Shared Services Flourish in a Culture of Continuous Improvement

Successful shared services organizations operate in a culture of continuous improvement. It is a culture in which personal and collective accountability ensures the entire organization is working to generate full value under any set of business conditions.

Organizations are realizing that developing a culture of continuous improvement is no longer a "nice to have" – it is an imperative for sustainability. It is also an imperative for getting the most value from the shared services organization because the culture is the foundation for everything from giving customers a strategic advantage to recognizing new opportunities. The key is to develop the culture of continuous improvement in the people rather than on a project basis in order to create full value. The shared services organization becomes a business partner, helping the entire organization realize ever increasing value through growth and adaptability, rather than just a cost cutting transaction processing function. A key element for creating a culture of continuous improvement in a shared services center is a rigorous set of results and driver metrics.

Standardized but Changing

A culture is a mindset. Shared services leaders that develop a culture of continuous improvement adopt supportive management principles and practices that drive desired team performance and utilize tools like analytics and KPIs to assess, improve and monitor work. It is about achieving the highest level of efficiency without compromising quality of services delivered. With the right mindset, leaders and their staff recognize innovative opportunities to improve operational effectiveness and increase capacity by aligning activities with organizational needs and desired outcomes, while ensuring people with the right skills are in place. Metrics are essential tools for keeping the shared services organization productive, efficient, and in sync with its customer – the rest of the business.

Successfully developing this type of culture requires more than just holding training workshops or offering dashboards with metrics and graphs. One of the interesting aspects of a continuous improvement culture in a shared services organization is that work is standardized as much as possible, so everyone knows exactly how the work should be performed and people doing the same jobs do them the same way. At the same time, processes are continually improved so there are ongoing measurable gains. It is standardization with justifiable changes. Leaders and staff in the shared services organization adapt their behaviors to continually support continuous improvement.

Driving Change Instead of Preserving the Status Quo

One of the most difficult concepts to master is that metrics are not just about measuring the status quo and being satisfied with gains. They must be designed to drive ongoing improvement. For example, analytics may indicate some waste was eliminated and a target was met, but in a continuous improvement culture there are new targets set to drive further waste reduction. Managers utilize detailed reporting to measure processes against targets, but their most important responsibility is using innovative strategies to drive improvements.

When the culture of continuous improvement is pervasive throughout the entire organization, the shared services managers will actively seek input from its customers on regular basis. For example, metrics indicate per-transaction costs barely met targets, and there are no obvious ways to lower the figures. Instead of being satisfied with the results as the "best possible" the shared services leaders will solicit suggestions from managers outside the shared services organization. This is one reason that having top-down support, beginning with the CEO, is critical to developing a culture of continuous improvement.

Perspectives and behaviors usually need changing to create a true culture of continuous support. Knowledge silos may need eliminating; key suppliers in the supply chain should become partners in innovation; functional mangers must not be 'territorial'; and employees throughout the organization should support the culture of improvement.

Quality over Quantity of Metrics

The specific targets and metrics used to drive continuous improvement will naturally vary from organization to organization. Goals or targets are set, like reducing defects by a certain percent or responding to customer inquiries within a set number of hours. Measures are designed to provide information on progress towards goals, and strategies are put in place to reach goals. While this process is straightforward, the challenge is putting a data based reporting system in place that provides the information needed to drive continuous improvement and does not simply produce numbers that fail to motivate people to change behaviors in order to produce improvements. It is the quality and not the quantity of metrics that is important.

Driver metrics, as opposed to results metrics, provide managers the information they need to quickly change behaviors to improve processes. For a simple example, the metrics for the accounts payable function of shared services indicate missed discounts are an issue, and the response is a change in policy that eliminates some AP *internal and external* variables that impede processing. There are hundreds of specific metrics an organization can use to measure performance in terms of the organization meeting strategic goals and achieving operational excellence, and employees working to meet common goals. The continual self-evaluation process is critical because process improvements alone do not ensure further gains after goals are met. Metrics must also provide ongoing information about business needs so the shared services organization can adapt as necessary. It is not enough to measure internally when external factors drive shared services.

Removing Limits

When common goals are set, the reporting process encourages learning and adaptability, and helps people adopt a multi-function perspective so there are no limiting functional boundaries. A good place to start when establishing metrics is to first identify whether the shared services organization is a revenue or cost center and determining the factors that have the most influence on generating revenues or reducing costs. Remember the old saying that what gets measured, gets done. Metrics measure the performance of people and processes, and no one and not process is excluded. It is another reason why CEO support and monitoring of the performance of the shared services executives and functional managers is important.

Developing a culture of continuous improvement is a process and not an event. As more companies expand their shared services centers to better serve global operations, they are moving away from merely measuring past progress to identifying strategic goals for continuous improvement. It is a change response to a continuously changing business world.