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Breaking Free of the Silo

Creating Lasting Competitive Advantage Through Shared Services

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Breaking Free of the Silo

Creating Lasting Competitive Advantage Through Shared Services

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AT A GLANCE

Today, most large public companies have created internal shared-services organizations to adapt to a business environment of unprecedented competitive pressure, complexity, and speed. Depending on the specific functions involved and an organization's previous degree of standardization, shared services can generate cost savings of 40 percent or more.

Shared Services Can Deliver Competitive Advantage

There is, however, an even more compelling argument for shared services. By simplifying business processes, strengthening governance, and instilling a culture of service excellence, they create sustainable and difficult-to-replicate competitive advantage. Shared services enable integration teams to plug acquired companies into existing platforms rapidly without related quality problems, generate advanced analytics, and even provide marketing- and sales-related support.

Attaining Shared-Services Excellence

Using a battle-tested approach to drive shared-services excellence, companies can progress toward the ultimate goal of creating a disciplined, multifunctional center that delivers cost-competitive services, supports customer-facing functions, reduces complexity, and promotes adaptability and speed of execution.

Since the early 1990s, companies have had to deal with exponentially increasing competitive pressure, complexity, and speed. Against this background, the concept of shared services has taken on growing prominence. Shared services are formerly decentralized support functions that have been bundled and provided to company units through a one-stop service center. Operating as a hybrid of external-market and internal-control mechanisms, shared services enable companies to unlock a wide range of benefits.

The Shared-Services Approach Is an Imperative, Not an Option

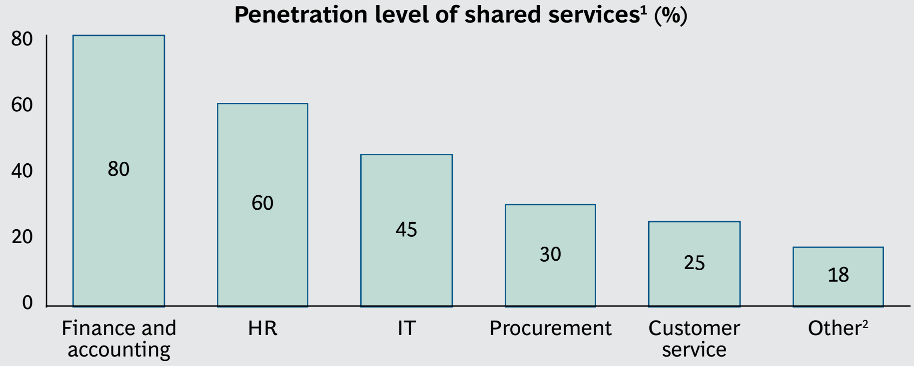
Shared services can dramatically reduce the costs of a company's support functions by achieving economies of scale, centralizing functions in low-cost regions, or by reengineering, standardizing, and automating processes. Yet many companies have overlooked other—possibly even more valuable—advantages of shared services: not only are they a powerful tool for cost reduction, they also allow for other, more qualitative improvements. By mandating clear and consistent service levels, uniform service KPIs, and higher transparency, they raise the quality of service and promote professionalization among shared-services employees. Shared services enable companies to strengthen control and compliance and can pave the way for improvements in other areas of the business by several different means. For example, shared services can provide business units with consistent platforms for collaboration, uniform controls, and increased flexibility in shifting people and resources. Furthermore, they can relieve business units of noncore support activities and make the corporate structure more flexible, allowing for faster integration of acquisitions and quicker disposition of divestitures.

A hybrid of external-market and internal-control mechanisms, shared services enable companies to unlock a wide range of benefits.

The compelling logic of the shared-services concept, coupled with a litany of success stories from early adopters, has encouraged the rapid spread of the practice, especially among large companies. Some have opted to build out shared services after unsatisfactory outsourcing experiences. Other companies that had rejected outsourcing from the outset have built shared-services organizations from scratch. No matter how they arrived at this point, today the majority of companies listed on the primary stock exchanges of the developed world employ some type of shared services, which vary in penetration by function. (See Exhibit 1.)

Clearly, the shared-services approach is not just another short-lived business fad. Shared services have proved their staying power for a very simple reason: they have reliably yielded sizable benefits. Analysis by The Boston Consulting Group reveals

EXHIBIT 1 | Shared-Services Penetration Varies by Function



Source: BCG analysis.
[1]Excludes virtual shared services through business process outsourcing to external providers.
[2]Includes supply chain, legal, real estate, and facilities services.

that shared services can generate cost savings in support functions of 40 percent or more, depending on the specific function and the organization's previous degree of standardization. At the same time, once it has adopted shared services, a business acts in a much more focused and effective manner by harmonizing the enterprise-resource-planning landscape, establishing uniform master-data structures and KPIs, and providing management with global real-time access to key information. For example, harmonized HR data and systems can improve talent management decisions by making it easier to pinpoint sought-after talents.

The Road to Shared-Services Excellence Is Paved with Choices

The benefits of shared services are so widely recognized that most corporate executives no longer ask *whether* their companies should forge a path toward shared services. The focus today is on *how* to proceed. Successful shared-services implementation requires more than a strong vision. Companies require a realistic route to implementation that sequences migration and places the services within a coherent organization design that ensures rigorous, effective governance. But executives face many design choices, and the consequences of those decisions can be far-reaching. Where should they begin, and what should their shared-services solution look like when it is realized?

BCG has identified certain critical levers that enable corporations to realize the full value of shared services, employing them not just to reduce costs—as important as that objective is—but also to carve out a lasting strategic advantage. Doing so requires companies to approach shared services not as a variation on offshoring or outsourcing (although both practices may be components of a larger shared-services unit) but as the creation of an in-house professional-services organization that coordinates discrete functions to deliver standardized, end-to-end processes to its customers. (See the sidebar, "Attaining Shared-Services Excellence.")

Creating such an organization is a challenge for any large corporation, whatever the state of its current shared-services organization. The first step is to assess the

ATTAINING SHARED-SERVICES EXCELLENCE

An effective fact-based approach to fostering excellence in shared services is one that aims to make services more cost-efficient, responsive, and reliable, thus conferring competitive advantage. A company can establish a baseline for shared services and quantify the size of the opportunity available to it without causing major disruption to day-to-day operations. Using a set of specially designed tools, it can collect data rapidly and analyze and synthesize the information needed to design a customized shared-services solution. The optimal solution positions the organization to achieve higher levels of cross-functional collaboration; develop repeatable, standardized processes; and design and deliver end-to-end products and services. (See the exhibit below.)

A Fact-Based Approach to Shared-Services Projects Is Effective

Baseline	Option space and business case	Detailed concept and evaluation	Implementation preparation
Analyze current activities in detail • Collect information about FTEs, costs, processes (including interfaces), internal clients, drivers, and IT systems Validate with best-practice benchmarks Estimate processes' shared-services potential • Evaluate the ability to standardize processes • Evaluate the potential for bundling across countries or regions • Develop a top-down estimate of potential savings	Develop shared-services option space • Assess and evaluate the functional scope and organizational options • Assess options for implementation (for example, timing, quantity of countries and processes) Prioritize and derive a shortlist of options Build a top-level business case • Estimate cost savings • Create transparency on associated risks Prepare a go or no-go decision	Develop a detailed concept and target processes for the first-priority option • Define roles and responsibilities • Detail interfaces • Compile process maps Define shared-services-center cornerstones • Governance, processes and structure, legal structure, pricing and service-level agreements, reporting, locations, migration, and communications Refine the business case • Assess required process adjustments • Calculate cost savings • Estimate one-off cost	Set up a project management office • Prepare and initiate project management • Set a communications strategy Plan migration • Decide on the roadmap, milestones, timeline, and responsibilities • Plan transition of jobs and employees • Prepare the IT concept Elaborate detailed service agreements Determine implementation and tracking metrics
Transparency on processes and shared-services potential	**Go or no-go decision for the detailed concept**	**Decision on the concept for implementation**	**Start implementation**

Source: BCG analysis.
Note: FTE = full-time employee.

ATTAINING SHARED-SERVICES EXCELLENCE (continued)

With that accomplished, the next step is to build an ambitious yet realistic plan for improving efficiency and emphasizing end-to-end service quality, process excellence, and business service integration. Senior management should work with design options custom tailored to the company's strategic and operational context, as revealed by company data. Reflecting experienced change and program management, the plan should map out the steps needed to migrate seamlessly to a next-generation shared-services solution.

maturity stage of the shared-services organization. According to our model, each organization can be grouped within one of three maturity stages. (See Exhibit 2.)

Stage One: The Transactional Service Factory

In this first stage, formerly decentralized administration and support functions, such as payroll accounting and accounts payable and receivable, are bundled into shared services and typically performed in one or more delivery centers. The organization has a clear-cut mandate to eliminate redundant local resources and to use shared services governed by service-level agreements. At this stage of maturity, the primary objective of the shared-services organization is to execute transactional services quickly and reliably at lower total cost and with comparable or better quality than had been achieved under the previous functional arrangement.

In these organizations, services are standardized and modularized to the greatest extent possible, and processes and IT systems are rigorously harmonized. Data harmonization facilitates transparent cost and activity accounting, enabling management to take an increasingly professionalized approach to managing and controlling products and prices within given specifications or guidelines. With the data available to them, management can perform systematic analyses to determine whether process elements should be outsourced to external service providers or replaced by automated self-service solutions. When a corporation can meet these performance standards in a sustainable fashion, management can focus its activities on the next evolutionary stage.

Stage Two: The High-Performance Service Engine

The critical competencies needed to achieve and maintain the status of a high-performance service engine include a formal, comprehensive service catalog and the ability to deliver end-to-end service packages. To develop the organization's end-to-end capabilities, the company must be able to optimize processes systematically, scale them rapidly, and integrate them throughout the organization. Management encourages process innovation and automation, and shared-services operations take on a growing share of competence-based services such as recruiting and sales support functions. In its optimal state, the organization performs all processing on

Exhibit 2 | Each Stage Has Distinct Approaches to Value Creation

Maturity dimension			
Scope	Transactional support function • Finance and accounting, HR, IT, procurement, and real estate	Additional support functions • For example. legal and compliance operations	Some business functions
Partnership	Transactional support of individual functions	Transactional across functions	True value-adding partner to business units
Performance	Cost efficiency	Operating effectiveness	Decision support
Standardization	Basic support processes	Extend across business units and locations	Extend to fit-for-purpose processes
Capability	Business transformation (vendor management and engineering)	Lean, end-to-end processes across functions	Data and analytics and value-added services

Source: BCG analysis.

integrated technology platforms, and harmonized data structures, tracking, and customer relationship management are overseen by key-account managers in place throughout the organization. End-to-end processes become the norm as the shared-services operation evolves into a one-stop solution shop that harnesses the data needed to support decisions and provide strategic capabilities. Performance standards are maintained by steering systems such as target agreements, performance and quality measurements, and incentives. At the same time, the shared-services organization develops the HR competencies needed to identify, recruit, develop, and retain a broad set of employees, ranging from general clerks to different types of experts and managers. When a shared-services organization attains sufficient scale to sustainably optimize services into end-to-end packages, it is positioned to advance toward the final maturity stage, the full-service-solution provider.

Stage Three: The Strategic Full-Service-Solution Provider

In the third stage, shared services are transformed from a support function into a full-fledged business unit with the same accountability for results as any other business unit. In addition to breaking down silos and bundling discrete corporate functions into seamless, end-to-end processes, shared services also deliver end-to-end solutions that encompass multiple business processes. And without shifting focus from service excellence—that is, the reliable, effective, and efficient delivery of a service—the shared-services organization takes on accountability for decision support, providing advanced data and analytics to help management make more timely and better-informed decisions.

As a respected partner, the strategic full-service-solution provider takes an active part in strategic decisions, earning a place at the senior-management table by virtue of a demonstrated ability to create sustainable competitive advantage. The shared-services operation creates that advantage by a variety of means: by, for example, rapidly onboarding acquired companies onto existing platforms without quality issues, tapping a fully integrated data warehouse to provide advanced analytics, and providing marketing- and sales-related services. The strategic full-service-solution provider has strong cross-functional capabilities—such as lean administration, back-office innovation, and fulfillment platform optimization—and aggressively exploits synergies across functions. Joint help desks, integrated work-flow support, shared management of accounts and service-level agreements, and shared governance are all typical of the cross-functional agility of the strategic full-service-solution provider.

The strategic full-service-solution provider aggressively exploits synergies across functions.

Shared Services Deliver More Than a Cost-Cutting Tool

Although stage-three shared services possess the highest value potential, reaching that stage of maturity is a tall order, and each company needs to be realistic in assessing its ability to change and in setting the pace it can sustain to carve out its individual path to shared services. Moving too rapidly or too slowly can short-circuit the effort. Move too quickly—for example, by bypassing stages one and two in an attempt to go directly to stage three—and the organization will lack the cross-functional capabilities necessary to reach full maturity. Move too slowly—by thinking too incrementally, positioning shared services as a low-level appendix, or failing to recruit and retain the requisite management talent—and the shared-services organization will fail to achieve the scale and the means required to deliver the promised benefits.

As a general rule, we recommend that companies aim high when transitioning to shared services. Lofty ambitions not only set the organizational tone, they also inspire employees and customers with a vision of a cost-efficient, effective, and value-adding service provider that helps the company sustain an overall competitive advantage, differentiate itself from its rivals, and win in an increasingly competitive, complex, and fast-paced environment.

One company that has attained its ambitious goal to develop a strategic full-service-solution provider is a leading international financial institution. To broaden the scope of its shared-services organization, the company established a global service center that was the hub for all flows of critical data. The center identified nearly 60 companywide processes and then optimized them into end-to-end service packages, such as marketing operations and sales support. (See Exhibit 3.) This approach enabled the service center to improve compliance and control across the organization's employees, simultaneously improving supplier verification and the integrity of the organization's core financial, strategic, and support processes. The initiative reduced annual costs by 20 percent in the first two years alone and continues to deliver sustainable productivity improvements.

Exhibit 3 | Typical End-to-End Service Processes

Type	Service groups	Representative services	Business improvement
Workforce services and solutions	Workforce services	Payroll and benefits administration, HR policies, learning and development	Management of applicable vendor deliverables and execution
	People management	Executional aspects of recruitment, onboarding, offboarding	
	Facilities	Workspace, real estate, infrastructure, maintenance, environmental health and safety	
	Computers, communications, and collaborations	Access, communications, collaboration, data warehousing, service desk	
	Meetings and travel	Meetings and travel logistics, conferencing services	Metrics reporting and data analytics
Business services and solutions	Procure to pay	Purchase to pay, contract management	
	Order to cash	Order receipt and entry, gross-to-net sales calculations, invoicing, customer receipts	
	Record to report	Budgets and forecasts, journal entries, reconciliation, financial close	
	Compliance and controls	Employee training, Sarbanes-Oxley Act and Foreign Corrupt Practices Act testing, business continuity planning	IT application support and master data management
	Business performance solutions	Analytics, market research, knowledge management, continuous improvement	
	Operational solutions	Production logistics	
	Customer solutions	Call centers, promotional and nonpromotional events, digital marketing	Strengthened policies and procedures

Source: BCG analysis.

Befitting a truly strategic shared-services-solution provider, the center did more than generate cost savings. It also developed decision and analytics capabilities to take advantage of the increased information flow, and those capabilities contributed to the enterprise direction. The enhanced data capabilities also strengthened global compliance, governance, and control, while the end-to-end service packages, operating around the clock, became central to the company's competitive advantage.

Most Companies Fail to Reap the Full Benefits of Shared Services

Unfortunately, few companies develop their shared-services organizations as fully as the financial-services company discussed above. As a result, they fail to reap the full benefits of shared services. Far from moving gradually toward the higher stages of maturity, their organizations are under constant repair, struggling to perform even basic processes. BCG's analyses suggest that more than a third of companies have realized their shared-services objectives only marginally or not at all, and an even higher proportion of managers privately complain about stagnating or deteriorating performance. These widespread complaints give rise to three urgent questions: What are the underlying reasons for failure in shared services? What does it take to make shared services work? And how should companies organize themselves to extract the full benefits of shared services?

Why, first of all, do shared services so often fail to deliver the promised benefits?

Through firsthand case work and extensive interviewing, BCG has identified three mutually reinforcing problems that can be traced back to fundamental flaws in the shared-services operating model. Broadly speaking, those flaws can be characterized as lack of ambition, lack of commitment, and lack of capabilities.

Only with dedicated leaders and skilled experts can shared services fulfill their customers' demands and acquire their acceptance and buy-in.

Specifically, a lack of ambition to focus on clear cost and quality targets and to enable the shared-services unit causes companies to settle instead for isolated efforts in selected countries, regions, or functions. Instead of redistributing back-office accountabilities and transforming the company's operating model, the piecemeal approach dooms shared services to underperformance and underdelivery. And by failing to view shared services from an all-encompassing, organization-wide perspective, companies unwittingly ensure that processes and systems will not be harmonized, the shared-services unit will fail to process a critical mass of transactions, and true standardization will remain out of reach.

The shortfall in ambition stems, in turn, from a lack of commitment by top management and business unit leaders to building and supporting the shared-services organization as a strong business unit on a par with its customers. Only with this commitment—and the governance structure that gives teeth to the commitment—can shared services be accepted internally as a value-adding component of the larger enterprise.

Top management's failure to fully commit to raising the status of shared services is manifest in company leaders' unwillingness or sheer inability to dedicate experts and high-level leaders to shared-services implementation and governance: they view the shared-services organization as a low-status and low-value unit. Only with dedicated leaders and skilled experts can shared services fulfill their customers' demands and acquire their acceptance and buy-in.

Aiming Too Low Can Be Perilous

The consequences of inadequate ambition were clearly visible at a large, diversified European corporation in which a wide range of functions had been integrated and migrated into a dedicated shared-services unit. The company's plight epitomizes the adverse consequences of a lack of ambition in designing the shared services, a lack of commitment by top management and internal customers, and a failure to equip the service center with the capabilities required to define, implement, and manage the service provision and break the cycle of declining performance and customer satisfaction.

From the outset, the company encountered significant inefficiency and quality problems rather than the cost savings and greater efficiencies that it had anticipated when it created the shared-services organization. The annual attrition rate in the shared-services center remained above 20 percent, processes and user interfaces were neither standardized nor simplified, and knowledge about the diverse needs of local units was spotty. As a result, local business units delayed disbanding their own remaining service functions or even rebuilt them. Inefficiencies were widespread, costs rose, and customers complained of high complexity and a lack of transparency. Business unit heads repeatedly clashed with the service center management.

Investigating the root causes of the dysfunction, senior corporate management learned that the problem stemmed not just from a competence deficit in shared services or from the failure of internal customers to accept or cooperate with the service center. The real culprit was the flawed design of the overall shared-services operating model. Shared services had been conceived not as an independent unit on a par with its customers but as an “extended workbench” whose functions were separately managed from headquarters.

Because headquarters and shared services were remote from their customers, the shared-services unit failed to maintain a firm grasp on processes, which remained heterogeneous and shaped by idiosyncratic local requirements. As a result, local units continued to develop their own processes and mechanisms, thwarting the push for standardization. Local business units attempted to cobble together quick fixes to their problems, ignoring necessary standards and, thus, losing control of efficiency levers. Diverse services were spread across different functional units and locations, making it impossible to determine their true overhead costs. The lack of cost information and the failure to instill a systematic customer orientation across the shared-services unit resulted in lengthy, labored negotiations on internal-transfer prices and charge allocations. And the increasing conflicts led to the departure of key personnel.

Overcoming these deficits required strong management capable of balancing tradeoffs credibly while consistently improving the low-cost operation: a tall order for a management team working with low-skill talent. Raising the talent level, in fact, has become management’s key task, because the greater the scope of the service organization, the more it needs cross-functional talent with the skills to accomplish multiple tasks.

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The Best Shared-Services Organizations Focus on a Range of Success Factors

How can companies steer clear of the problems that nearly sank the service center of the company discussed above? The key to a successful shared-services implementation or advancement to the next stage of maturity lies in a systematic process that uncovers key shortcomings and enshrines the key success factors of ambition, commitment, and capabilities.

Clear Vision and Comprehensive Status Assessment. First and foremost, a company has to define its ambition level and establish a clear timeline for reaching its objective. Top management is responsible for defining and naming the vision and communicating it clearly and strongly throughout the organization. The current state of the shared-services business and operating model then has to be assessed against the vision to define the need for action. External references and benchmarks should be used to help determine goals and milestones. Doing so both enables management to set priorities and helps instill a sense of urgency throughout the organization. The key priority is to broaden the scope and reach of the shared-services organization so that it handles the bulk (and eventually all) of corporate transactional processes, breaking down the silos that surround discrete functions to deliver end-to-end services.

It is, of course, crucial for senior management to make a sound, unsentimental assessment of the service center's current limitations before moving forward. But limitations should not serve as an excuse for narrowing or limiting management's vision for shared services. Rather than settle for quick wins and short-term improvements, management should aim higher, setting out a vision of a service center capable of the highest levels of competence, effectiveness, and efficiency. Only by setting audacious—even daunting—goals can management inspire substantial leaps in quality.

Full Commitment by Top Management. The success of a shared-services initiative depends heavily on strong and visible senior-management commitment. Visible, robust governance is a sure sign that top management is committed to building a shared-services center that delivers tangible results and continually improves. In practical terms, robust governance entails a strong steering committee made up of senior managers with the authority to ensure progress and realize benefits, as well as rigorous project management that sets clear objectives and milestones and tracks progress toward them. Management must maintain close attention even after completion of the conceptual and launch stages to insure that implementation and rollout remain on track.

Many battles will be fought along the way, and many fears, resistances, and conceptual barriers—raised by business unit leaders, functional heads in corporate offices, as well as functional heads and employees in the field—will challenge progress. To win those battles, top management must make its determination and authority clear, simultaneously persuading business units and the shared-services center that cooperation is in everyone's best interests. In this way, management can win the buy-in critical for advancing its vision from the conceptual stage to detailed design and implementation. Cooperation and a joint focus on the vision will help alleviate performance dips and service degradation because, as the old saying puts it, "a problem shared is a problem halved."

Visible, robust governance is a sure sign that top management is committed to building a shared-services center that delivers.

Comprehensive Cultural Change. Building a shared-services organization involves numerous technical and process questions, but the largest and most challenging questions are those that involve cultural change. The culture of an effective shared-services organization is characterized by an organizational mindset that enshrines service excellence as the highest value. Employees are motivated to find and fix problems and deliver promised benefits to the organization as a whole. At many companies, this culture is at odds with the surrounding corporate culture. But as the shared-services center grows along the maturity curve, its service-first mindset often spreads into the larger organization, driving cultural change far beyond the service center's borders. Management can reinforce the cultural changes with launch events and by publicizing and celebrating successes. The company's leaders can enhance the prestige of the unit by hiring service professionals to endow it with true service expertise rather than mere functional competence and can establish a performance mindset by building on KPIs and rewarding outstanding performance.

Development of Key Capabilities. Successful shared-services operations require a distinct set of capabilities. Process and IT capabilities are necessary but insufficient in themselves to build a next-generation service center that can sustain itself. It's equally important to be skilled at running lean operations, automating and controlling tasks, and driving continuous performance improvement. Acquiring and retaining these capabilities require strong people- and talent-management initiatives. To advance along the maturity curve, companies need to establish the right capability-development programs and career-trajectory plans.

In the early-maturity stages, the key focus is on introducing a whole new service mentality with a strong customer-driven mindset. In the later-maturity stages, the challenge is to encourage an increasingly entrepreneurial culture focused on building solutions. Shared-services leaders have to combine a strong will to drive developments and improvements with a clear sense of ownership of result-oriented service execution and delivery. In short, as companies move along the maturity curve, their leaders' concept of excellence grows wider, moving from excellence in *execution* to excellence in *solutions* to excellence in *evolution* to excellence in *results.*

The benefits of integrated business services extend far beyond the cost benefits of scale.

The Next Generation of Shared Services Is Already Here

Most organizations have high expectations for their shared-services centers. They have spent years using their centers to whittle down costs, consolidate redundancies, improve service standards, and build scale. Now, some companies have moved to the next stage, unlocking the benefits of multifunctional service centers that don't merely perform functions but also deliver products and services that encompass multiple functions. At experienced global companies, these centers continually throw off new opportunities to create value even if they have not yet become next-generation solution providers.

Nonetheless, shared services still do not figure prominently in decisions associated with enterprise strategy, competitiveness, and market growth. We believe shared services deserve a place at the senior-management table during such deliberations, and BCG research into shared-services trends in a range of locations and industries suggests that we are now beginning to witness the next generation of the shared-services organization. Such an organization not only excels at delivering commoditized services, it is also accepted as a critical strategic partner to the business and can be identified by its response to four trends that are transforming the shared-services landscape.

Integrated Business Services. Integrated business services consolidate multiple functions so that customers can resolve multiple business issues without having to navigate several contact centers and touch points. Integrated business services enable a company to spread its model across functions, share locations and tools, and expand the benefits of scale. To operate successfully, integrated business services require a single governance structure and a leadership team that reports to a global business executive, who in turns reports directly to the CEO.

The benefits of integrated business services extend far beyond the cost benefits of scale. Because shared-services functions and processes are integrated in the same location with one governance structure and focus on end-to-end products and services, decisions happen with a fluidity impossible to achieve when shared-services organizations are run as functional silos. By being able to deliver service measured by outcomes, a shared-services organization gains status. Rather than perching behind finance or HR, the service center has a seat on the board. It has a strong voice that reaches the most powerful and influential members of senior management.

Big Data and Cloud Computing. It's estimated that 15 zettabytes of data are generated every day. And as much as 90 percent of all data ever created were generated in the past two years, in large part by companies seeking any possible edge in their quest to capture new business, grow into new markets, and develop compelling value propositions.

Rather than perching behind finance or HR, the service center has a seat on the board.

The enormous volume of transactions and data that flow through integrated business-services centers affords companies the opportunity to translate big data into informational analytics that drive big decisions on growth, efficiency, optimization, and where to improve. By harnessing big data, shared-services organizations can further improve the bottom line by creating strategic value. For example, big data can encourage faster, more accurate, more proactive decisions by virtue of an ability to rapidly model the impact of those decisions. Big data can also drive predictive analytics that can be used to forecast customer and market dynamics and gain operational insights. Furthermore, big data can improve capabilities, expand automation, eliminate redundant work and tools, and streamline processes, allowing companies to build needed skills, free up resources, eliminate low-value work, and refine measurement standards.

Moreover, big data can be leveraged to improve day-to-day steering of operations with the added element of speed. This is the promise of the "real-time enterprise," whose backbone is formed by deeply integrated processes, systems, and data—by no coincidence the hallmarks of an advanced, effective shared-services organization.

Shared-services organizations and centers can become the secret weapon of companies looking to reap the benefits of big data and cloud computing. When companies implement the technology that forms the foundation of shared-services centers, information flows through a central, coordinated organization that can quickly produce insights for use by the company's strategic and operational decision makers.

Companies are increasingly experimenting with and implementing ways to capture big data's potential for both short- and long-term advantage. A company needs to leverage its shared-services organization as the nerve center of all transactional information that flows through the organization. That requires senior management to regard data as assets and the shared-services center as the engine that translates the assets into competitive advantage.

The Rising Status of Shared Services. As shared-services organizations increase in maturity and scale and improve the quality of their offerings, they raise their standing in the corporation. As next-generation shared-services centers deliver an ever-expanding volume of both transactional and strategic services, their reputation for being mere dumping grounds for transactional services is fading. Instead they are being viewed with increasing respect as repositories of big data, with impressive analytical capabilities. They are becoming known for their ability to deliver continually improving multifunctional products and services.

No longer seen as merely a production line for commoditized activities, advanced shared-services organizations are becoming known as providers of technology solutions, able to advise, analyze, and support strategic decision making. To operate effectively, the next-generation services center requires a higher level of talent, but the added investment is amply repaid in the form of improved governance and control and increased standardization of the company's value chain across products, regions, and businesses. Companies that do not shift the majority of service functions to their shared services are missing an opportunity to reap the full benefits of scale and end-to-end capability.

The Emergence of the Process Owner. Five years ago, "process owner" denoted a fairly low-level technical role. But now that shared-services organizations have proved that they can deliver end-to-end process solutions that add value, improve efficiency, and reduce complexity, the process owner has become a key strategic role that affects the entire operating model.

Companies that do not shift the majority of service functions to their shared services are missing an opportunity to reap the full benefits of scale.

In effect, a process owner is the chief operating officer for an integrated end-to-end process or service critical to the company's bottom line. The process owner drives best practices, implements them globally, and ensures ongoing compliance with them. Multiple functions that contribute to an end-to-end process are directly accountable to the process owner, solidifying the status of both the process owner and the shared-services organization.

Designating a global process owner marks a crucial step in the evolution of a shared-services organization to best-in-class status. It enables the organization to realize short- to medium-term benefits while gaining insight into emerging trends. These future trends carry implications for how shared services should operate not just in the future but also today.

Sustainable business success rests on two pillars: strategy, which taps opportunities for growth and translates them into business models, and organization, which positions the company to implement strategy with maximum agility, quality, and cost efficiency. From an organizational perspective, shared services have established their value as providers of administrative and functional support. But, shared services can play an increasingly crucial role in creating value and competitive advantage, delivering high-performance fulfillment platforms and providing the business with strategic capabilities. If shared services can advance to higher maturity levels, they will be able to facilitate complex tasks such as seamless entries into international markets and the rapid onboarding of acquisitions. In this way, they can proactively contribute to shaping and realizing strategy.

To reach this goal, shared-services organizations must redouble their efforts to build a service-oriented culture and improve their business models to enhance their contribution to strategy, reap the advantages of scale and standardization, and benefit the top and bottom lines.

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