

Shared Services Generating Value for Business

Interview with *RALF P. THOMAS*

Siemens AG, Sector Industry

This interview explores the customer point of view on Shared Services Organizations (SSOs) and was conducted with Dr. Ralf P. Thomas, Chief Financial Officer of Siemens Sector Industry – which is one of the world's leading suppliers of innovative, environmentally friendly products and solutions for industry customers. More than 100,000 employees in this Sector generate a business volume of around 20 billion Euro and enable a leading market position. The Industry Sector of Siemens is one of the key customers of Siemens Global Shared Services and supports the idea of centralizing specific processes in order to generate value for the entire Siemens company.

This interview specifically focuses on two of the three development phases of captive Shared Services Organizations: The “bundling phase” to gain speed and volume and the following “optimizing phase” to systematically harmonize and automate processes. The interview takes the customer's perspective into consideration including perception, expectations and ultimate satisfaction towards a Shared Services Organization.

During the last decade, Siemens built up a Global Shared Services Organization which at the time of writing comprises approximately 6,000 people in all Business Lines, thereof roughly 2,500 employees in the area of Accounting & Finance Services.

Where do you, as the Chief Financial Officer (CFO) of the Siemens Sector Industry, and thus one of the key customers of Siemens Global Shared Services, see the main benefits delivered by a Shared Services Organization for your business?

Shared Services Organizations are commonly set up to deliver transactional services to multiple business units or functions in a consistent and standardized manner. In doing so, captive SSOs, as applicable in the *Siemens* environment, let us – the business units – benefit from four key aspects:

- Firstly, referring to the financial perspective, SSOs achieve cost reductions by bundling administrative processes. The centralization of these repetitive activities not only results in economies of scale due to the high volume of activities, but can also be leveraged by transferring certain activities to locations with higher cost-effectiveness. Further, a bundling effect is achieved by efficient allocation of tasks amongst the employees of the SSO also having a view on the critical mass aspect.
- The second benefit of SSOs is to deliver high quality in administrative support processes. By reorganizing especially transactional, repetitive tasks into a Shared Services environment, process optimization can be implemented in a more effective and efficient way. In short, the quality of support services is expected to increase considerably since a selected organization exclusively focuses on these support processes and further actively improves them.
- This automatically leads to the third benefit of Shared Services Organizations which is the fact that the SSO takes over non-core tasks from us, the business units. In doing so, our focus can be exclusively on our own core business. This certainly implies a relationship of trust; although mainly administrative tasks are transferred to the SSO, this still represents a great portion of responsibility that is being handed over as well, e.g. as seen by the transfer of crucial closing activities. As a consequence, the collaboration between the Shared Services Organization and the business units' needs to be very transparent including various routines, tools and other means of interaction amongst the involved parties and a continuous open dialogue on the actual service delivery, especially on the management level.
- The fourth benefit for the customers of a captive SSO is the transparency gained by bundling certain tasks in a selected place. Especially from a compliance perspective, it is an indispensable value for any company to ensure relevant guidelines are being adhered to in a single place rather than in various different locations.

Taking all four benefits into consideration and looking at the SSO from a company perspective, the ultimate value of Shared Services is to provide an “umbrella” under which specific processes are standardized and harmonized in a systematic and professional way, speaking a common language and adhering to the relevant legal frameworks and to company guidelines. In doing so, cost reductions can be achieved that are directly handed back to the business units.

The strategic roadmap of Siemens Global Shared Services foresees different development phases, starting with “lift-drop” and the bundling phase and after this the “change” phase mainly driven by a comprehensive process optimization program. Referring to the first phase – the bundling activities – Siemens has been undergoing a major transformation project for its finance processes.

Looking at the project Finance Bundling, how did you perceive this finance transformation from a customer perspective?

“Finance Bundling” can be considered as one of the major change projects within the entire *Siemens* history. Calling it a “finance transformation” only vaguely describes this massive project where a key factor for success was to provide the necessary manpower to make this change happen. Within project Finance Bundling, transactional accounting tasks were transferred to the Shared Services Delivery Centers around the world while at a Cluster level selected services were integrated into a new cross-border Cluster organization.

In short, it was a project involving various different stakeholders – and of course the key target was to achieve a relatively high satisfaction level amongst all concerned parties. This pluralism of interests was very complex to capture in the first place. After the different stakeholders’ interests were identified, the next challenge was the “alignment” and thus developing solutions which satisfied all parties involved; hereby quality was always our top priority.

Consequently, project Finance Bundling was extremely interdisciplinary and the following parties in particular had to closely interact with each other in order to guarantee the overall success of the project:

- The “Governance” side, represented by the *Siemens* Corporate Finance department, providing the framework for the project, i.e. split of activities, guidelines, rules of collaboration and leading the project with a clear mandate by the *Siemens* Managing Board.
- The “Shared Services Organization”, which had to guarantee the resources and the organizational set-up in the Centers to efficiently execute the transferred accounting processes.
- The “Customers”, and thus the “activity donating” entities; people affected by the change had to be informed upfront and motivated to ensure the required degree of collaboration, particularly when it came to handing over selected processes to the SSO.

The outlined parties had to collaborate closely on the one hand, and on the other systematically handle the following critical areas:

- The “Processes Management”, representing the basis for standardization, also meaning a very detailed interaction with existing business processes, preparing them in a way that standardization is actually possible.
- The “Management of Enablers”, where the priority lies on IT, is a major task for *Siemens* with more than 200 ERP-systems and hundreds of other applications at the beginning of the transformation. The impact of IT must not be underestimated and is crucial for the implementation of process workflows, process standardization and automation.

- The “People Management”, which is one of the key factors in service business, with the explicit focus on winning the right people and retaining them, since “things are getting done by people”.

To conclude, project Finance Bundling was definitely a challenge for all parties involved and it was only possible to succeed by taking all interests and perspectives into account, and the solution was one of a closely collaborating finance community built on trust.

The “lift-drop” phase is considered as the key element for a Shared Services Organization to gain speed and volume to become a global finance Shared Services Organization.

In your opinion, how were the major challenges handled in this phase and is there anything you would recommend to an organization undergoing the same journey?

As already mentioned above, it is essential for the success of a change project such as Finance Bundling to have a clear project set-up in place involving all major stakeholders, especially the management level concerned. Without a clear statement by our Senior Finance Management Team and the company CFO the actual change would not have been executed in such an effective and fast way. This means, the top level mandate was elementary to not only initiate the project but also to “follow it through” and successfully realize the transition projects.

Further, project management combined with a strict tracking of milestones and the overall progress of the project are key factors for success. Every project of this size has at least some stakeholders doubting the success and benefit of the change. Therefore, consequent project management and controlling as well as effective risk management need to guarantee transparency of progress. As a consequence, those in doubt of the overall benefit can be constantly informed about the milestones achieved and the results of cost savings for the company. And, extremely important: priority number one was quality, always!

This again takes us to the “people” factor of this business. *Siemens* as a huge conglomerate company sells industrial automation systems, turbines, trains, infrastructure solutions etc. but at the same time *Siemens* employing around 360,000 people around the world is a social system, too. The immanent diversity can only increase efficiency and effectiveness if all people concerned “pull the same rope in the same direction”. For Global Shared Services, it was a huge management task to coordinate the growth of this organization in only 1.5 years and ensure service delivery at agreed levels. In particular with regard to the capability of the Shared Services Accounting & Finance Organization, doubts were raised and quite a few stakeholders were uncertain if the *Siemens* SSO would actually be able to manage this role.

Looking back on more than 300 successfully realized transition projects and the high number of employees in new Shared Services functions, from a customer perspective it can be stated that the “lift-drop” phase has been efficiently handled and this was mainly due to systematic project management and the ability to show and prove progress at any point of time.

Now the expectations towards the Shared Services Organization are to fulfill the next step of the Shared Services journey and to ensure a systematic optimization of processes by leveraging standardization, harmonization and automation of processes.

A classic move for a Shared Services Organization is the step from bundling to actual process optimization to get to the next level of Shared services maturity and productivity. For this “change” phase Siemens initiated the so-called “Process Improvement in Accounting” (PIA) program.

How would you evaluate this step from a business perspective and what do you personally expect from this phase? How are you actively influencing this phase as one of the key stakeholders?

After having realized economies of scale out of the “lift-drop” phase and Finance Bundling, the next step is to deliver ‘economies of scope’ by realizing the promised process optimization; there is high expectations from the business side on this next step of maturity.

Over time, *Siemens* has developed a complex and heterogeneous process landscape in some parts of the organization. This was mainly due to the different business types performed as well as various merger and acquisition activities. Now that the *Siemens* internal Shared Services Organization is entering the “change” phase, it is a great opportunity and at the same time their responsibility to streamline, optimize and harmonize transactional accounting processes, e.g. by way of best practice sharing. I personally expect substantial improvements with regard to quality, speed, reliability, and cost of processes.

In taking over specific accounting tasks the Shared Services Organization has not only taken over a great deal of responsibility, but has also learned from the transitions and matured towards being a process expert in the field of transactional accounting processes. This expertise needs to be leveraged in the “change” phase: by collaborating on a worldwide basis to systematically standardize, harmonize and automate processes. For this phase, best practice sharing is essential since process experts are located around the world, not only on the Shared Services side, but also on the Cluster or Sector side. It is now in the hands of the Shared Services Organization to leverage this expertise by bringing the experts of a certain area together and give them the chance to create ideas to make processes leaner and both, more efficient and more effective.

The program mainly driving the “change” phase is PIA and it has to be implemented in a professional, structured and transparent way. This means that the approach needs to be very similar to that which has been achieved in the project Finance Bundling. Although the *Siemens* Shared Services Organization has actually proven the bundling concept, still the “change” phase needs to be confirmed step by step. Again, a systematic project and risk management and transparent tracking of progress is of utmost importance. Any upcoming issues need to be addressed quickly and in an open and honest atmosphere. Close teamwork between all stakeholders involved will be the essential element for PIA to be successful. The challenge is again the pluralism of interests and the satisfaction of all stakeholders involved. The only exception is that this time, the Shared Services Organization itself is in the driver’s seat and since accounting processes affect a variety of other business areas, there is a high number of stakeholders to be included into the change project.

Therefore, the role of the *Siemens* Shared Services Organization within the *Siemens* financial community has changed from receiving the main workload out of project Finance Bundling (“lift-drop” phase) to a more active role of professionalizing processes under the Shared Services umbrella and thereby continuously reconciling the optimization initiatives with the relevant stakeholders.

Looking at the Siemens Shared Services Organization, the bundling project has been successfully realized (“lift-drop” phase) and the optimization of processes has been initiated with the help of program PIA (“change” phase).

Where do you picture Siemens Global Shared Services in the near future? What are your expectations towards the development of the captive Shared Services provider?

The *Siemens* Sector Industry is one of the key customers of *Siemens* Shared Services Organization, specifically in the area of Accounting & Finance and is at the same time one of the sponsors of the organization. From this point of view, my personal expectations towards the development in the near future is to “harvest what we have been sowing”. This means that the split of activities as introduced with project Finance Bundling has now reached a “steady state”. The highest priority should now be ensuring accuracy in the service delivery to guarantee successful closings and bookings in the delivery centers.

The stabilization of processes is certainly not an easy task, since various different factors need to be taken into consideration; employees need to be motivated and encouraged to work for the Shared Services Organization, service delivery needs to be ensured at an agreed quality level, processes need to be systematically professionalized by standardization and automation – to sum it up, the *Siemens* Global Shared Services Organization should put every effort into using and maintaining the momentum that has been created by fulfilling the promises of process professionalization in the “change” phase, ultimately resulting in further price reductions for the *Siemens* internal customers without compromising on quality.

The overall potential is at the moment not fully leveraged since the “change” phase has not been finalized yet. Therefore, management attention of all parties involved needs to be maintained and the Shared Services Organization has to continue to prove the benefits progressively.

So the big headline for the next chapter of *Siemens’* Shared Service in Finance is spelt out easily: “Walking the talk”.

Dr. Thomas, thanks for this interview.

Finance Bundling and Finance Transformation

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