



EVOLUTION OF SHARED SERVICES

Enterprise Services as a Key Corporate Strategy



Since the early 1990s, Shared Services has been one of the most effective strategic levers for companies to improve consistency, reliability and operational efficiency. While Shared Services has historically focused on routine, transactional tasks within Finance, Procurement, IT and HR, today's innovators are extending Shared Services concepts to enterprise strategies to create performance improvements and more efficiently deliver internal and external services worldwide.

ENABLING BUSINESS TRANSFORMATION

When companies integrate their progressive Enterprise Services strategies with evolving social, mobile, analytical and cloud-based applications (SMAC), they can create stronger, more productive relationships with customers, suppliers and employees. As a result, these new organizational and governance concepts, along with the emerging technologies, are enabling an entirely new business transformation opportunity around Enterprise Services that is much like the emergence of client/server technology and ERP applications two decades ago.

Along with this transformation, a new economy is being formed, giving rise to a whole host of solution and service providers. This As-a-Service economy is making it possible for organizations to replace traditional CAPEX investments in enabling technologies and service solutions with OPEX oriented "pay for performance" solutions. At the same time, it is allowing Shared Services operations to expand beyond a narrow back-office orientation into middle-office and some front-office activities.

The evolution and journey to Enterprise Services is illustrated to the right.

Several companies have achieved the 4th stage (“Leading”), including P&G, Alcoa and Dow Chemical, while some have deployed elements from the 5th stage (“Exceptional”) while continuing to work toward maturity.

1

EMERGING

Early Stages of Consolidation

- Single Function or a few processes like Payroll and A/P
- BU or Country model
- Some process centralized
- Market share for processes in SSO is less than 50%
- Limited Service Level Management
- Services may be viewed as Corporate Services
- Overhead Cost Center

2

ACHIEVING

Functional Shared Services in Operations

- Regional model with at least 2 functions
- Achieving process best practices
- Market share between 50% - 75%
- Shared Services has own identity with portfolio of services
- Tracking performance measures
- Charging internal customers on general drivers of volume

WHAT'S DIFFERENT ABOUT ENTERPRISE SERVICES?

In the As-a-Service economy, successful companies leverage technological innovations that disrupt traditional business models by enabling workers to use information more efficiently, readily share knowledge and collaborate, and make more informed, accurate decisions. At Alvarez & Marsal, we see Enterprise Services as a powerful game changer to drive efficiency in several ways:

CEO Strategy – With CFOs leading the initial push, over 70% of companies implemented a multi-function approach to Shared Services. However, today we see sponsorship by CEOs who want to move to an Enterprise Services delivery model that will have the desired performance impact for the business strategy.

- **Virtualization** – SMAC technologies enable employees to work productively with any device and from any location, creating the need for new approaches to leadership, culture, management, and motivation. This trend has underscored Enterprise Services as a true global model that helps a company leverage its global workforce.
- **Migration of Services to Front Office** - While most Shared Services activity has been in back-office transactional areas, today companies are using the concept for improvements in product marketing, proposal development and delivery and customer service. Digital Retail, for example, has been leveraged into a central organization that delivers products to customers from a few central locations and fulfillment centers.

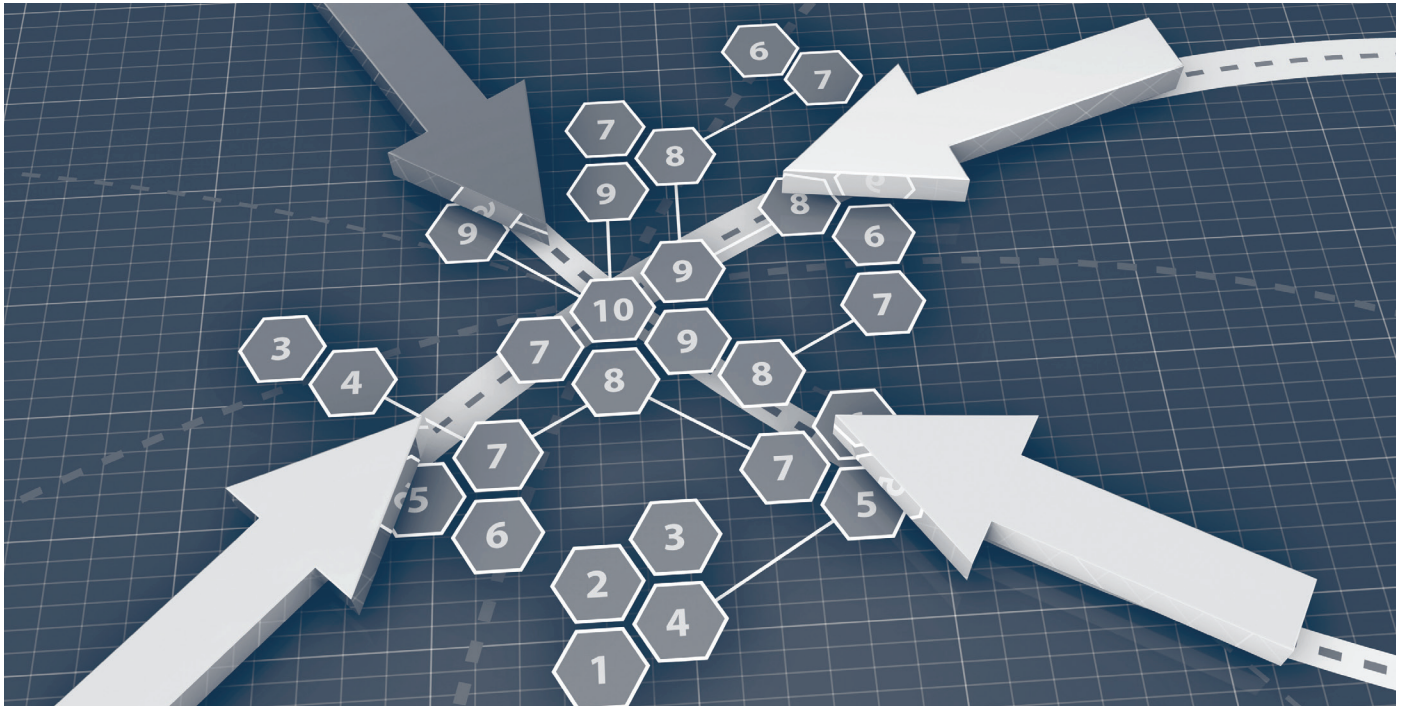


- **Outsourcing Outcomes** - Outsourcing initially focused on technology infrastructure and lower-level activities before addressing more strategic business processes and applications. Today we see the shift to outsourcing outcomes and solutions delivered As-a-Service and measured not in terms of full-time equivalents but as reports delivered or facilities managed.
- **Greater ROIC** - With the move to Enterprise Services, companies can reduce CAPEX while using strategic sourcing to transform CAPEX to OPEX and deliver greater ROIC.

ENTERPRISE MATURITY MODEL ASSESSMENT

For companies seeking to move to Enterprise Services, Alvarez & Marsal recommends an initial 4- to 6-week assessment to evaluate the company's existing Shared Services strategy and its performance and ensure that the right tactical plans are in place. As this time, we help complete benchmarking and process walks to identify further improvements.

Through the assessment process, Alvarez & Marsal will evaluate current capital requirements and paths to accomplish goals with limited capital outlay. In addition, we identify how restructuring of existing operations can provide pathways to invest in new sources of growth and enable new operating models. We also help scrutinize balance sheets for underperforming assets and challenge the status quo of build/buy versus rent/subscribe. Our expertise in service delivery models, across internal and external service partners, enables our clients to drive efficiency and improve performance.



THE A&M ADVANTAGE

Alvarez & Marsal provides the frameworks and expertise companies require to reshape business models for the As-a-Service economy with actions that are realistic, achievable and, most importantly, sustainable. Our approach to both analysis and execution is equally applicable to businesses at any stage of development, from companies rapidly outgrowing their current operating models to those struggling to reignite profitable growth.

We deliver results.

When action matters, find us at:
www.alvarezandmarsal.com

Follow us on:



© Copyright 2014 Alvarez & Marsal Holdings, LLC.
All Rights Reserved.

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change.

Privately-held since 1983, A&M is a leading global professional services firm that delivers performance improvement, turnaround management and business advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who draw upon the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage.

ALVAREZ & MARSAL