Global performance management: the Shell SSC story
Energy giant Shell has spent more than a decade overhauling its shared service offering. George Connell, Shell’s vice president of strategy and Glasgow SSC lead, explains how its innovative approach has made it a global role model.

Shell is seen by many in the shared service centre (SSC) community as the role model for a successful shared service operation. But, as one might expect, the journey to “maturity” has taken time and, according to George Connell, Shell’s vice president of strategy and Glasgow SSC lead, the journey is not over yet. In the first of three articles, Ian Herbert and Lin Fitzgerald from Loughborough University press him on why the shared service model works for Shell and what has been accomplished so far.

What was the driver for shared services at Shell?
Following a benchmarking exercise in 2005, we realised that our finance function was significantly more expensive than the peer group and that change was required. Comparatively, we had too many people in finance at the time and, a bit like one of our oil tankers, we knew that it would take a while to change direction. We also needed to be sure that the new direction would be the right direction.

A shared service approach allows a large function, such as finance, to be tackled in a phased, one could say “salami” manner, and we felt that it was right for us that shared services should be a key enabler for the transformation of the Royal Dutch Shell (RDS) finance function. Radical change programmes can sound convincing in the board room, but in reality they tend not to live up to management’s expectations. In any case, while we accepted that things had to be done faster and cheaper we did have a well-embedded model with elements that worked well enough. As a multinational dealing with critical energy supplies, we could not risk creating problems that would adversely impact our businesses.

A sceptical reading could be that the shared service model lacks conviction?
On the contrary. From the outset we were strategically very clear about where we needed to get to and by when, but big plans need a lot of detailed operational things to happen, in conjunction with multiple internal and external stakeholders. We see the shared services model as enabling the best of two worlds, not a convenient compromise. We looked to establish a spirit of collaboration, recognising the implication of large-scale people change as we worked through the detail of the overall change programme. In short, we created a working partnership between the stakeholders of the finance function and support functions, such as HR, within a transparent framework. Don’t forget that the other functional areas and divisions of Shell were also feeling their way through their own business transformation journeys. The finance function has evolved as business needs have changed over the years, alongside the development of information technology. Furthermore, as we delivered successful change the scope (activities and controls responsibilities) of what is included in shared services has evolved and expanded.

How did the SSC journey start?
We originally set up the Glasgow SSC in 1998 as a joint venture with Ernst & Young. Like many other SSC start-ups, we cut our teeth, so to speak, on those activities that were less embedded in front-line operations. Adopting...
a phased and progressive approach allowed us to migrate the activities in a structured and progressive way. Most finance activities had evolved over many years and our external partners were able to bring a fresh sense of challenge to the status quo. They also provided valuable expertise, based on their recent project support of similar SSC start-ups. Later, as we built up experience of executing migrations we went alone and branded our centres as “Shell shared services”. In other words, “owned by Shell for Shell”. This meant that we could better leverage our global brand attraction and retain the talent and capability that we needed in a sustainable manner. Subsequently, we rebranded again to “finance operations”, stressing the nature of the activities we were responsible for and that we were a key part of the end-to-end processes, rather than merely being seen as a subservient service provider. We now have more than half of the total RDS finance population working in our global network of centres.

**You mention a global approach. Where are your centres?**

There are five centres accommodating finance operations employees: Glasgow, Kraków, Chennai, Manila and Kuala Lumpur. Some of these centres also cover finance, HR, customer service, procurement, IT and supply and distribution functions. Finance operations continue to support the RDS aspiration of “becoming the world’s most competitive and innovative energy company” by delivering sustainable, externally benchmarked, world-class E2E performance for the activities we operate. We will deliver operational effectiveness and efficiency in a safe and sustainable working environment.

**A sustainable global network is key**

The locations that we operate from have to provide a workforce with high-quality technical and interpersonal skills, supported by the latest information and communications technology. The locations also have to operate as a complementary and integrated part of a global network as they collaborate together, exchange talent and support business continuity where required for critical processes, etc. We make extensive use of video/tele-presence technology to keep connected around the world – in the centre network and with our business partners in other locations. People talk a lot about being global because they have operations across the world, but for Shell being a global rather than simply a multinational company is an attitude of mind – it’s a part of our DNA.

**But does this mean just the cheapest place on Earth?**

Cost has to be considered, although while we are constantly driving efficiency and effectiveness from our global reach and scale, there are a number of factors that inform our overall location strategy. In addition to the more obvious issues, such as skills availability and logistical support, we also need to ensure that the mix and balance is coherent, especially that risk is minimised and offset, wherever practical. For example, making sure that finance and other critical support operations can continue to operate seamlessly on a 24/7/365 basis, even if there is a major business continuity disruption in one part of the world. As you might expect, we do a lot of work on scenario planning and business resilience as we continue to assume increased responsibility for the processes and controls that we operate.

**Excuse our academic scepticism, but an alternate view of the transformation programme might be that finance has been moved piece by piece to somewhere else and now the whole thing is being reassembled into another monolithic department. Can you really say that things are different now?**

That is a good question and it goes to the heart of our transformation journey. We have made significant efficiency gains from re-engineering services and relocating them to the most appropriate place and creating scale economies. However, the biggest win for Shell is in creating a robust, performance-driven framework structured around our global processes and data activities with transparent management of performance to externally benchmarked standards. Overall, it has been a fundamental transformation programme and we continue to move towards a process-oriented organisation in everything that we do.
Sorry to come straight back at that. Why is a “process orientation” any different to just “doing things”?

A process has an end point at which an activity can be said to be producing an outcome. In other words, the result is useful to someone else who has a need for that process to be executed. In practical terms, this means that everyone within the process is doing things purely because their activity aligns with what the end user needs. This idea of alignment, both forwards and backwards along each individual value chain, drives a questioning approach. Why are we doing this? What is the end value? Is there a better way of achieving the same result? Could we change the outcome slightly to save cost while still giving the end user the service they need to satisfy their customers? This is where we apply a strong Continuous Improvement (CI) mind-set and capability, together with our business partners, to ruthlessly identify and eliminate waste, supporting our intent to “do more with the same in a sustainable way”.

How do you manage these processes?

In our finance operations organisation we have appointed process vice presidents, each with overall responsibility for a global process, such as “reporting and analysis”. This is quite different to individual service centres being responsible for different segments of the overall process or, alternatively, doing the whole process but for just one part of the company – say downstream activities or a geographical region. Each VP’s objective is to deliver sustainable “world-class” performance when benchmarked independently against “world’s best practice”. Within this responsibility we are aware that we operate as part of an E2E chain and each part of the process also needs to add value to the business and to be in the best enterprise interest. This aligns with the broader finance agenda, where we strive to be collaborative partners to the business and help influence business performance.

Can you give some examples of the difference that shared services are making?

A focus on global standardisation is the key in understanding costs and driving them down. In the past, many businesses had their own local and discrete way of doing things, but these can invariably be standardised without compromising local effectiveness – the implementation of global ERPs, as well as building scale in the centres, are acknowledged as key enablers.

Another aspect that is hugely important is CI as a catalyst of change, driving finance towards world-class process excellence and championing the development of a delivery mind-set in the organisational DNA.

The ambition to “continuously improve” is one of the key enablers supporting the strategic ambitions of the enterprise. Finance has been a pacesetter in the CI field and as businesses/functions increasingly enter the same journey, they have been learning from the finance experience.

In finance operations, we have invested heavily in lean sigma and have established significant capability in our organisation that we now use to the benefit of others.

The drive for better performance is relentless. For instance, we are now taking a forensic look at ERPs and the way we use them. Increasingly, we are ...
moving from operational shared services to embrace more high-level work. As we have built up our expertise within the SSC we are now able to provide CI support to other areas of the finance functions, and indeed into the wider business. This is an additional value that we did not fully foresee at the beginning of the SSC journey.

**How do Service Level Agreements (SLAs) work?**

In finance operations, we do not operate with SLAs, although we strictly monitor performance using metrics that have been set to an externally benchmarked standard. They were important in the early days when we were trying to establish the operations to scope the service parameters, and in doing so to explain our value proposition internally. As the SSC project matured, we now have direct accountability to the CFO. We have a strategic mandate to operate selected activities and controls and have the support to drive the migration and change programmes required.

Not having SLAs is surprising, and is somewhat unusual in shared services. Is this because your customers are essentially within the finance function?

In part that is true, but we also have significant interactions with business units, individual employees within Shell and external customers. It comes back to the previous point about being able to look at the situation more holistically and balance up those often opposing dimensions of challenge, change, conformity and cost. The shared service model is about combining the best elements of market and a hierarchical approach and this is one example of where we have been proactive in establishing the right balance. I suspect we’ll be touching on this again when you ask me about performance management.

**Is it correct to say that management of the finance function is more of a balancing act than it used to be?**

Well, I think there has always been some discretion in how people actually do the job, but that discretion often came at the cost of close personal supervision and a lot of expensive non-standard systems. Nowadays, the span of control is very much wider than it used to be and familiarisation/training periods for all levels of staff are much more effective. ERP systems and workflow-monitoring technology have allowed personal control within a single location to be replaced with a more “virtual visibility”, based on electronic control. This means that our people can still be empowered to do their best in the E2E process, while their manager has the ability to monitor the exceptions and drill down into the detail as necessary. The key driver is doing your best for the company in a dynamic world, and that means balancing challenge and change with conformity and cost.

**So where does the notion of the market come in?**

In finance operations we operate a branded captive model, but we are never complacent and we strive to be recognised as a respected business partner. That is why we strictly monitor our performance to externally benchmarked, world-class measures and continually foster collaborative relationships with our colleagues as we work towards a common agenda that will positively contribute to the performance of the enterprise.

**George Connell**

Connell is Shell’s vice president of strategy and Glasgow SSC lead. He has been with the energy giant for 15 years. He has an MBA in accounting and finance from the University of Glasgow.

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The authors would like to thank the General Charitable Trust of CIMA for its assistance with this article.