

PART TWO THE BAD



IN A RECENT DELOITTE RESEARCH STUDY OF 70 SHARED SERVICES LEADERS, 74 PERCENT INDICATED THAT THE IMPLEMENTATION MET OR EXCEEDED THE COMPANY'S EXPECTATIONS; HOWEVER, ALL INDICATED THEY SIGNIFICANTLY UNDERESTIMATED THE IMPLEMENTATION EFFORT.

"Future of Shared Services – Realizing and Sustaining the Benefits,"

Deloitte Research,
Deloitte Services LP, p. 5,
2003.



IT SHARED SERVICES: THE GOOD, THE BAD, THE UGLY

In the first part of this article, I provided some discussion as to why an IT Shared Service model is a good thing (the Good). This month, I will outline a few of the challenges organizations face in building and implementing an IT Shared Services organization (the Bad).

The Bad: It takes time, hard work, and a change in culture.....

- Building an IT shared service organization does not happen overnight, I have seen it take between 2 to 3 years to get it fully implemented. But, if it is done correctly it can begin to pay for itself after the first year with the business starting to understand the true costs of the IT services that they utilize and therefore better prioritizing their spending.
- The biggest IT organization challenge of implementing a Shared Service environment is for the associates to recognize that the business people who receive their services are now their customers. Often, people within IT Shared Services do not see themselves as customer representatives, but just as employees doing something for another employee. There needs to be a change in culture, moving the IT associates into a customer focused approach.
- Whether centralized or not, the Information Technology leadership need to recognize that moving multi-departments into an IT Shared Services model requires very strong teamwork, everyone has to feel comfortable with the long-term vision of shared services, understand where they fit into this new world, what will be required of them, and how they as individuals and as a team are going to get there.
- An important part of building the shared service organization is defining the plans on how you are going to achieve it. The following is a short list of items that need to be included in this model. This is not the complete list but it will give you a good understanding of the type of work that will need to be accomplished.

1. Costs identified in the defined Service needs to be correctly allocated from the general ledger to the Services that IT provides. (Costs not only need to be identified but there also needs to be a strong tie to the Finance group to achieve this)

2. Cross business/departmental costs need to also be included in the IT Service costs, i.e. Facilities and Payroll. (Again, Links in Finance, Human Resources and any other corporate service group)
3. The Services have to be flexible enough to account for the fact that each business uses the services differently. (One size does not fit all)
4. The Service rates need to be set based on the volumes (appropriate business drivers) projected by the business. Start by providing the business a history of past consumption as it relates to the Service and work closely with them to create a future volume model based on their business objectives. (Rates & Volumes model)
5. The Shared Service model need to have a method of handling over and under recovery; the business needs to fully understand this model and how it will function. (Credit, Debit and Rate Adjustments)
6. The Shared Service model needs to be able to re-align the resource and capacity of the Services with the needs of the business units. (This helps identify Services that are too costly. These either need to be reworked, replaced or potentially outsourced)
7. To help eliminate the frustration and anger that can occur between an IT Shared Services group and the business units, IT needs to make sure that the business fully understands how and why services and costs are created and allocated. (Full disclosure is necessary, the businesses have to know the costs and the business drivers used)

To sum up "the Bad", implementation of an IT Shared Service Organization does not happen quickly, it will take time, be patient. The IT culture needs to become "customer focused". The Services, their costs, the appropriate business drivers, the allocation mechanism, and working with the business to help them fully understand the Services and what controls they have over them are key items in planning a Shared Services implementation. Next month, I will wrap up this three part article with "the Ugly", going over what I feel are two major reasons why an IT Shared Service organization can fail along with my thoughts of where you might start.

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