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COMMUNICATING THE VALUE OF SHARED SERVICES – A DEEP DIVE INTO CHANGE MANAGEMENT

Introduction

In today´s markets where multinationals are focusing on efficiency and high performance, the concept of Shared Services and its value are no longer questionable - In fact, successful Shared Services implementation will require not only building new customer oriented capabilities, process reengineering and continuous improvement but also change management to ensure everyone in the organization is ready, willing and able to perform their roles in the new environment.

The ultimate goal of a Shared Services transformation is to **engage employees and encourage their adoption of a new way of doing their jobs**. A project is only successful if individual employees change their daily behaviors and workflows. This is the essence of change management – mobilizing the individual change necessary for an initiative to deliver value to the organization.

Many companies focus their energies primarily on designing complex and detailed project management strategies. While this is important, several surveys suggest that **most projects fail when transitional issues are not addressed at the proper time**. While project management is absolutely important, it is not sufficient on its own to ensure successful organizational transformation.

This article will provide tips on communicating the value of Shared Services from a change management perspective by focusing on the four stages of change management, highlighting the difference between project management and change management, and sharing some practical solutions on driving change through the organization.

Change management strategy should be considered as soon as the decision to move to Shared Services is made. It includes a set of activities that helps people transition from their present way of working to the desired way of working. Its major goal is to address the people and organizational factors that will drive as well as obstruct change throughout the organization.

1. Things Will Get Worse Until They Get Better – The 4 Stages of Change Management

While most leaders focus on the operational and technical side of the project, the personal impact of the implementation on staff should not be neglected. Note also that when people don´t participate in the decision to move to Shared Services, they have little or no ownership in the decision and their resistance to change will worsen. As a change agent, you need to assist them in passing through this challenging process.

There are several change management models. One of the most common refers to 4 stages.

Denial Stage

People in the denial stage are trying to avoid the new ideas. They usually deal with fear and uncertainty and are not willing to adapt. You will find yourself working with people planning the future finance organization while not acknowledging that the transformational change will happen. This is why it is critical to have senior management support and communication as people tend to move out to the next level when they see solid, tangible indicators confirming things are going to be different now.

Anger Stage

When people see clear signals that Shared Services is here to stay, they tend to move into a state of anger followed by resistance. This stage is the most critical in terms of its impact on the success of the implementation. Leadership is needed to help work through the anger, and to move people to the next stage. Many initiatives fail due to the lack of strong leadership to proactively address people´s concerns.

Exploration Stage

This is the stage where people begin to give Shared Services a chance. They have stopped denying, and the anger has moved out of the spotlight. Information and communication play a critical role in this stage as leaders help staff gain a better understanding of Shared

Services. People tend to act more open-mindedly, and are now more interested in planning around the change and participating in the transformational process.

Acceptance Stage

This is the stage where people commit to the change, and are willing to work towards making it succeed. They know it is a reality, and at this point people have adapted sufficiently to make it work. While some changes will never gain acceptance from employees (downsizing, for example) staff at this stage will commit to making the organization effective within the constraints resulting from the change.

2. Three types of change

Shared Services leaders must know the type of change they face before they can know how to lead it. The three most prevalent types of change occurring in organizations are:

- **Developmental Change:** The simplest of the three. Here, the new state is simply an enhancement of the old state, rather than a radical new solution requiring profound changes in strategy, structure or culture. Implies relatively low risk.
- **Transitional Change:** Begins when leaders identify a problem or opportunity that requires something in the existing operation to change and a future state is designed to address these needs. The requirements for deep personal change are low and relatively predictable, making the human dynamic more "manageable" than in transformational change.
- **Transformational Change:** A radical change that demands a shift in human awareness that completely alters the way the organization and its people see the world, their customers, their work and themselves. Transformational change is exceedingly complex and fraught with risk, but occasionally critical to the organization's survival.

A Shared Services implementation is a transformational change that would require creating change strategies that integrates people, process and content needs while also using conscious process thinking to design the change as a full stream process.

In several Shared Services implementations, we have come across an interesting disconnect in that leaders prioritize project management over change management. When change fails, it is usually because its impact on the individual has not been taken into account.

But while there are many similarities between project management and change management (both are used to implement successful projects, both use a process, both use a set of tools), there is one major difference: while a single resource (a project manager) can do the activities associated with project management, it takes more than just a change management team or team member to effectively manage change.
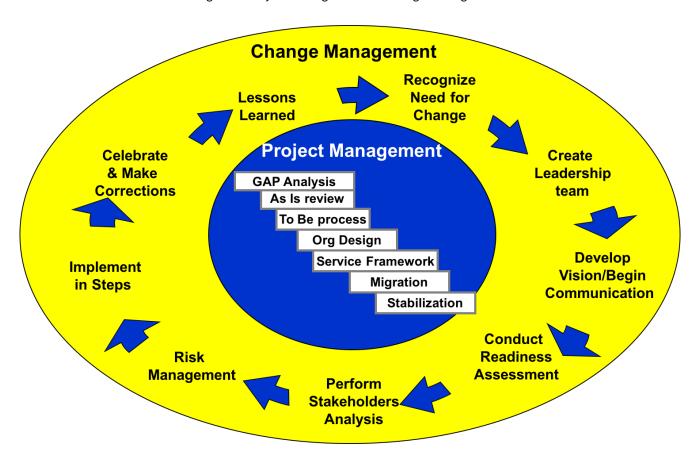
Figure 1. Project Management vs. Change Management

Change Management

Lessons Learned

Recognize Need for Change

Celebrate & Make Corrections

Project Management

Create Leadership team

GAP Analysis
As Is review
To Be process
Org Design
Service Framework
Migration
Stabilization

Implement in Steps

Develop Vision/Begin Communication

Risk Management

Conduct Readiness Assessment

Perform Stakeholders Analysis

In change management, processes and tools are applied by key individuals in the organization including executive sponsors, managers and supervisors, employees and the project team. The change management team enables the other actors or participants. Change management, in other words, is the implementation of processes and tools that are applied by key players. A growing body of data shows a correlation between the success of a change initiative and how well the people side is managed. Unfortunately, when budgets and schedules are squeezed, change management is often pushed to the bottom of the priority list.

Below we highlight the need for change, how to set up a change management team, preparing for 'readiness', and managing stakeholders.

1. Need for a Change

First of all you need to understand why you want to move to Shared Services. Based on that 'need', you can start building a vision that will communicate these reasons to stakeholders. This also marks the starting point to implementing change management. How best to apply change management will vary depending on the context of the program itself. Some differentiating aspects include:

- **The overall strategy of the Shared Services program.** Change management will vary based on business driver(s) for Shared Services. For example, not all Shared Services programs are driven by cost savings objectives.

- **The program's position within the overall scale of change.** Some Shared Services are implemented as standalone programs; others are coupled with larger efforts, such as organization/workforce transformation or an ERP implementation.

- **Location Analysis for the Shared Service Center.** Considerations here include whether a greenfield or brownfield location strategy is being adopted, and whether the Shared Services organization will be onshore or offshore.

- **The composition of the workforce.** Different factors come into play depending on whether the workforce will consist primarily of new hires or existing employees who transition into the new Shared Services organization.

- **The scope of Shared Services.** The services provided and customers (both internal and external) served drive the governance model. Multifunction Shared Services capabilities can add complexity, as well.

The above elements will drive the details of the change management program relating to communication planning, change events, sponsorship, training and employee preparation. For example, if an ERP system is implemented in addition to Shared Services, employees will need to be trained on the new system as well as the new Shared Services processes. If a greenfield site is part of the overall strategy, additional work must be done to address the impact on existing jobs while building the new Shared Services organization
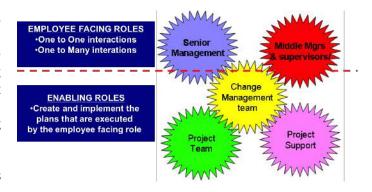
2. The Change Management Team

Figure 2 Typical Change Management Team

From the highest levels of leadership to front-line supervisors, effectively managing change requires a system of actors all moving in unison and fulfilling their **particular roles** based on their **unique relationship** to the change at hand.

Figure 2 examines the five key change management roles:

Senior managers must be active and visible throughout. Employees usually want to hear from someone at the top.

Middle Managers and Supervisors are close to the action. It is their teams that live through the change. The attitude and actions of managers will show up in their people - whether that is one of support or of opposition.

The **project team** is tasked with managing the technical side of the change. These are the people who design how things will be done differently.

Project support functions bring expertise in a particular area. They include: HR staff, Organization Development staff, Training specialists, Communication specialists, solution specific Subject Matter Experts, etc.

Finally, the **Change Management agent** is responsible for a structured change management methodology and formulating the strategy on who will be impacted. Change managers ultimately work through others. They play the role of enablers, creating easy-to-implement plans and supporting the executives, senior leaders, middle managers and supervisors throughout the organization.

3. Change Readiness Assessment

Before beginning any Shared Services work, the team needs to understand the organization's willingness and capacity to change, so part of the assessment includes interviews and focus groups with key stakeholders. Employees' willingness to change determines how quickly and thoroughly a team or organization can move forward. The Change Readiness Assessment diagnoses willingness to accept new and different processes, customers, ideas and more. Successful change management starts with an assessment along three dimensions:

- **Creating the Pull.** Do key stakeholders understand the need and feel motivated to change?
- **Supporting the People**. Are organizational and stakeholder goals aligned to enable successful movement towards the change?
- **Managing the Process**. Can you leverage project and program management tools to plan, execute and monitor the change?

By assessing and understanding an organization's readiness for change, leaders can identify potential roadblocks, strengths and best practices.

4. Stakeholders Management

In implementing Shared Services, several people will be affected, including those with the power and influence to block it.

Stakeholder management is a technique that allows you to identify the key stakeholders in your project, understand their power and interest in the project, and develop a plan to win their support. There are two major elements to Stakeholder Management:

Stakeholder Analysis: a technique used to identify the key people who have to be won over. The first step is to identify who your stakeholders are. Think of all the people who are affected by your work, or have an interest in its successful or unsuccessful conclusion

Stakeholder Planning: In this next step, the idea is to work out stakeholder´s power, influence and interest, so you know who you should focus on so that you can win their support. Record this analysis on a stakeholder map so you can segment your stakeholders in different groups that require different communication plans.

This will help you understand how stakeholders feel about and will react to Shared Services. It will also show you how to engage them in your project and how to communicate with them. By setting up meetings with key stakeholders directly you can ask their opinions and views. This is extremely important as you can react proactively in building a change management plan to gain people´s support.

Final Thoughts – Hands-on Solutions for Change Management

Employees directly impacted by a Shared Services program don´t usually accept change when the program most needs them to be engaged.

Managers get frustrated, on the other hand, because they may feel their requirements or needs are not being met while they are still being asked to help create a "solution" that they haven't bought into yet.

Create a shared vision

Define common needs and drivers at the start of the project. This should be the starting point to build sponsorship and communication plans. There may be occasions when operating units will make a solid argument to keep their functions decentralized. In these situations, it is critical that you stick to the global vision and not allow deviations from it.

Stick to the plan, there is no turning back

One of the messages that sponsors must reinforce at all times is the organization's strong commitment to the program. This helps employees develop the solution rather than just raising issues. If sponsors are not delivering consistent messages and maintaining commitment, the program will not succeed.

Share information sooner rather than later

There are always concerns in terms of what to communicate and when to communicate it. While it is important to be open and honest, organizations will want to avoid creating unnecessary uncertainty about job restructuring. A solid and thorough communication plan will identify audiences, messages and timing throughout the project. Leaders should not "hide the elephant" but maintain transparency and gain organizational support.

Two-Way Communications

Communications need to be managed both ways. The communications plan should offer multiple options for employees to communicate back to the Shared Services team, as well as the Shared Services team to communicate to employees.
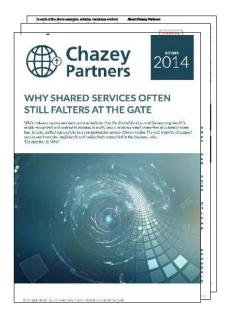
Summary

A Change management program plays a significant and critical role in a Shared Services' success. Without a planned change management plan, Shared Services implementations can take longer than expected and companies may not be able to achieve the targets originally defined in the business case. When weak or absent, Change Management is credited with being the most common cause of unsuccessful Shared Services implementation.

Change Management is absolutely critical to the success of a Shared Services project.

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What Causes Shared Services to Fail?

While industry reports seem to indicate the Shared Services model is widely recognized and applied, in truth, only a small segment of the total potential work has, to date, shifted successfully to this model. The vast majority of support services remain inefficiently and ineffectively embedded in the business units. The question is: Why? This report evaluates reasons for Shared Services failing to take hold, and drills down into some of the root causes. Click here to learn more.

3 Key Factors to Effective Change Management in Shared Services

Change is a constant – in fact, it's often a simple matter of survival. But the best-laid transition plans can and will fail if you overlook the "how" and the "when". Our six-step methodology will keep you on track, as long as you remember three key factors… Click here to learn more.

Design a Service Partnership Agreement for your Shared Services

A successful client relationship is built on understanding client expectations and being upfront about your requirements to deliver against these expectations. Today, SSOs are relying on interactive and two-way Service Partnership Agreements to lead the way. Click here to learn more.

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