



# Driving performance

In the latest in a series of articles exploring the role of finance at Shell, the shared-service centre (SSC) research team at Loughborough University ask George Connell, vice-president of strategy, finance operations, at Shell, how the performance of finance shared services is managed and improved

## How does the company's finance operation manage its performance?

The answer has five perspectives. First, from a conventional, hierarchical perspective, there's a process that operates throughout Shell. From top to bottom, everyone has financial and non-financial objectives that they agree with their line manager at the start of the fiscal year. These follow through into specific targets and individual development plans (IDPs). These enable staff to identify development needs and training opportunities for the year.

Taking myself as an example, I set my deliverables and agree with my line manager how they will be measured. If it's a new relationship, it's probably going to mean more of a frequent discussion – maybe monthly. In my case, I've been working with my line manager for many years, so regular phone calls and meetings take place to discuss performance. But we also have formal, face-to-face mid-year and year-end reviews. Overall, there's a very established process for performance reviews.

Based on my targets and achievements I'm given an individual performance rating, which is then assessed

as a relative performance factor across a pool of managers with similar grades and skills. The big challenge for Shell is to ensure that the evaluation process discriminates sufficiently – we don't want to get too many ratings in the middle and hence a bell curve that's too steep.

As with any such scheme, we have to be vigilant against becoming too cosy and ensure that we really challenge the performance measures and targets. On the other hand, if objectives have been set realistically and there is proper support through the IDPs featuring regular discussions of progress (and problems), one wouldn't expect too many surprises at the end of the year. Again, it's about challenge and change, but also about good planning and performance. This gives us a level of predictability that's helpful. It's about balance.

## Is there a sense of evolution in both the overall SSC journey and day-to-day operations?

Yes, the whole process is intended to be dynamic and we can add to that as we go along. The world doesn't stand still and neither can the work of Shell >>

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finance. Some of my objectives will be consistent from year to year, but some new initiatives will occur. These will need new success criteria to be established – and thus new performance measures.

**You seem to be describing a mix of management by objectives and the balanced scorecard.**

Yes, we have taken the best bits from what tend to be presented as two distinct approaches and fused them into a method that works for us.

**Tell us about the second perspective.**

We have a framework of behavioural expectations embodied across a number of codes that everyone at the company is expected to follow. First and foremost of these is safety, which is non-negotiable. Then there are the Shell business principles and a code of conduct, which covers aspects of personal behaviour, including business integrity, ethics and general compliance.

Next are the five behaviours that SSC staff are expected to show from day to day – namely: external focus, commercial mindset, delivery, speed and simplicity. When everyone is demonstrating these behaviours daily, it allows Shell to drive its business forward in an ethical and sustainable way. We evaluate personal performance on how successfully our employees have enacted these behaviours throughout the year.

**What about the third perspective?**

Shell's ambition is to develop the best leaders. This is enabled by our leadership attributes framework, which includes elements of authenticity, growth, collaboration and performance.

**And the fourth perspective?**

We continually benchmark our performance against our competitors and the wider industry peer group. We do this in a number of ways. First, we are benchmarked by external consultants who can come in and assess where we stand. This gives us a helpful

guide to what we need to achieve. Also, the CIMA-Loughborough Shared Service Centre Forum events have provided a fantastic platform for us to listen in depth to what others in the SSC space are doing and how they have driven their own businesses towards success. The opportunity to ask questions – and thereby get a real insight – has been invaluable.

**And the fifth?**

We measure individual processes and component activities at an operational level in lots of different ways – for example, through key performance indicators, targets, project milestones and so on.

**The first perspective, concerning line management control, sounds straightforward, but then you have these other four perspectives. Although these look rational in themselves, taken all together they seem to create scope for confusion. How do you explain this complex-looking picture to employees?**

The delivery of hard targets is important – ie, the "what". But it is also important that we understand *how* we deliver our performance and that this is done in a safe, sustainable, resilient environment that's underpinned by our core values, including professional and social behaviours.

**OK, but do these feed into the strategic key performance indicators?**

Well, they should and they do, but it's often difficult to identify a definitive cause-and-effect relationship between activities at the bottom of the organisation and the results at the top of it.

**But we thought you said that everything flowed from top to bottom.**

In one sense it does. But that can, at best, deliver a level of performance against only one plan at a certain time – and don't forget that the budget is already out of date when the company's fiscal year starts. Our business is changing; new technology

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and working practices are evolving; and we continuously need to challenge everything to keep up with our competition.

**In other words, the performance measures that you’re working to are dynamic.**

Yes. But, to clarify this: it’s the way that we interpret and react to performance measures that’s dynamic. (That doesn’t mean to say that we don’t create new measures and retire old measures.)

**Will they necessarily relate to the organisation’s top-down strategic targets?**

I think the best way to answer this question is to say that, given all the challenges of change and continuous improvement, we use an array of measures in a flexible manner to deliver a coherent strategic response. Remember that a lot of change is conceived and enacted from the bottom – hence our empowered approach.

**How do you measure the performance of finance processes in the SSC?**

The first stage is to benchmark our performance externally from perspectives including effectiveness, efficiency, compliance and strategic measures. We then establish our metrics for the processes and functions that we operate. We also have to make conscious choices on where we want to focus – arguably there is no organisation that operates at world-class performance levels in all that it does. So we need to focus selectively, which may include some conscious practical trade-offs.

We believe in empowerment and work to make this a part of our people’s working lives. Giving people the power to make decisions creates a strong sense that they have a stake in what the company is trying to do. As a result they are driven to perform better. Again, we encourage the teams not only to focus on the “what” but also to openly discuss the “how”.

This includes conversations about health and safety, resilience and sustainability – all with an element of fun and social interaction.

We encourage our colleagues to speak their minds freely – this is one of the key measures for team leaders in our annual people survey. We really do care for our people and I think this will continue to be a strong differentiator in our ambition to attract and retain the best talent.

**To what extent do you believe that shared services can be applied in Shell?**

When one evolves to the mature state that we are now in, it’s a question not only of which activities we *can* transfer to the centres but also of what we *should* transfer, based on having a sustainable model that incorporates an SSC network and retained finance population in our global environment.

**Shell uses the phrase “performance management in a dynamic environment”. What exactly do you mean by this?**

It’s a recognition that we operate in a globally connected and dynamic environment that is substantially different from what it was a few years back. The physical footprint of the finance function has changed and technology has enabled this. I would expect this pace of change to continue, so we need to constantly challenge how we perform and develop as individuals and teams. ●

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