Making a Shared Services Organization Work: A Practical Guide
TRANSCRIPT

[00:00] Angelucci, Daniel: Alright, so hello everybody. My name is Daniel Angelucci. I'm a Managing Director at Alvarez and Marsal and I run the Digital and Technology Services Group for Southeast Asia and Australia, and I am here to talk today about shared services, and with me is my colleague Dilerjit Oberoi.

Dilerjit Oberoi: Hi Dan. My name is Dilerjit Oberoi. I work for DHL, IT services and I'm responsible for leading our service desk team as well as the desktop support and part of the field services in America and it's great to talk to you today, Dan.
Thanks for having me on this podcast.

[0:36] Angelucci, Daniel: I am really looking forward to the discussion, so I guess the first question is really sort of a very broad one and you know, why does a shared services model make sense?

I'm not talking just about IT or technology, but across the board. What is it about it that appeals to business in your view?

[0:53] Dilerjit Oberoi: Right. I should say before I answer the question, these are my views, I am not representing the views of the company, so just speaking for myself.
I think there's what is attractive for the business are a few things.

So, if I'm to boil it down to maybe the three most important things, the first one is cost. Economies of scale, right? When you put various services together and instead of serving each individual business unit, you put all the services together, you leverage economies of scale in many different ways, right?

If we have, let's say a storage environment and we grow the storage environment 2x, the cost does not go up at the same rate as the volume. So, we're able to deliver the same quality, even better quality, and higher volumes at a reducing unit cost. And there that goes across. Storage is just an example, that goes across everything, right. Plus, it gives us the ability to negotiate better deals because you're looking for better volumes.

So, you know, licenses, it goes across all kinds of services and that's what we've seen over the last almost 20 years that I've worked here now is economies of scale.

[2:19] Dilerjit Oberoi: The other side of it is, it's standards, you know, especially now when the security landscape is getting increasingly challenging, it's very important that we stick to the right standards and that is easier to do in a shared services model because you have a dedicated team that is going to think about what the right standards are, what and how we want to implement them and what are the threats that we want to protect ourselves against and how so we can really leverage that expertise across a much wider self-services, which really helps. And the third thing is, you know, I don't think that the shared services model is entirely about just getting the best price point and just savings and savings and savings. It's also about innovation if you bring a great bunch of people together, which is what we've been able to do here in DHL IT services and you align them quite well with the business, so they understand what the business is trying to achieve.

They can really contribute to bringing new technology into production and bringing it up in a way that business can actually use it. And we have a lot of really great examples where IT services has actually led the way in innovation, and you know all of our businesses benefiting from that.

[3:48] Angelucci, Daniel: Yeah, it's fantastic. Like, I couldn't agree more. When I think about unit cost in particular, I think that's the key. So, I know you know it's organizations come to us and want to discuss how it is that they can optimize their costs. You know, as they're growing, they're figuring – Oh! I'm going to spend X percent on my shared services, whether it be finance or IT or whatever, and they find as they grow that they're still spending the exact same percentage, right. And what we found is that you have to have sort of an engineering view around this around how it is that you can create the architecture, whether that's a business architecture or technology architecture to drive those unit cost savings. They just don't happen on their own.

There's no magic here, and so shared services really sort of allows you some, you know, levers in order to try to achieve those unit cost savings that maybe you wouldn't be available if you had teams distributed across the world.

And I think the examples that you gave around standardized process, that's a great one, right? So, I can speak personally as trying to get people to standardize the process across three or four countries in Southeast Asia and Australia as very, very difficult, right? Regardless of how well they communicate and regardless of how good the team is, it's just quite difficult because these people are different locations and they're levelled to sort of improvise in different ways in order to handle situations that are not covered by the manual. Having a team all in one place, really understanding what that centralization is bringing, that matters.

And I think the point about innovation is absolutely critical as well is that if somebody does have a good idea that's not in the manual, if you have to make that idea sort of endemic across a whole bunch of different locations, it could be really, really challenging just from a communication standpoint.

I personally don't even want to think about the number of meetings that would be required to do this in a company like DHL, which is spread across the globe, right? But if everybody is out of a shared services center, that creates the opportunity for you to move innovation much, much faster. And this is what we see across the board when we're looking at organizations.

[5:46] Dilerjit Oberoi: You can imagine that there needs to be a lot of bureaucracy for a company the size of DHL and it's not easy to bring those innovations to production because you have to think about all kinds of things, about how secure it is, about how you're going to

manage the cost, about how it integrates into the environment and it's not just a question of, you know, here's a great tool and let's use it.

And I have to say I mean full credit to my colleagues here. We've actually, I think gotten better at it.

The most recent innovation that everybody is going gaga about, I guess, is the generative AI, and I've been impressed by how fast our team has been able to bring it into actual use. This whole thing started to blow up on the Internet, I would say somewhere beginning of last year, maybe end of the previous one and already last year by the beginning of Q4 we had an actual use case in production, which I thought was impressive.

You know, given the nature and complexity of our organization.

[6:52] Angelucci, Daniel: Absolutely right. And generative AI is creating those kinds of opportunities. I do think it's interesting some of the things that we've talked about with respect to Gen AI around how it is very much a customer facing or a user facing kind of technology and that's reduced the friction to adoption, right?

Because people see the results of the technology quite clearly, and I think you know some of the more subtle stuff that we do within an IT around automation, it's just not apparent how it is that we improve people's lives. But Gen AI is not one of those cases. I think everybody sees very quickly how it is that it's affecting things.

Oberoi, Dilerjit: Yeah, absolutely

[7:36] Angelucci, Daniel: So, I think one of the other things that we wanted to talk about was how it is that you transition into this model, right? And I guess I wanted to share a couple of experiences and get your reaction right. So, I think you know when people think about how it is that they can do shared services, obviously offshoring is one of the first things that comes to mind. But what we think about really these days, we were sort of contemplating how it is that we would move a company into a shared services model is really around the skills and that skills arbitrage is becoming more and more of a factor. You know, a lot of times we'll see things like organizations trying to build a shared services organization around cyber security and incident response and what they'll do is they'll try to find locations where their skills are deep. Maybe it's an India, maybe it's in the Philippines. Maybe it's in Bulgaria where there is partly a lot of folks who are able to do this sort of thing, and I think it's interesting because the ability for them to actually capture that arbitrage is not about the dollars and cents, it's about how many people they can actually find. You have those skills that will go to work for them, which I find sort of a really interesting kind of challenge that they run into.

[8:40] Angelucci, Daniel: I think the other thing that we talked a lot about is how it is that you can make this transition quickly. So generally speaking, to move into a shared services model can be kind of a long, ugly journey, if you're doing it from scratch, right? Whether it's around sort of navigating the telecoms laws, they're in India or finding the right sort of capability in terms of hiring within a particular location. So, we started to push organizations more and more toward using what we call vendor assisted captives, which are really sort of outsourcing capabilities that are doing, build, operate transfer models in order to try to bring those things together. And I guess the third part, I think the part where I really like your point of view especially is around how it is that you would approach the issue of digitization. So certainly, digitizing the services is usually part of whatever shared services capability is going to be managed within the organization. And I think there's a certain order of operations and you and I had a discussion earlier, I guess I wanted to get your view as to how it is that you might be able to do this.

[9:36] Dilerjit Oberoi: Yeah, this is where I think we might have the opportunity to enjoy a healthy disagreement, Dan. But you know what I've seen happen here, and a kind of the path of least resistance I think has been that you identify an opportunity for moving something into the shared services organization and it makes sense. It makes sense just on the face of it because the business case is clear or, you know, I've even seen situations where the there isn't that much of a business case, but there is a belief that this is the right thing to do, you know, for all the reasons that I shared services organization makes sense. And so, you say you know what, let's do this. And you what I've seen happen is you move the service pretty much as is into the shared service organization in the first step. I mean, you can't do it 100%. There are always some changes, but it's more of a transition than a transformation in the first step, and once you've put it into the shared services organization now, you can take it and say OK, you know what? I'm going to make it better and I'm going to make it more efficient and I'm going to make it more automated and all those good things. And then you can do the transformation in the next step, and that's what that's the modus operandi I have seen happen most frequently, I'd say Dan.

[10:58] Angelucci, Daniel: Yeah. And I think we do have an interesting disagreement. I would say that the probative point around this is really around the maturity of the processes within the organization because one of the things that I would observe is that centralizing a team across an inefficient process is probably not the right strategy. So, there has to be some sort of base level of efficiency that the team is producing at in order for it to make sense to centralize them first, right. And maybe that's the challenge really, is to try to find what that tipping point really is. Because if you're, putting people in the same room or whatever to participate in poor processes, then that's not going to get you any kind of unit economics. It's not really going to get you the process capabilities that you want and then all you're doing is sort of fighting change from day one, right. And I guess the question would be, in my mind is in those cases where the maturity process maturity is poor, that maybe it's worthwhile to actually do the process reengineering at least to some degree before doing the centralization. Is that sound like a good compromise position to you?

[12:09] Dilerjit Oberoi: It might be in some cases. In practice, what I have seen is that even when you're transitioning in inefficient process into a shared service model, there are usually savings to be had, even just without doing the transformation, and it's a lot easier to do the transformation once you have transitioned it over to the shared services organization. And you can say you know what, now you guys are the experts and it's your problem and it's your service that you're delivering. So, make it better, right? And that's, you know, to give you a very simplistic example, if I'm running 100 servers and I've got five people supporting those 100 servers and you give me five more servers to run, I'm not going to go hire somebody else to run those servers. My team is still going to be able to manage those servers now. They might hate me for it because these are not standardized servers and they're going to have some, you know, they're going to have some extra effort to manage it. But you know, they're going to be able to take it on mostly, and then you're going to say, well, you know, you're the experts in running it in the most standardized way; so, what do you want to do to transition this new piece of work that you've taken on into the standardized model and get even more benefits than what you've already gotten? And you know, I'm fully with you that you can't really get the full benefit of it unless you do the transformation. But you can make a start without it is my point, and it's usually I think it's easier in that sequence as well.

Angelucci, Daniel: Pistols at dawn, right? No, no. I think you make a good point, right? Is it? Is it the by throwing workload capacity at a shared services team that doesn't have process maturity, you do kind of force the issue and I think that that's a very good point, a very good point.

[14:00] Angelucci, Daniel: But I want to sort of turn back then for just a second to the business case, really to the economics. And when you talk about having that shared services

capability, once it's established, how do you make sure that the economics continue to work? What are the things that really make a difference with respect to that in your view?

Dilerjit Oberoi: Well, you know, talking about maybe talking about service desk, which is the area I have the most experience in. Step one for us has been consolidate the service into the shared services organization, which gave us some labour arbitrage savings to start with. And then we said, OK, how can we automate it, and automation is what has brought us the incremental savings through the last few years. And there's always, you know, there's a couple of things that happen. One is that you look at what are the easiest things to automate first, right and what can you do with the technology that you have available at that point? And so, you automate it, and you make the whole service more efficient for the business and then, once you're, you know, every year you think about, well, OK, I've automated this piece of work based on what technology I had accessible. What is now the next easiest piece to automate? And what has changed about the technology which makes things possible to automate that I couldn't have done earlier? To give you a very concrete example, for many, many years we've had this idea that you know what you can automate ticket routing - tickets coming to the service desk. We know we're not going to be able to resolve it, but we don't have the ability to manage lots and lots of hard coded business rules to automate, you know, thousands of tickets every month, so, we've just not had a good way of doing it. But finally, in last year we were able to, you know, create a machine learning model that would look at what tickets are coming in and where they are being resolved. And then you look at what are the attributes of the ticket, and you predict which workgroup this ticket is going to be resolved in and then you can automate it.

So, you know, as the technology gets better and as you get better at using that technology, things that you couldn't have automated before, you are able to automate now, right? So, and that's something that continues to happen on an ongoing basis, right? And that's where you continue to deliver more and more savings. You know the same thing is with the generative AI. We've had a chatbot forever, right, but until now we have not been that good at understanding natural language and turning it into some meaningful understanding of what the user is trying to do. And then actually execute those actions automatically and now we can, right? So that's a process that continues and that's where you continue to deliver those savings.

[17:10] Angelucci, Daniel: That's fantastic, right? And I absolutely agree, right. So, the notion here is how it is that you can put innovation at the right time in the right place in order to make things work right and I agree that you know, there's nothing quite like immature innovation to make sure that things don't go well, right. But as the I can't even count the number of chat bots, I think I've broken over the course of the last five years, right? But as they mature, you find it that's harder and harder to do, and that's great, right? That's real innovation and I guess I'm curious, you know, you and I have talked a little bit about digital lab because both of us have some experience across that. So, tell me a little bit about how it is that you guys are leveraging a digital laboratory capability in order to make these sorts of innovations work?

[17:56] Dilerjit Oberoi: Right. So, a few years back we, I think this was 20, all the pandemic years are kind of clubbed together. So, I always have a challenge to figure out when I did something now.

Angelucci, Daniel: It's 20 COVID, right?

Dilerjit Oberoi: Yeah, exactly. But this is just pre-COVID. I think it must have been 2017 or 2018. We were thinking about, you know, AI and machine learning and you know, RPA and a lot of interesting technologies were becoming more and more available. And we're thinking about how can we really benefit from it. And the problem in a shared services model or not

the problem just the nature of how it's set up is that most of the people are there to serve specific business needs, right? The business wants you to deliver this service desk, so you hire people to deliver a service desk service. The business wants you to develop XYZ applications, so you hire people to do that, but you don't hire people to look at the shared services model itself and say how we can make that more efficient and what new technologies we can bring in.

It's hard to do because of the, you know, the financial expectations, but what we did around 2017 or 18 was that we thought about how can we get much better at bringing innovation to the business and we set up a team called The Digital Lab at the time, to specifically look at not things that the business had directly asked for, but to specifically look at new technologies that are out there and to be in an explorative mode, right. Explore what this thing has to offer and then think about how that can actually be used in production in our environment to help the business and fully with the understanding that some of the things that we will explore will not turn out to be useful at all or will not turn out to be good enough, mature enough to be in production, but probably some of them will, right? And we set up this team and you know we got a few really cool people in there.

People who understood machine learning and AI, and people who were familiar with intelligent automation and things like that. And we started to think about what kind of interesting use cases we could start our exploration with and that's how we got started and you know today we have a virtual assistant platform that we're using for the shared services team internally but also business is running their own virtual assistants on it. We've got all kinds of machine learning use cases. A lot of them that didn't work out as well, by the way, but some of that did work out. We've got, yeah, a whole bunch of really cool technology that we're actually able to leverage as a result of, I think this team being put in place.

[21:06] Angelucci, Daniel: No, I absolutely understand, right? So, I think the key point about the people who are in the organization are there to, to deliver for the business it's tough to carve out that capability to do innovation and in fact, that's the experience that I have in terms of running a digital lab is that we were sort of offering innovation as a service. So, the idea would be like we'll have a design thinking session with you as a customer. We'll take a few hours out to do that and then we'll just prototype and prototype and prototype. And I think it was an interesting sort of model because our view is that, you know, prototypes are working code, right? But it's working code in test and then immediately we would run into this interesting barrier about how you put it in production because at that point then you have to start thinking about real integration using data that's actually live data, making sure all those feeds work all the outbound capabilities that are there, things like that. And so, it's no longer just a prototype. And I think what we found was that there are a lot of really great ideas and a lot of magic that you can spin with technology.

But to make it across that barrier, there's this practicality piece that becomes really, really critical. And we were really happy with the way that sort of bounded what it is that we could do, to be honest, right? Not every idea needs to be implemented. As you said, there's a lot of ones that maybe don't, but the ones that can actually cross that barrier to go from being a prototype to really being a pilot, whether using sort of live data in order to begin to scale a real capability, that's what we saw is incredibly valuable. And the people who, you know, sort of would build the prototypes were the same people who would eventually try to integrate it into sort of the deeper organization and that sense of ownership was really, really important as we sort of built that out. And I think that gave a lot of opportunity for us to do things that maybe were a little bit different.

So, I think that's definitely a nice model.

[23:01] Dilerjit Oberoi: Yeah. But you know, Dan, we've been talking mostly about IT, shared services, you have experience with you know other functions, procurement, finance, do you see similar sort of business case and similar sort of ways of bringing in innovation in those functions or yeah, what's your experience there?

Angelucci, Daniel: Yes. So that's the interesting thing is, is that the innovation side of what's done across other shared services functions is often very much based upon the ability to digitize, the ability to actually deploy technology, right? So, if you think about something like procurement, where you want to sort of optimize the capability for you to get the best supplier costs with respect to particular materials, the ability for you to do time series data and analytics that are associated with how that supplier is offering. And then be able to optimize against particular, you know sort of times or particular sort of circumstances, that's just IT. It's technology deployed to solve a different kind of business problem than delivering bits, right. But the point is, is that it's still requires technology, and it still is there to sort of make that work.

[24:15] Angelucci, Daniel: And I guess what I think is interesting about the model, particularly the one that maybe DHL uses, is that the shared services capabilities and the IT capabilities that are then associated with them are actually part of the same organization. And I think that that ability to get leverage is quite an interesting model. So, it's just fewer barriers between what it is that you can do and say next generation finance or next generation procurement and what it is that the IT services team is planning on providing. So, I always thought that was a really interesting and innovative model actually.

Dilerjit Oberoi: Yeah, that's true. That's true. And you know, we should not forget the role of people in actually making this happen. Like it cannot be overstated if you set up a team and you tell them your job is just to deliver, you know the cheapest service possible. That's not the most engaging message. People who come to work for IT services, yes, they want to contribute to financial results that is a given, but they want to do something cool and they want to do something new and they want to be able to, you know, see that they're learning something new and that they're able to use and work with new technology. And the fact that we are able to give them the space to do that innovation and not just deliver the service, but actually not just do the work, but actually change the way that work is done, I think drives a whole other level of engagement which is which is completely the value of it, yeah, as I said, cannot be overstated.

Angelucci, Daniel: Absolutely. People are the key, right? And also, it's key to have great management, right, wouldn't you agree?

Dilerjit Oberoi: But as somebody in management, I think I would have to agree with you, Dan.

[26:50] Angelucci, Daniel: Absolutely right. So, last thing to discuss, I think, what in your view does the future really look like? Where are we heading with respect to these shared services? Do you have a view?

Dilerjit Oberoi: I don't have a complete view of this. I have a partial view and hopefully Dan you will fill in some of the places I don't have a view on, but you know I can talk about couple of things. One is on service desk, what is the future for that part of the shared services? And there the view is, yes, it's highly automated for sure. You have a lot of conversational AI, which is helping to remove the frictions that we have in IT support and get things done fast for the user, right? And make the user journey and user experience better in that way and what that means is that the kind of people that we have doing service desk, kind of skills that we need in the service desk is undergoing, quite a big shift. And I think that in the future it will look very different. So, I mean, I think we're in the middle of that transformation now already. But if you look, I don't know, 2/3/4 years back you have, let's say 80% of the people

are doing mostly transactional work and they have basic IT skills and they have customer experience skills. And you have 20% of the organization that is doing, you know, managing the tools and trying to automate more and things like that and sort of more advanced skills, let's say, right?

And as we automate more and more, what's happening is that 80-20 shift is completely turning around where instead of having a lot of people that do a lot of transactional work, you have a lot of people or some people that manage a lot of technology that does all that transactional work and you have some people that then do the higher value, user facing work, right. You have a user support issue that you cannot automate, and you and this is probably at this point, you know, once you've automated a lot of this stuff down the road, you're going to see that the thing that you were not able to automate is not the easiest thing, right? It's not the obvious fix. It's not something that you can just read a work instruction and solve it, so you need somebody who is going to have to understand what this is and they're going to need higher level of technical skills than somebody doing user support in the service desk in the past needed, right? So that's kind of I think the future for service desk: less transactional work, humans dealing with machines that are doing a lot of the transactional work and then humans dealing with more complex issues.

[29:04] Dilerjit Oberoi: Yeah, I could go on about this, Dan, but I think we'll leave it at that summary level for service desk. One of the area, I would say, is in the a lot of the move is towards the Cloud, right and I'm learning more about this area every day as well. But what I'm learning, and Dan, maybe you can comment on it as well, is not just about saying, well on-prem is dead and you move everything to the public cloud. The future I'm seeing is very much of a hybrid, but what I'm also seeing is that in your on-prem world looks more and more like the public cloud, right? So you have a private cloud which we do, I mean a lot of I think companies have a private cloud at this point, but that needs to increasingly look more and more like the public cloud and you need to have much better ability to seamlessly move workload between public cloud and private cloud to the point where the business more or less doesn't care whether it is on-prem or not. You pretty much make that decision based on a lot of different decision factors, but that's kind of the future I think for our hosting platforms.

[30:17] Angelucci, Daniel: Yes, certainly they I think to start with the service desk piece, and I think more broadly around shared services. What we're starting to see is that the automation and intelligence that's associated with how tasks are performed is beginning to be applied to how tasks are prioritized. And I'll give you an example, so I think you know, traditionally if I were to call the finance team to have a look at like a PO or something that was late. you know then because of my rank within the organization, I suppose I would immediately get to speak to somebody, but to be honest, I would just prefer not to speak to somebody about this kind of stuff, right? Maybe I would take the chat bot right, but the way that those queues are differentiated is through hierarchy or through some other sort of very much one-dimensional kind of view. Rather than trying to assess how important is satisfying this person quickly going to be to the business, right? So, what is the important? Not just of their problem, but of their sort of rating of how service desk fits with their job satisfaction or their customer satisfaction. Where do they fit in that space?

And if they fit where customer service is really a differentiator in terms of what it is that's offered, then regardless of their rank, you want to queue them in a position that they're going to be able to get done what they want to get done quickly. So that kind of differential queuing rather than just looking at priority, looking at rank, looking at some very one-dimensional and obvious kind of data elements, I think that piece of it will help to drive some new capabilities that are very much what you're describing where you have sort of the automated bucket for people like me who don't really want to talk to human beings in those cases. And I'm perfectly happy to let a chat bot do what it needs to do, and then you'll have sort of a smaller set of people that would be associated with real customer advocacy, right? Who are trying to

solve problems, even if they're simple problems, but are trying to solve those efficiently for people who that really matters to. And I think that that piece of it is where we're seeing a lot of interesting innovation in this space. When we talk about cloud, I often don't even know where to start, right?

[32:32] Dilerjit Oberoi: Yeah, just on that point though, Dan, I think you're absolutely right. And you know, it becomes like, if you're talking about a shared services organization that is primarily serving internal customers or colleagues, as we like to call them, what you're talking about is a factor, but it becomes even more important when you're talking about a service desk or a customer service team that is actually talking to the end customer, right? And what we're seeing is with speech interaction analysis, you get the ability to do exactly what you're talking about in real time and figure out well, what is the value of this call, and am I handling it in the best possible way at or can I do this in a different way, and you can make that decision in real time to say, well, you know I need a different person on it or I need this person to have access to some information so that they can, I don't know, upsell the customer or whatever it is that you're looking to do with that customer, right? So, I think really great point then.

[33:37] Angelucci, Daniel: Fantastic. Look, like I said, I think we could spend a whole another half hour on what the future of cloud might look like.

Dilerjit Oberoi: Easily.

Angelucci, Daniel: But unfortunately, I think the recording team would probably go on strike if we try. Listen, I really appreciate your thoughts, it was great to talk to you again as always. So, thanks for coming on the podcast.

Dilerjit Oberoi: It's been great fun, Dan. Thank you very much.

[END OF AUDIO]

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