

Key slides to illustrate podcast by Ian Herbert

MARG Conference - LSE 22nd April 2010

Shared Service Centres: Maintaining Employability for the Martini workers in the hourglass profession?

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Agenda

- Introduce the wider role of finance project
 - Business transformation
 - Role of accounting and empowerment
- SSC, whatever you want it to be!
- Case studies
- The martini workers and the hour glass profession
- Careers
- Employability
- Questions

The empowerment challenge - embedding and embodying knowledge in production workers

“If we do our job properly there won’t be any need for a separate management accounting department!”

“The objective is to create resource consciousness at the point of resource consumption”.



Management Accountant talking about his department’s role in supporting empowerment (1997)

The 'Cycle of Life' - 1990 to 2009

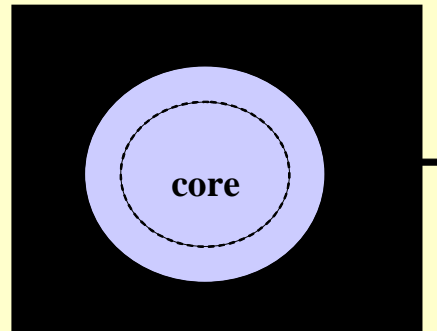
**The story of electricity privatisation
and reconsolidation**

*The further we look back in time the more clearly we
might see the future!*

Sir Winston Churchill

1. Modernisation – Lean & Mean?

1990

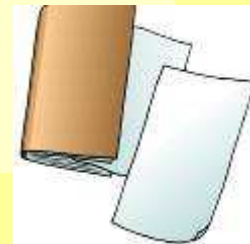


Market-driven ideology

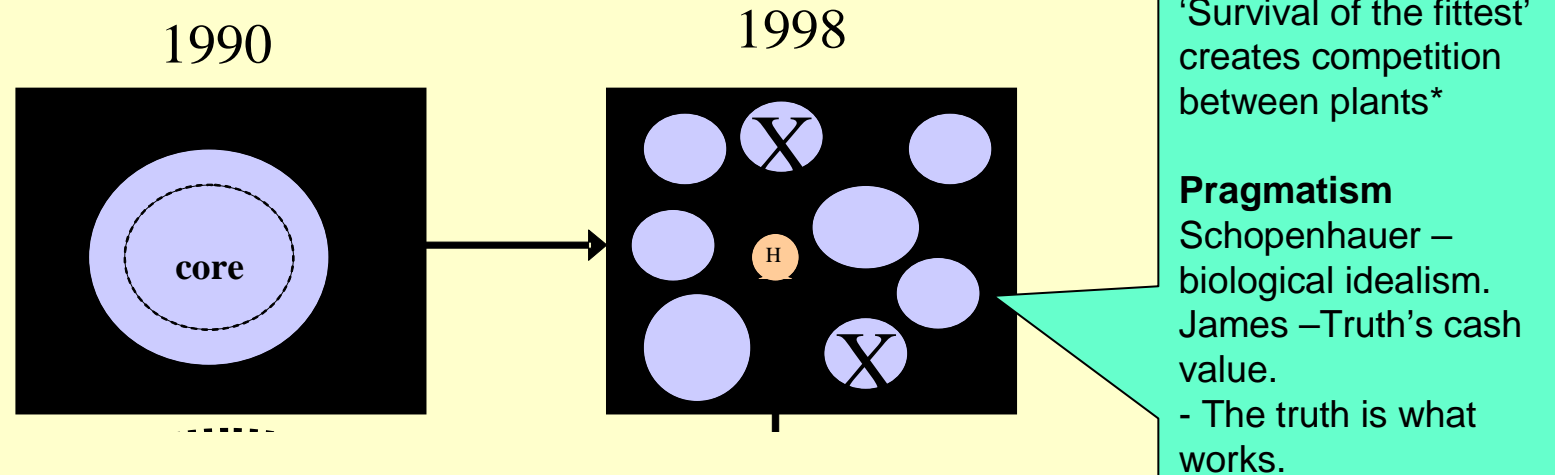
- Reduce headcount & cost
- Outsourcing
- Increase flexibility
- Culture change

Charles Handy – towards the **virtual** organisation (Handy, 1989):

- The 'donut' – focusing on core activities - the inside out organisation (ch. 5).
- The Shamrock organisation – core, part time & outsourced workers, (ch. 4);
- The 'Portfolio Career' – the self-managed career (write your own story!) (ch. 5)



2. Business transformation programme – working smarter



- New Working Practices – efficiency and effectiveness
 - De-centralisation
 - Empowerment
 - Autonomy
 - Smaller Head Office
 - SBU rationalisation
- Schumpeter – creative destruction

**c.f. Johansson & Siverbo (2009)*

Finding the balance

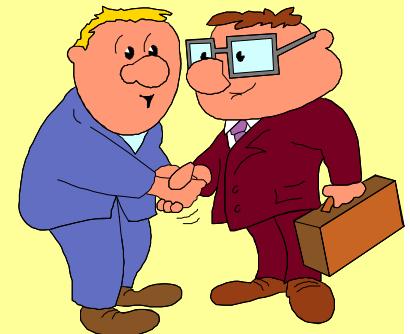
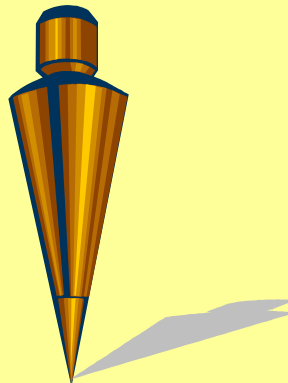
traditional style

- centralised
- bureaucratic
- structured
- = efficiency & control

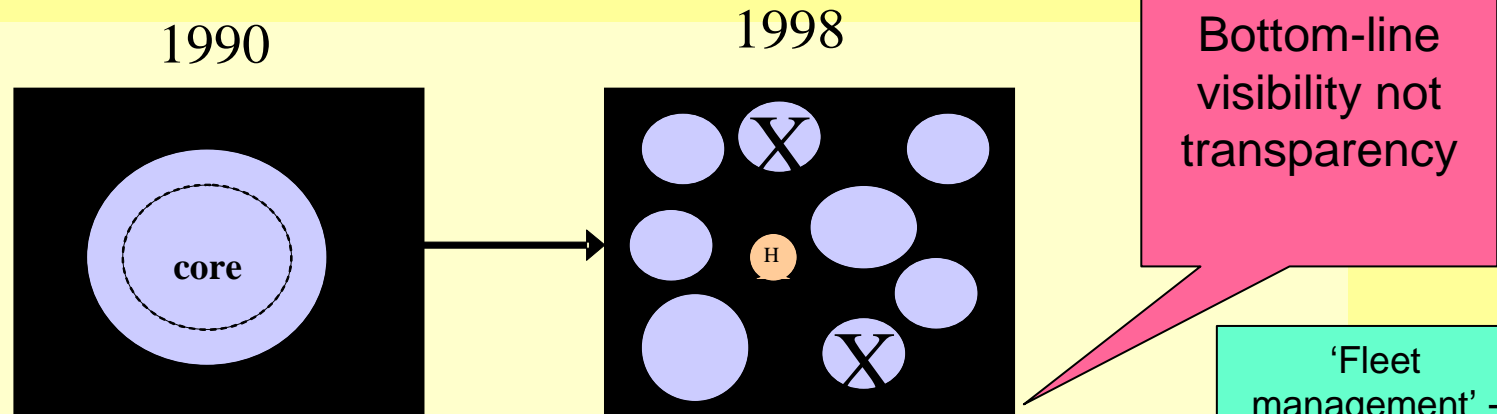
empowered

- devolved
- participative
- fluid
- = effectiveness & flexibility

x
x
x



3. Consolidation – the ‘joined-up’ company



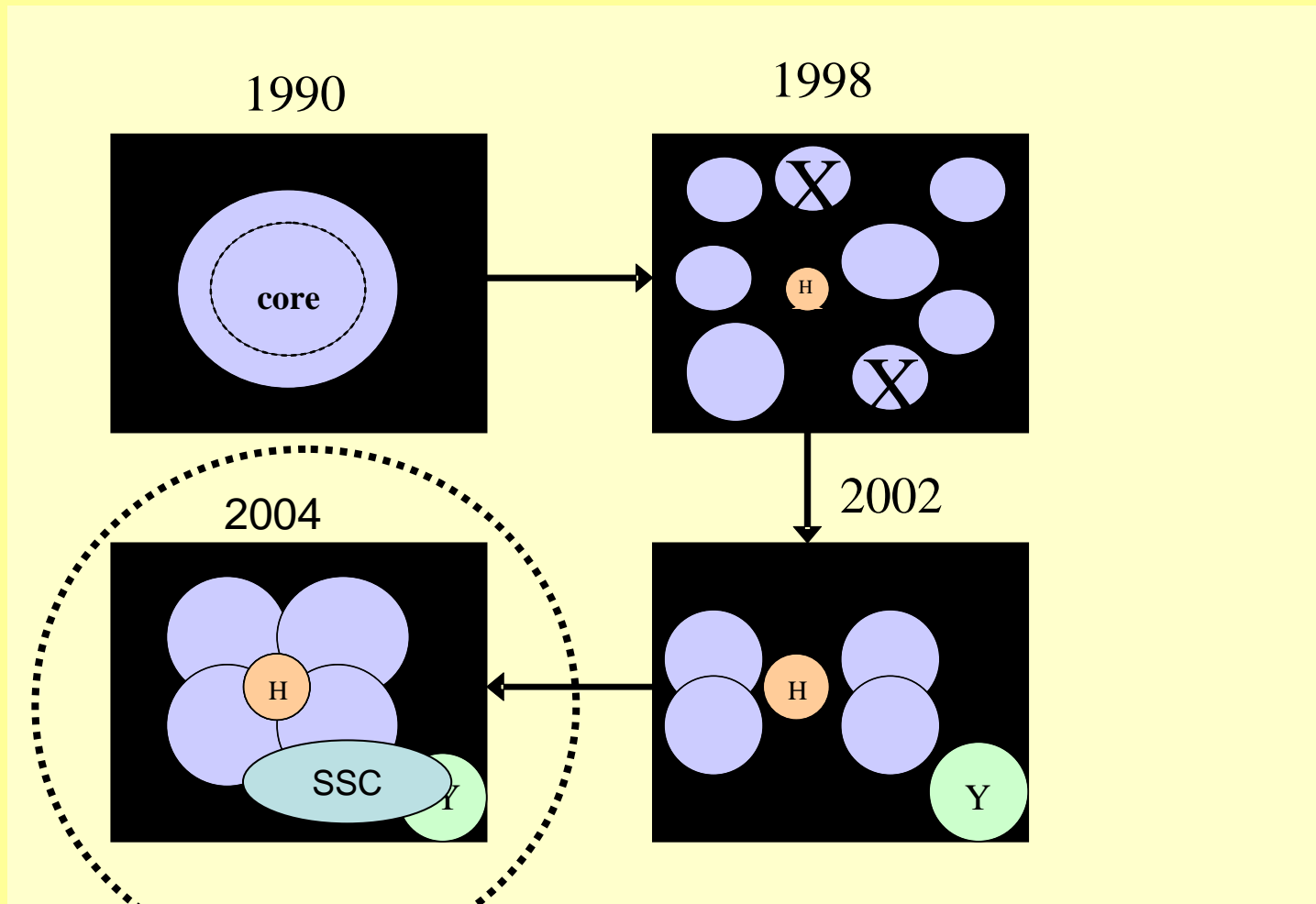
Bottom-line
visibility not
transparency

‘Fleet
management’ -
identify best
practice and
disseminate
across all plants

Need for greater efficiency
(economies of scale)

- Driven by HO
- Consolidation of like technology
- Acquisition of other energy businesses (joined up industry!!)

4. Shared Services – reduce cost through scope, scale and standardisation

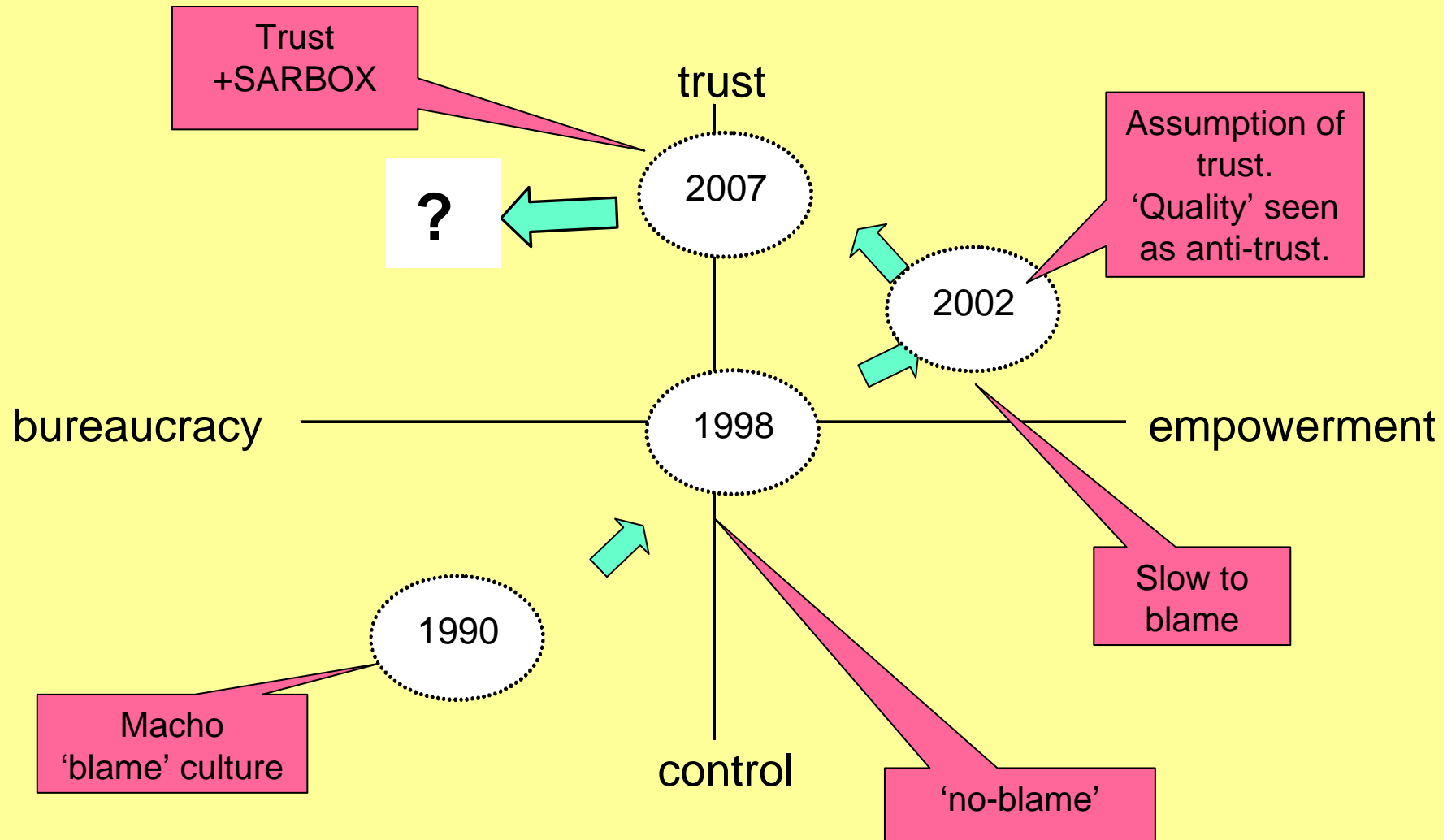


SSC reflects mature approach to sourcing – flexible, permeable, visible, transparent.

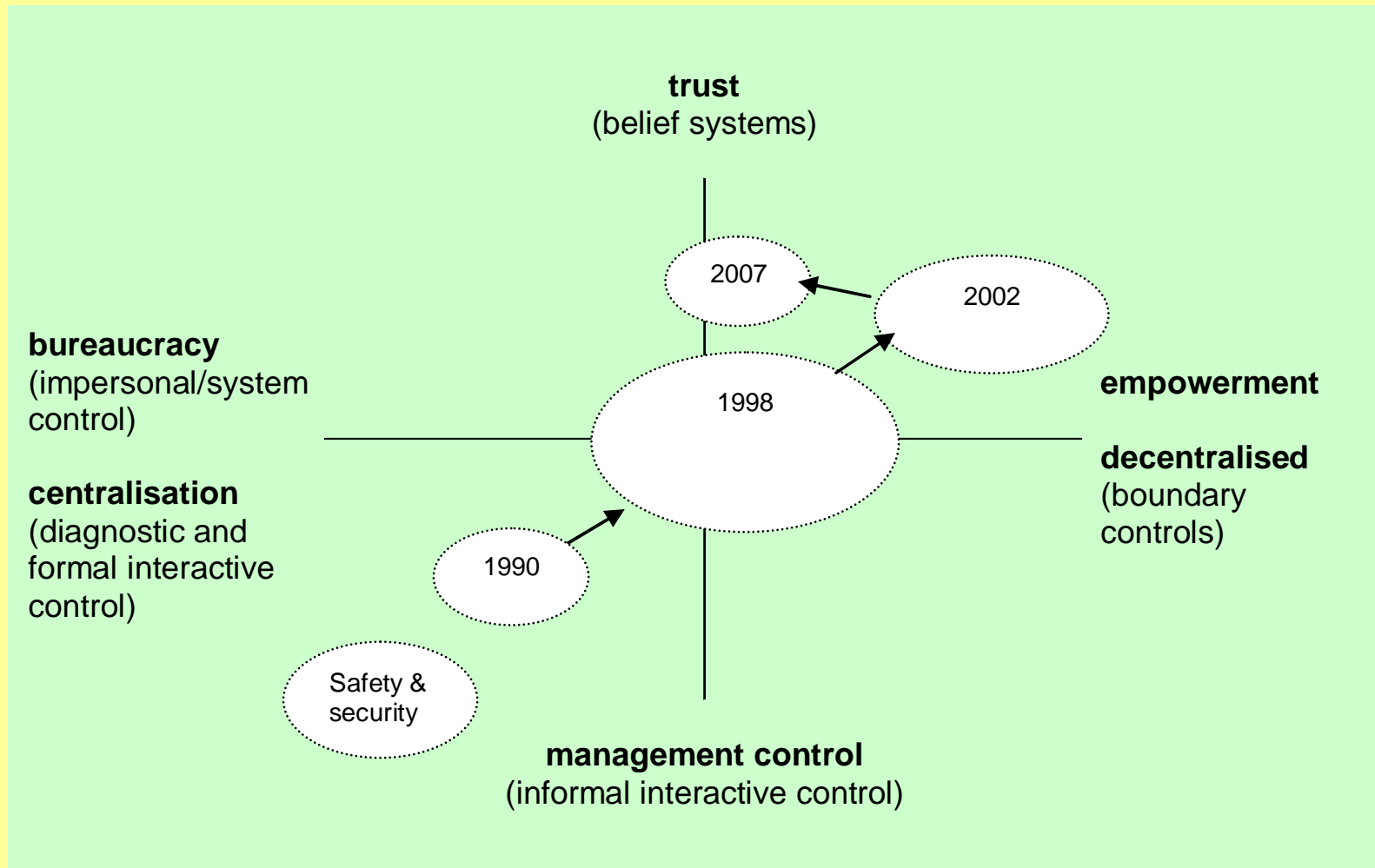
Interpretation?

- Business transformation through empowerment and the implications for management control systems
 - Simons levers of control (1995) & empowerment theory
 - *Journal of Human Resource and Cost Accounting*, (2009) 13, 3, pp. 221-244.
- Back to the future: new potential for structuration theory in management accounting research?
 - *Management Accounting Research* (2009) 20, 3, pp. 177-192.
 - With Alan Coad (University of Birmingham)

Style of management



Levers of control?



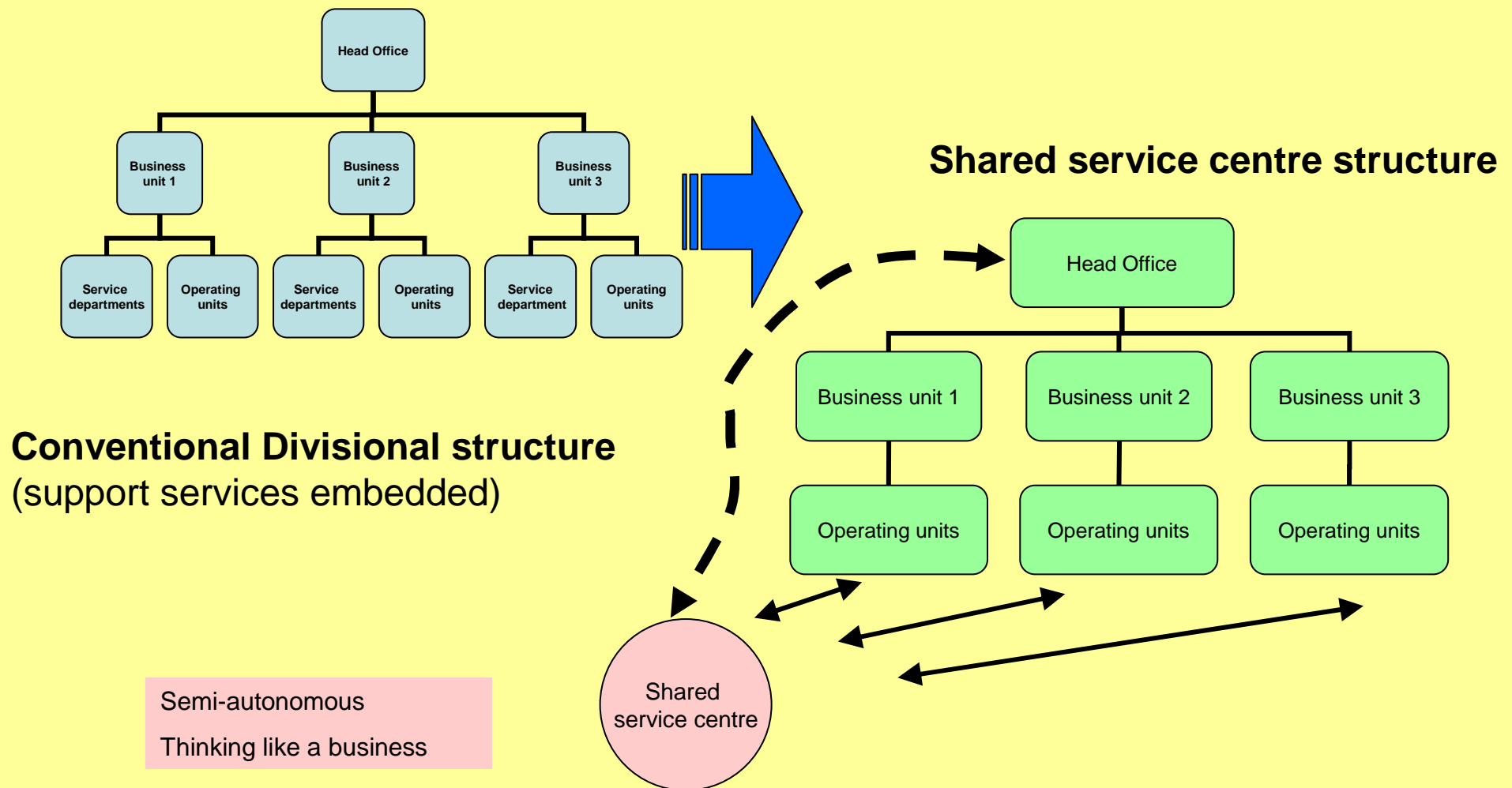
Shared Services

- Cinderella of the plot**

But a range of possibilities!!

Perhaps a 'third way'??

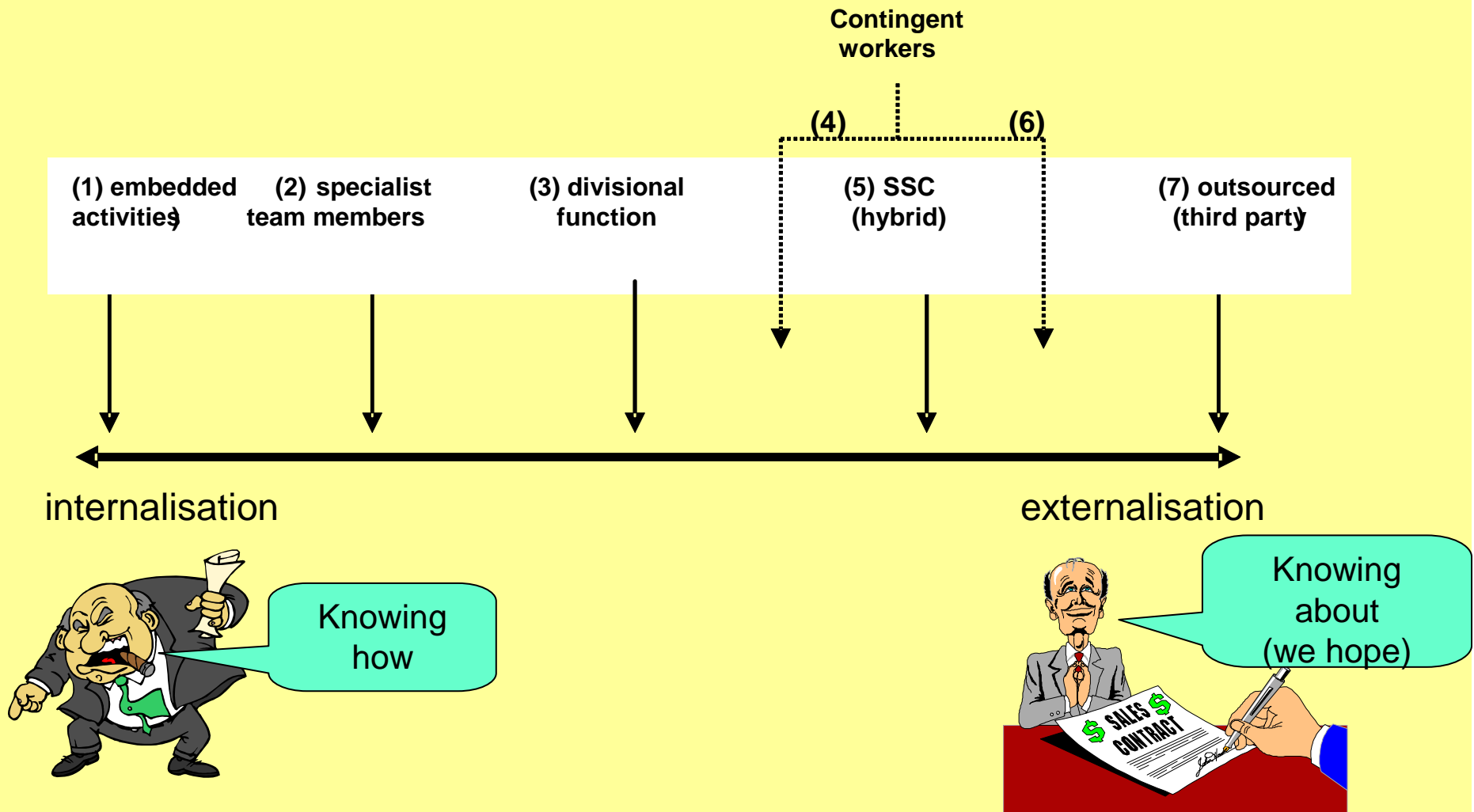
Moving to a Shared Service Centre Model



Bergeron (2003)

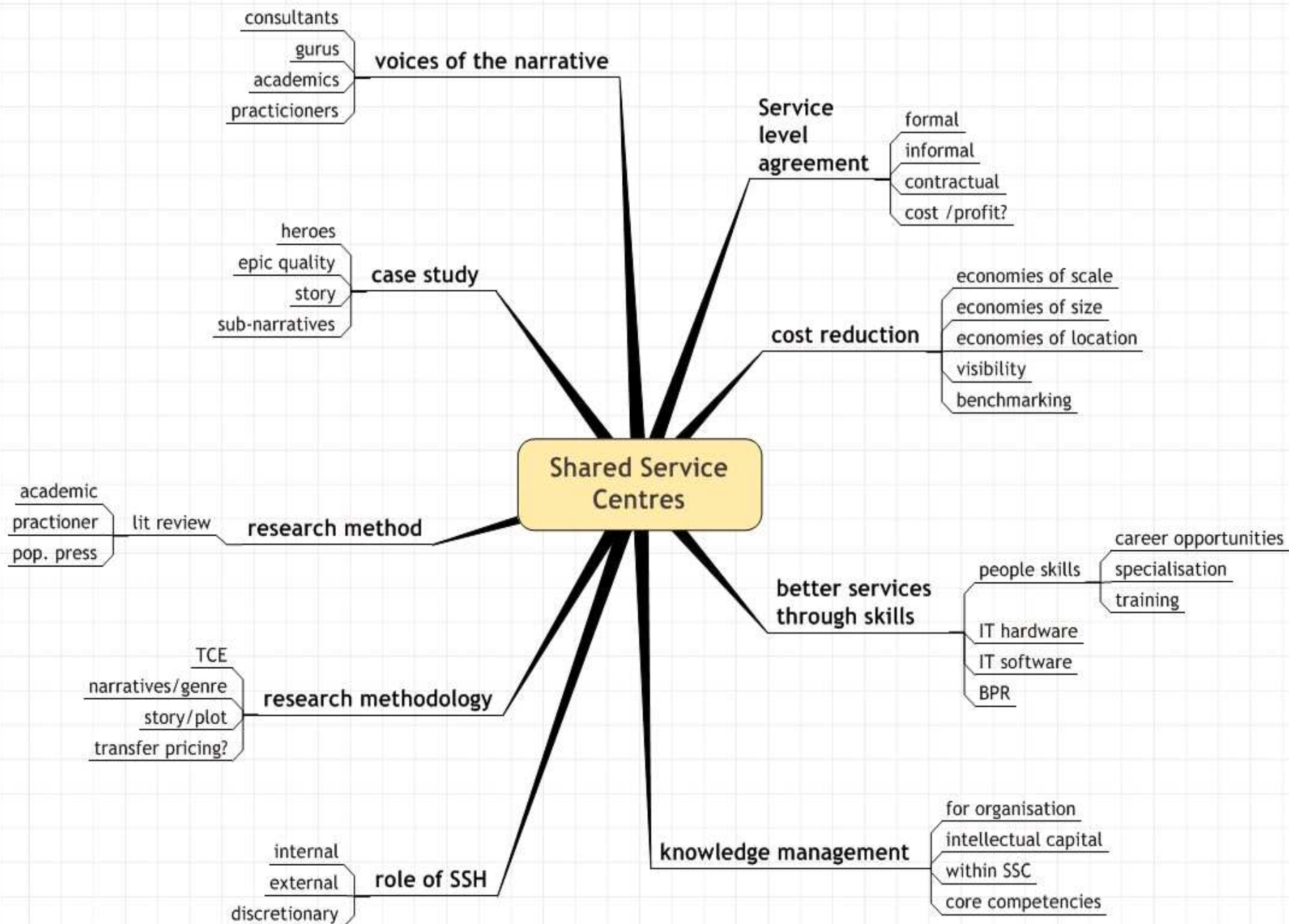
- Shared services is a collaborative strategy in which a subset of existing business functions are concentrated in a new, semi-autonomous, business unit that has a management structure designed to promote;
 - efficiency,
value generation,
cost savings and
improved service
- for internal customers of the parent corporation, like a business competing in the open market. (p. 3)

To do to or not to do? – who and where?



Towards a new business model?

- Engineering no longer THE core competence?
- Now, the ability to manage a bundle of engineering projects and liaise with the regulator is what now defines at least one part of the company. (Penrose, 1959)
- The SSC as a set of routines? Intellectual property?
- Another perspective - as an energy trading company (with the ability to generate its own power).
- The 'kingdom of engineering' has been challenged.



Shared Service Centres: Maintaining Employability for the Martini workers in the hourglass profession?

Herbert, I.P., Rothwell, A. T., and Seal, W.B.

Time-space distancing

Quattrone & Hopper (2005)

ICT (ERPs in particular)

Is enabling events, actions and people to be separated over time and distance.

This is what enables....

The knowledge economy!

Problem is though....

The only person who has to be in that particular location is the man digging the hole.

Those others could be in Poland!!

The Martini Workers!

Any time, any place, any where!

Bankco - Context

- Large international bank (commercial & retail)
- Large SSC in India (mainly transactions)
- Fledgling SSC in E. Europe (mainly specialist)
- Global operations – cost arbitrage (labour and facilities)
- Cautious development of SSC – resources pushed out in front demand
- SSC pitching for business
- Multiple sourcing
- Near front-office & craft tasks
- Cost allocation for captive employees

Glacial progress - truth is what works!

- *We favour the NSC in Eastern Europe for some of the more complex client-facing work and yes, it's drifting that way, but it's more of a drift than a conscious decision to go that way. Horses for courses, whatever works best!*
- Director of Legal Services and Compliance

- *If we'd have tried to do this onshore we'd have to employ similar graduate-level people, i.e. very good but five, six times the cost of India....*
- *But also, I don't think that we'd get the attitude or the application. Frankly, [in India] it is a good job for people and a good potential career move as well.'*

Cost savings??

- *Mixed sourcing has reduced our cost,..... we have made real headcount savings, therefore cost savings.'*
- *There was a huge element of re-engineering and establishing a proper controlled approach. Otherwise, we would by now have had to hire additional headcount onshore, perhaps twelve people overall at a serious cost.*

Other benefits??

- *‘Doing it offshore I think made it a global team and a global process..*

...There’s a lot of documentation, user guides and all that kind of stuff which we never had onshore. We’re not great at doing that kind of thing frankly, that’s not what our people feel they are paid for. So the actual process of off-shoring has put more controls in place, together with the process documentation’.

Moving along the food chain - Task profiles

Predictability



Uncertainty

Routine,
'lights out'
processing

Routine
or ad hoc if
outputs
measurable

Routine
evolving –
continual
improvement
of process

Semi-routine
(adapting –
changing
customer
requirements)

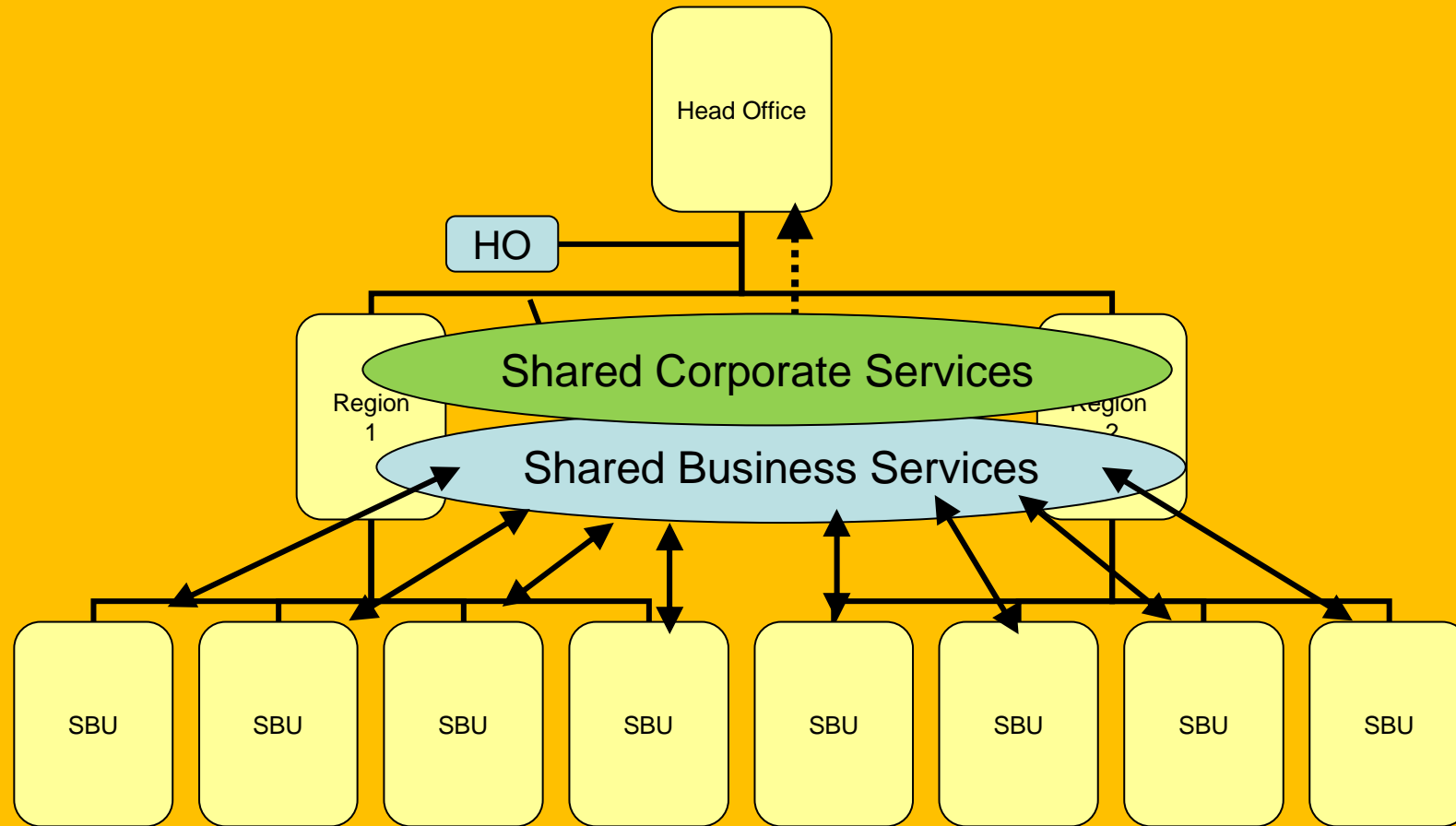
Semi-routine
but with some
judgement
required

Ad hoc
craft -
interpretation of
requirements
adaptation of
process
customisation
of outputs

Asian Perspective - Less homogenous

- Local languages and legal domiciles make it more difficult to transfer work to global shared services esp. Japan but OK Singapore and Australia, (English) with similar legal practices was now moving to the NSC.....
-albeit that time zone issues were a complication that needed to be 'worked around'.

Pharmco - Twin track approach

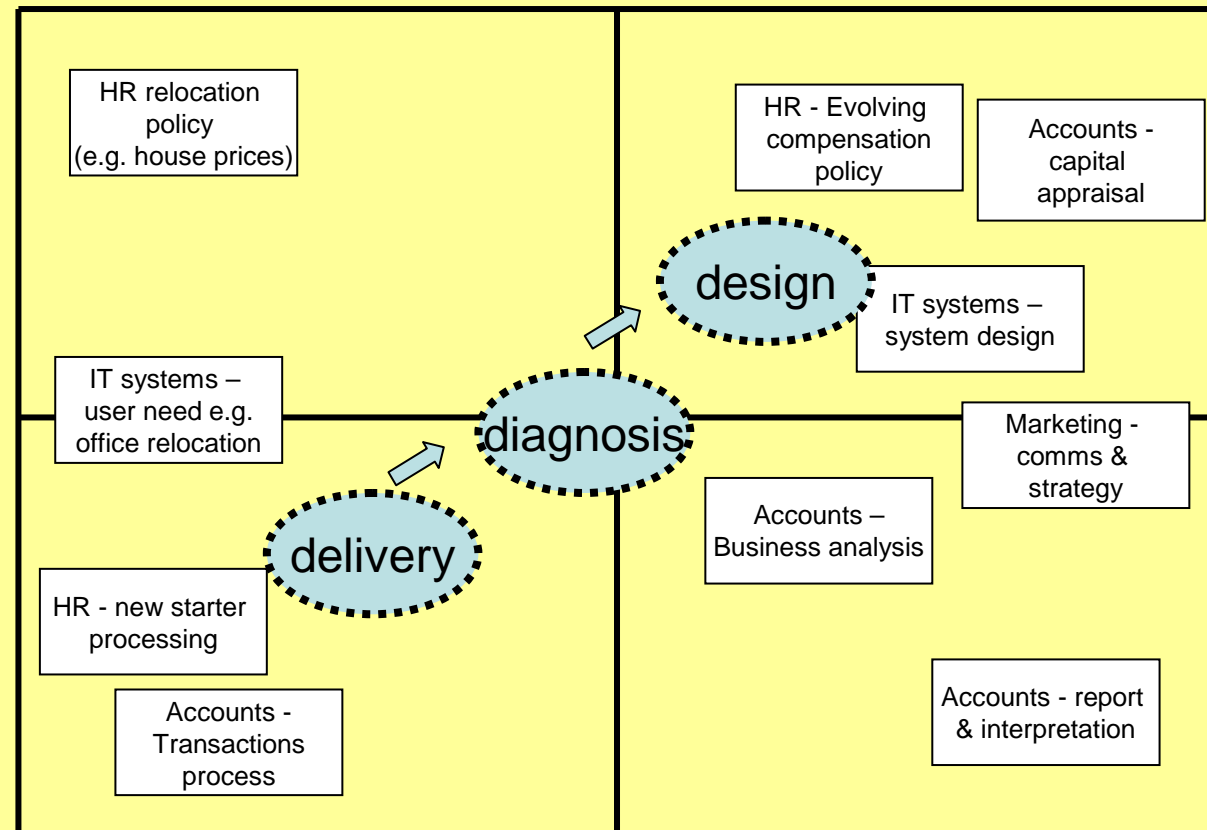


Service Dimensions

Policy

Ad hoc

Routine



Passive

Reactive

Proactive

Oilco



Oilco - On the prospects for UK graduates

- *I think there are more and more talented people invested with the experience of operating these business support processes who will eat their lunch in terms of knowing how best to design and operate a world-class process.*
- Executive Vice-President Finance

On progression..

- *The top of that pyramid is very small indeed because the organizational model, is very flat below that. So typically we have people at relatively junior levels of supervision or lower levels of management who are managing teams of 50-100 people'*

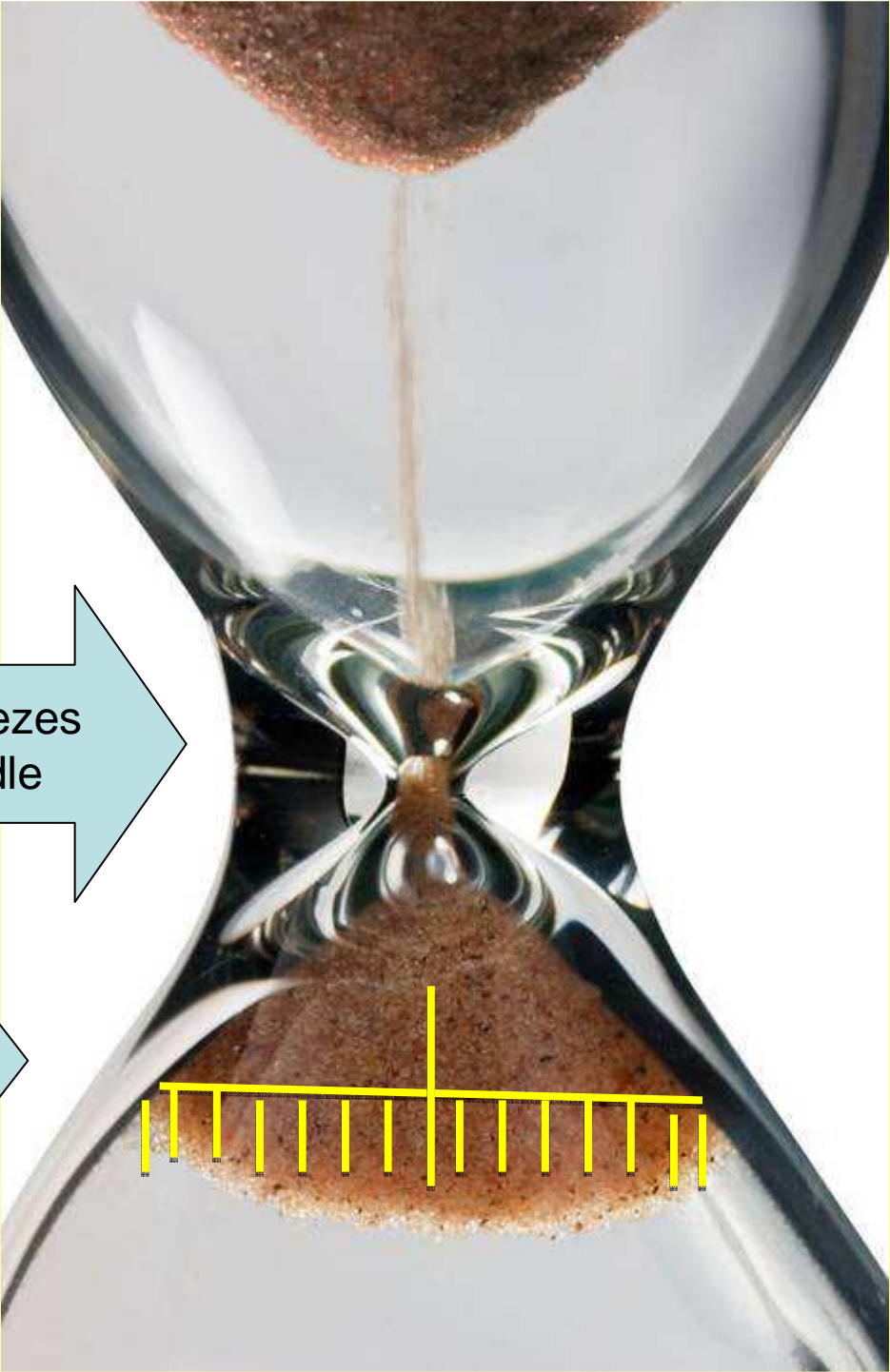
And the competition??

- *For example, people who are qualified finance graduates in Manila have no reticence in working any of the three shifts that I offer to them.*
- *I'll say 'listen I don't want you to come back to me in a year's time and tell me you've got a problem with this, I'll be completely explicit in this.*

- *And, they say. “You seem like a nice guy, but you really don’t understand. I have two other choices in life, either I go and work in the Middle East, send my money back and see my family once a year, or I stay in the Philippines where I’m well qualified but I can’t find a job because of the development stage of the economy.*
- *In the Philippines I can’t be an accountant but, if I join you and deploy my professional skills then I get personal growth.*
- *You employ me in a time period that suits you and I accept the win-win in that.”*
- *Personally, I think they would work whatever it takes.*

Implications

- The hour glass profession
- The segregated profession
- The threatened profession



BPR squeezes
the middle

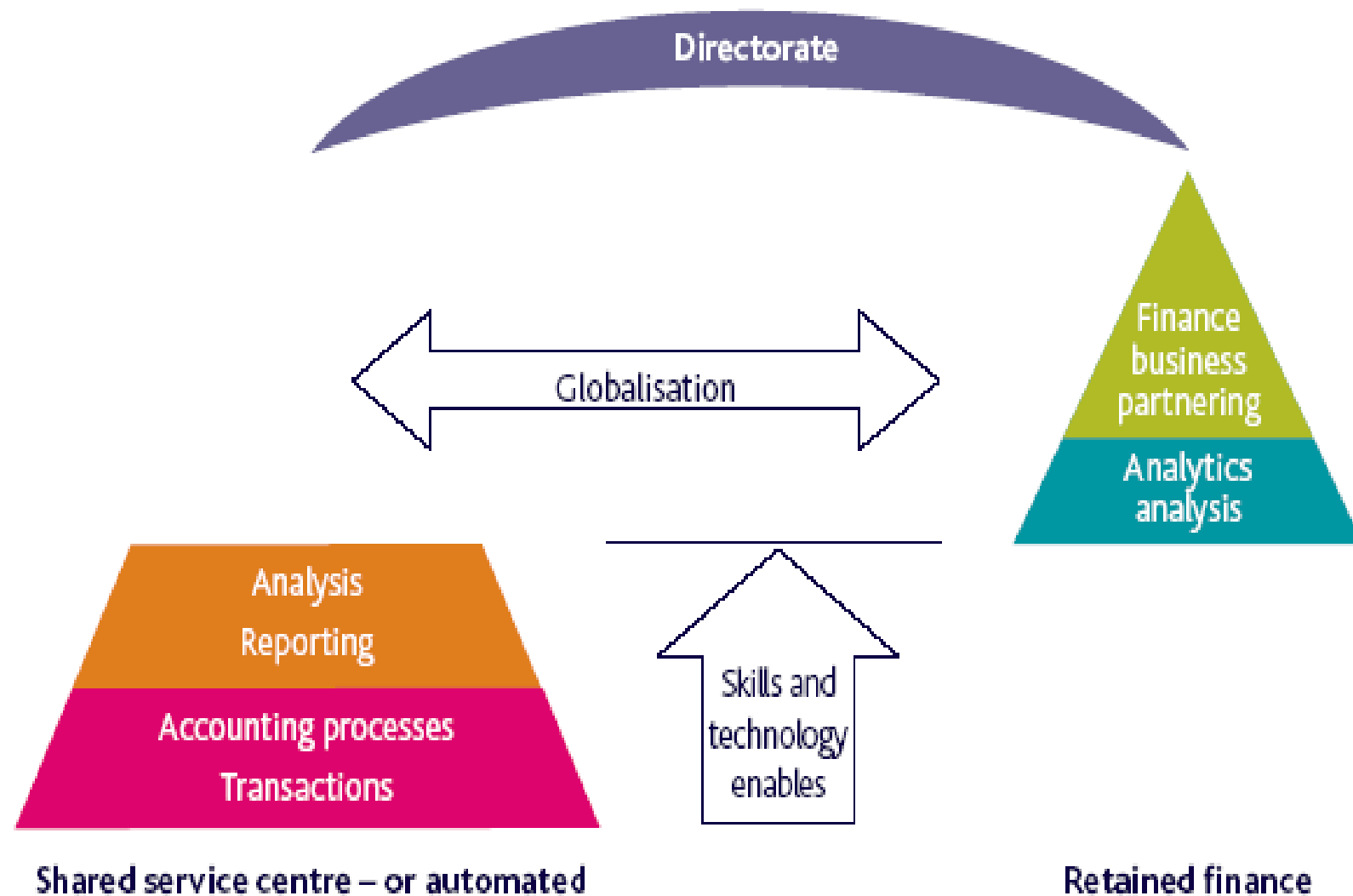
The image features a central hourglass with brown sand flowing from the top bulb to the bottom bulb. The hourglass is set against a yellow background. Three light blue arrows with black outlines point towards the hourglass. The top arrow points from the right, the middle arrow points from the left, and the bottom arrow points from the left. The bottom bulb of the hourglass contains a yellow ruler with vertical markings, indicating a measurement of the sand's level.

Flat hierarchy

Elite workers
– business facing

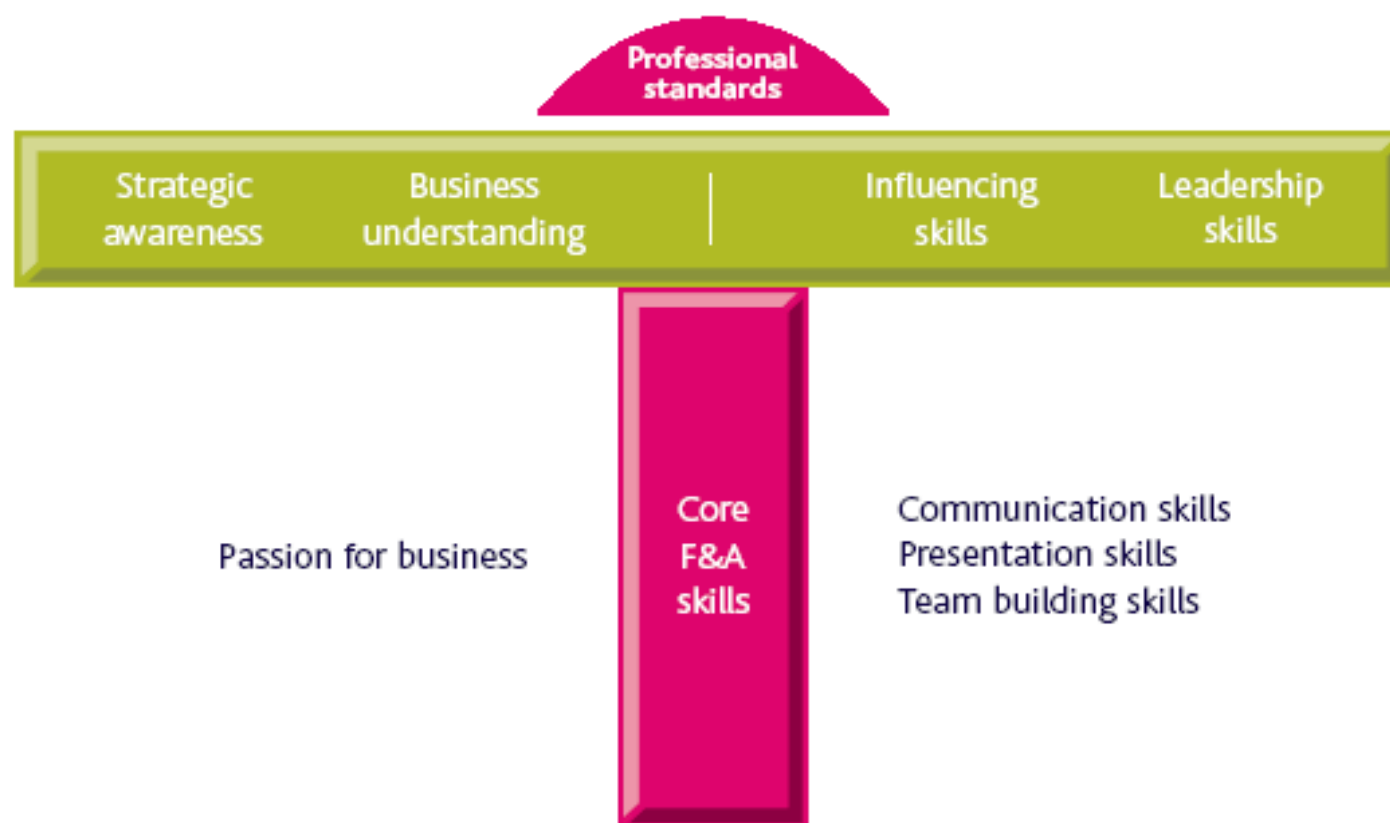
6.1 The segregation of finance

Figure 12 The segregation of finance



5.1 The T-shaped accountant

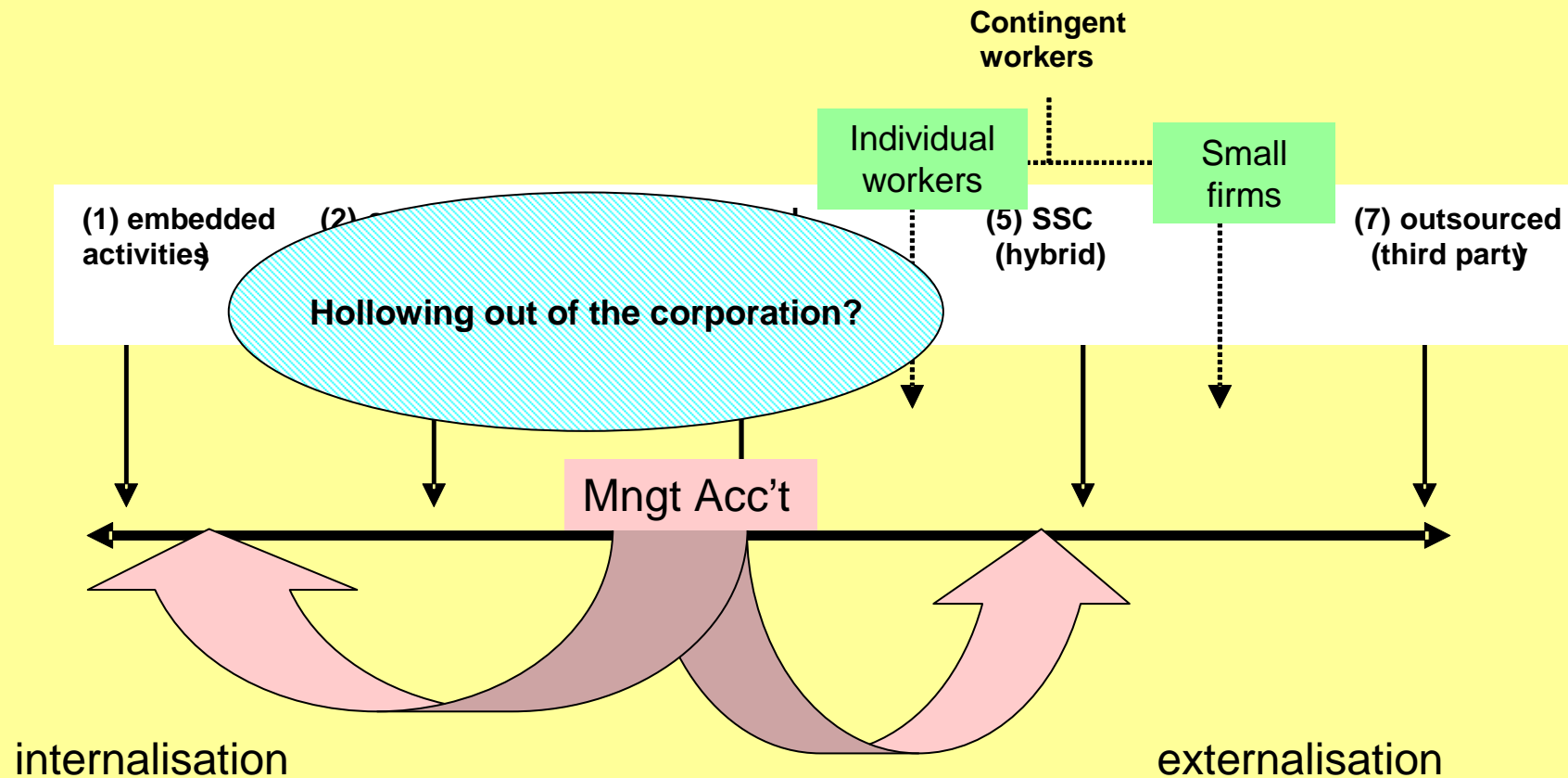
Figure 9 The T-shaped accountant



Accountants' understanding of numbers, business processes and, especially, how to manage decisions through to impact is valued.

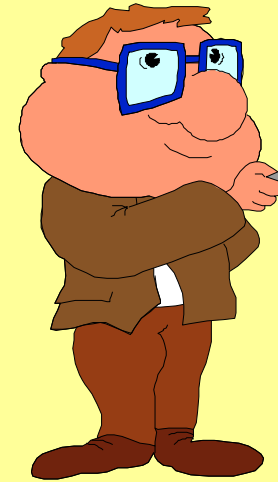
Source: CIMA, August 2008

Professional functions – who and where?



Simon et al. 1954
Sathe 1982

Implications for management accountants



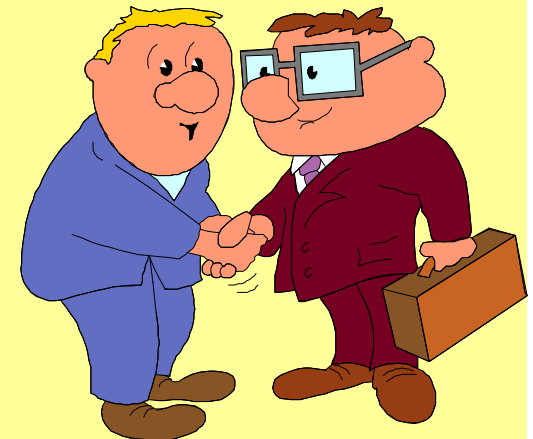
Back to front (office!)

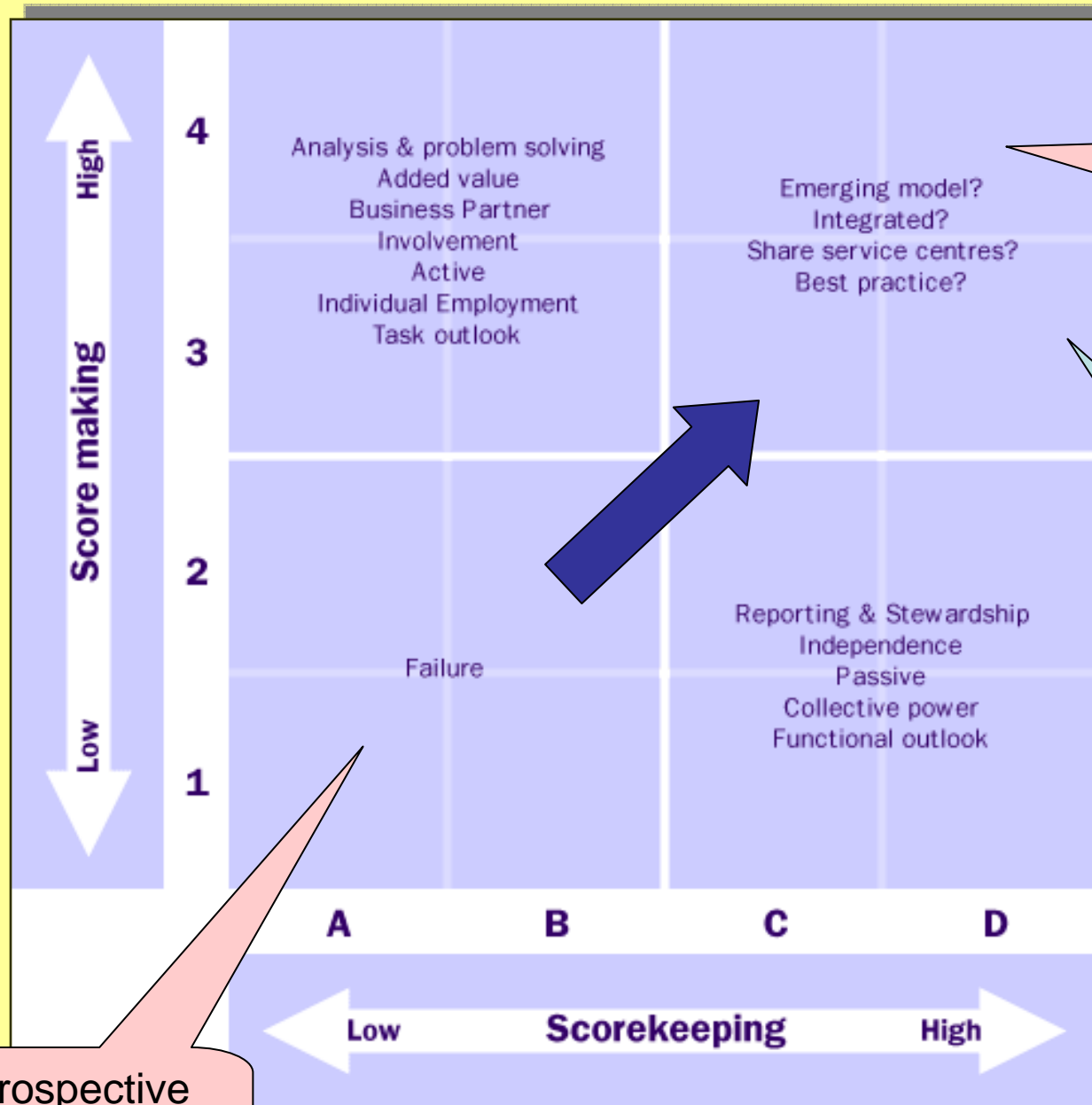
Different roles

- In SSC
 - Suppliers of accounting services
 - Specialist process designers and operators
 - As entrepreneurs
- In divisions
 - Buyers of accounting services¹ (Seal et al. 1999)
 - ‘Business partners’? ²

¹ But what skills and training?

² But what is the role?





But what is the professional territory?
And, whose is it?

SSC as a training camp?
SSC as a career?

retrospective introspection

Herbert, Murphy and Wilson (2004)

Knowledge

Significant situational knowledge required

- Tacit,
- People centred

Relatively little situational knowledge required,

- Explicit,
- Systems/process centred

Management support roles

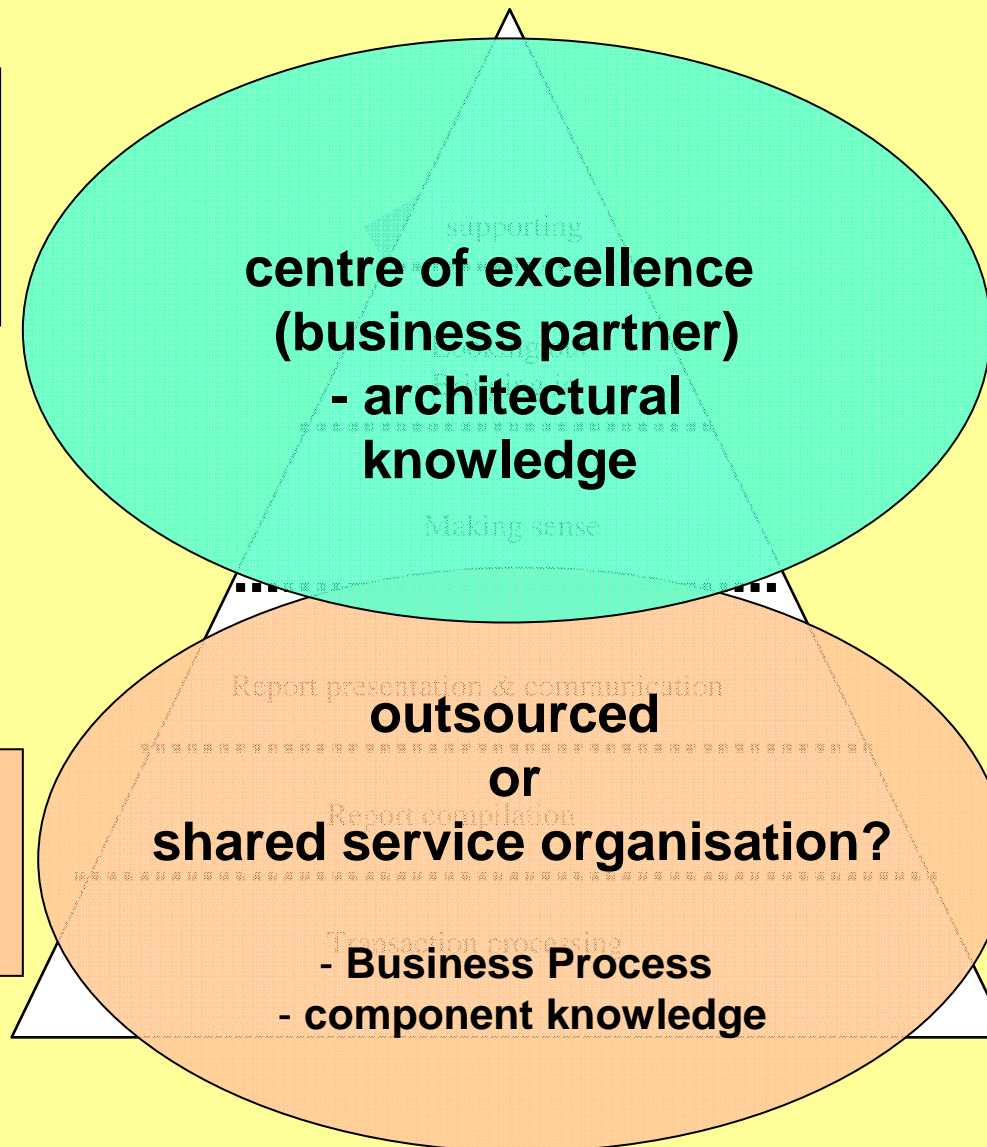
Decision support

- Feedforward control
- Scoremaking
- Ethics & judgement (Value added)

Operational management

- Feedback control
- Scorekeeping
- Attention directing

Regulatory Contract support



Challenge for MAs

- To define the professional territory
- Redefine accountancy beyond being an overhead to be cut
- Command that territory by...
 - Changing outlooks for back/front office roles
 - CPD for necessary skill sets
 - Creating an agenda for shared service developments as guiding constructs and implementation best practice.
 - Support from CIMA

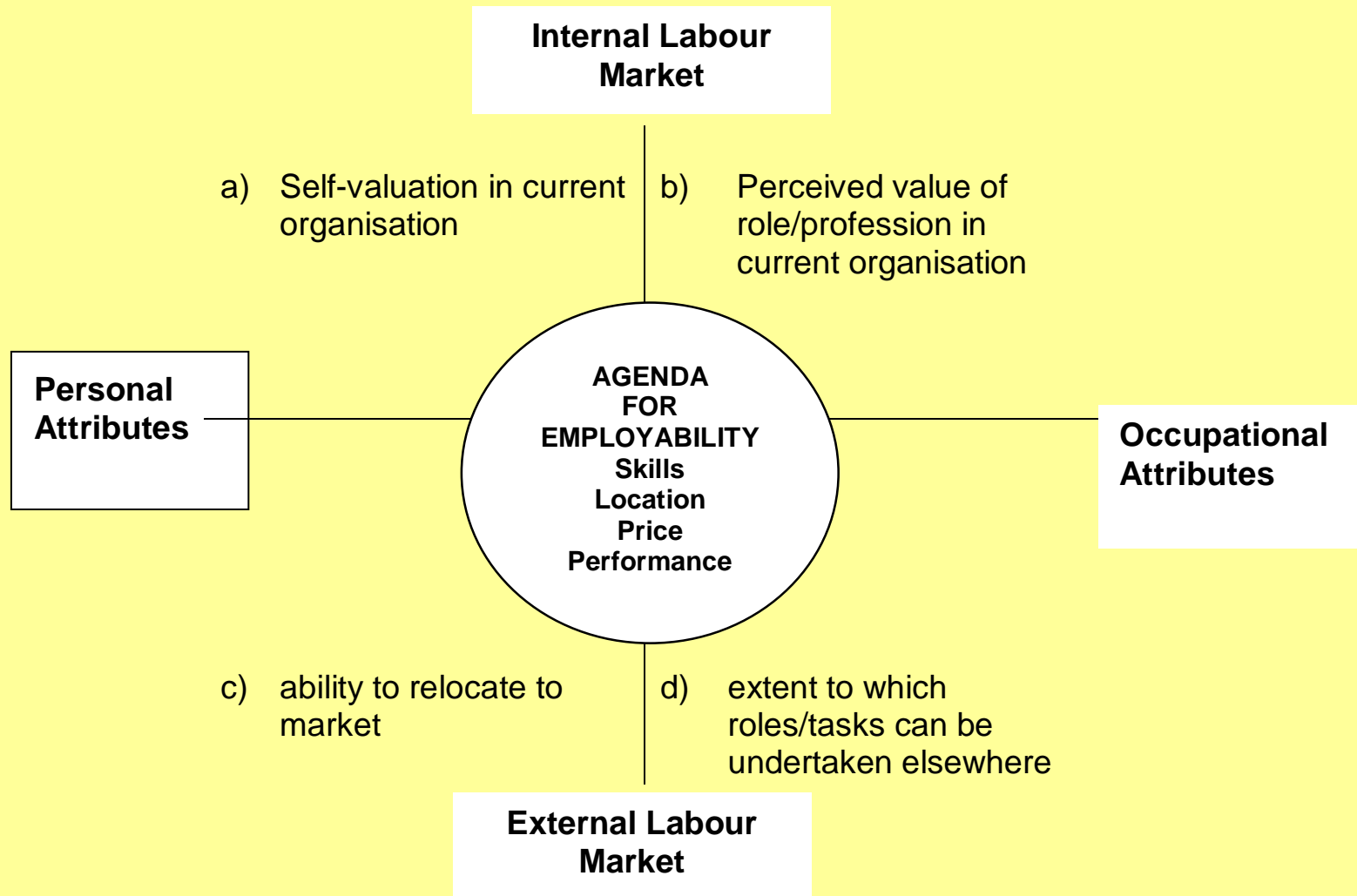
Employability: what it is and how to achieve it?

- The ability of an individual to get the job they want or to keep the job they've got'

– Herbert and Rothwell 2004

- A function now of:
 - Skills
 - Location
 - Price
 - Performance

Figure 2 Employability Perceptions adapted from Rothwell & Arnold (2007: 30)



BPR - The personal aspect?

- Flattened hierarchies,
- Constant visibility and supervision,
- Factory style working – burn-out,
- Remoteness from business,
- Flow process for SSC but micro-tasks for employees (+over specialisation),
- Commodification of labour good or bad?

Summary - SSCs

- Are simple in concept but complex in form.
- Can support reconfiguration of space and time
- Changing organisational rationale and core competence
- Changing professional territory and roles of MAs?
- Employability and careers of individual MAs