focused on rolling out new digital and integrated online tools to transform its customer engagement and back-office processes, in order to deliver both business efficiencies and a stronger customer experience.

“If we don’t deliver the experience customers are expecting with our new lower cost channels, we’re not going to deliver the efficiency savings because our customers simply won’t use those new channels.

If you get it right, the digital journey is an efficient way to deliver satisfied customers and reduce costs at the same time. But customer experience is right at the centre of what we’re all about,” says Hamish Reid, General Manager Customer and Business Futures at South East Water.

Since rolling out new, low-cost digital service offerings, South East Water has realised an increase of customer satisfaction from 86 per cent to 92 per cent in the last 12 months – as well as a 20 per cent increase in staff engagement levels.

According to Hamish, the key to success has been aligning front-office and back-office processes to drive a consistent customer experience.

“Back-office is important, but is simply delivers efficiency. Whereas if you align the front-office with the back-office, you get both improved efficiency and customer experience together,” he explains.



THE UNIVERSITY OF
MELBOURNE

TAKING AN AGILE APPROACH TO SHARED SERVICES

In February 2015 the University of Melbourne stood up its new shared services platform, called 'University Services'. The platform is very extensive, covering all student services, research services, marketing and recruitment, business development, IT, property, legal, business intelligence, procurement, financial services and HR services. The University Services team comprises 1500 people across nine portfolios.

It has created a Lean/Agile innovation approach focusing on nine key areas of benefit to its customers showing service improvements across a range of key metrics, along with a service orientation with a values-based culture across all staff.

According to Paul Duldig, Head of University Services at the University of Melbourne, agile methodology was essential to ensure business continuity during the rapid implementation processes.

"We had a formal business continuity plan for our rapid implementation, which focused on five goals: 1 enroll

students, 2 apply for research grants, 3 pay people, 4 pay bills and 5, move people into new roles.

Anything that didn't meet these goals was not prioritised in stage one, to ensure that for the first semester of operation we continued to operate without failure. This was achieved," he says.

Since adopting a agile approach to business transformation, Paul and his team have realised some pretty impressive results. Savings of +\$90M pa have been achieved through staff savings and better procurement. These savings have been reinvested in teaching and research staff.

Paul's advice to other organisations embarking on a similar journey is to go big and go fast.

"The extent of the change at the University Melbourne unlocked significant creative potential that would have been very difficult to achieve in a slower stage transition," he says.

MAKING ROBOTICS PROCESS AUTOMATION SCALABLE

40% of Australian jobs will be automated by the year 2025. 5 million will be automated internationally within 4 years. An estimated increase from \$200m to \$50billion enterprise spending on Robotic Process Automation technology over the next decade. AI will free employees for more innovative and strategic roles, driving business growth.

ANZ has a couple of hundred robots and is now formalising the next step in RPA to build broader capability, scalable



across the organisation. Reengineering and simplifying process has been a critical element in the deployment of RPA. It has been running pilot programs in all areas of the business, but work is most advanced in its finance department, HR, payments and mortgage processing.

“The primary reason for adopting RPA in ANZ was to minimise manual, repetitive activity,” says Rita Newman, Head of Strategic Performance at ANZ.

Rita continues; "it was a natural next step in evolution for us. We are very much focused on driving productivity, efficiency and quality for our customers through faster, better quality processes. The best tool depends on many factors and the outcomes desired."

One idea that's been fairly unpopular, despite the improved cost implications, when it comes to RPA, is the idea of replacing rooms full of people with a lone, mechanical robot. However, practitioner after practitioner reinforces the fact that it's not about cutting jobs, but about doing more value-added work in those jobs.

"There seems to be this fear that robots are going to take over our jobs, then take over the world. And whilst robots will replace some jobs, we've been quite successful in deterring these thoughts through the way we have positioned RPA to our teams and involved them in the implementation.

"To date, RPA has not removed whole jobs but rather low complexity activities. People are excited and empowered by this because it makes their jobs more interesting," says Rita.



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INTERESTED IN LEARNING MORE?

To hear about even more business transformation trends and get real life case study examples of successful projects, join more than 500 industry professionals at the **20th Annual Shared Services & Outsourcing Week Australasia 2017**.

For more information visit www.sharedservicesweek.com.au or call **+61 2 9229 1000** or email enquire@iqpc.com.au

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