[Unlocking Sustained Shared Services and Outsourcing Provider Performance]

Many senior finance and C-suite executives have already implemented their own captive shared services or partnered with an outsourcing provider for back-office activities such as finance and accounting, procurement, human resources or IT. Once organizations transition to the new service delivery model and establish governance and reporting structures, they often experience fatigue from the disruption, making further maturation seem daunting. At this stage, the expectation is that delivery centers will operate smoothly, according to plan.

Initially, performance may meet expectations for the first year post-transition. However, many organizations soon realize that reporting discipline starts to slip, the captive delivery center or outsourcing provider becomes less proactive, and discussions around significant process improvements become rare.

Sound familiar? Based on our experience, here are four strategies to help reinvigorate your shared services and outsourcing efforts for sustained performance and business value.

[1] Strengthen Your Governance Structure and Reporting

Over time, shared services and outsourcing (“SS&O”) delivery can shift into “business-as-usual” mode, limiting its potential as a change agent. Successful organizations ensure SS&O remains a driver of enterprise-wide transformation. A strong governance structure enables SS&O to function as a strategic enabler, rather than a passive service provider, delivering measurable business impact.

What to Do:

- **Formalize structured governance processes to maintain alignment with evolving business priorities. These new business priorities could include international revenue growth targets, improved customer satisfaction or more rapid access to business analytics, among other benefits.**
- **Implement real-time reporting mechanisms that provide actionable insights and drive continuous performance improvements.**

[2] Reassess Your Key Performance Indicators (“KPIs”) and Service-Level Agreements (“SLAs”)

Many organizations set KPIs and SLAs during the initial transition, but over time, they may no longer reflect business objectives. If misaligned, they can drive the wrong behaviors and stifle innovation. By recalibrating KPIs and SLAs, you ensure that service delivery drives efficiency, innovation and business growth rather than resulting in stagnation.

What to Do:

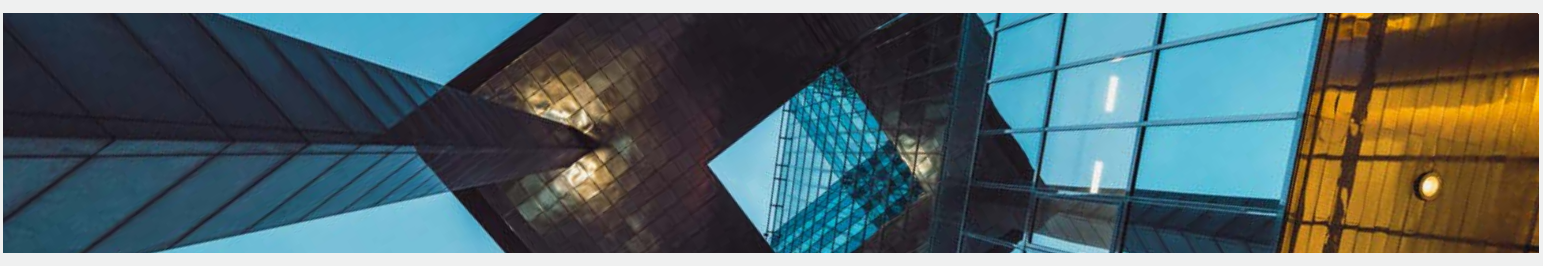
- **Conduct an annual review to align KPIs and SLAs with business goals.**
- **Shift from purely cost-focused metrics to those that measure value creation, agility and customer satisfaction.**
- **Ensure that SLAs promote proactive service improvement, not just adherence to minimum standards.**

[3] Drive Process Innovation with Clear Targets and Execution Mechanisms

Captive delivery centers and outsourcing providers often fail to deliver meaningful innovation beyond incremental and contractually committed cost reductions. Without clear targets, continuous improvement remains a buzzword rather than a tangible outcome. When SS&O is incentivized to drive transformational process improvements, organizations unlock new efficiencies, reduce operational risks and enhance service capabilities.

What to Do:

- **Establish explicit innovation targets linked to strategic business priorities.**
- **Incorporate transformation-focused KPIs (e.g., number of annual innovation projects generating savings greater than $50k) into provider contracts to ensure accountability.**
- **Create an internal innovation pipeline with structured mechanisms for ideation, piloting and scaling improvements.**

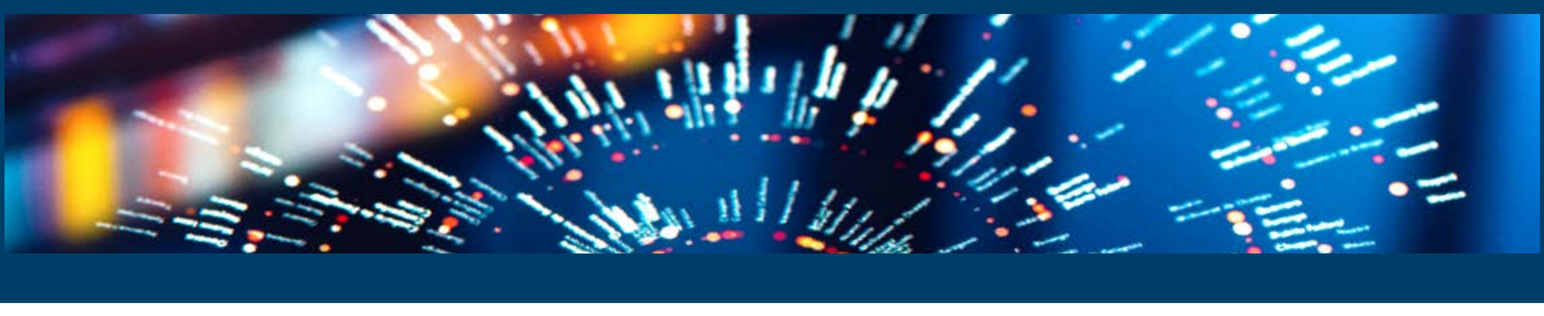


[4] Optimize Your Outsourcing Provider Portfolio

As business needs evolve, the outsourcing model that worked initially may no longer be the best fit. Periodic evaluations ensure that your provider mix supports strategic growth and operational agility. A dynamic outsourcing strategy ensures that SS&O continues to create value, rather than becoming a liability due to misalignment with evolving business objectives.

What to Do:

- **Assess whether your provider(s) still align with current and future business needs.**
- **Evaluate opportunities to introduce specialized or best-in-class providers to improve service quality.**
- **Identify activities that may be too complex for outsourcing and consider bringing them in-house.**



In our experience, SS&O initiatives often require a strategic reset about a year after stabilization. Reset does not equal failure — it’s a necessary evolution to unlock sustained performance. By proactively refining governance, KPIs, innovation mechanisms and provider strategy, organizations can ensure that their SS&O model remains a powerful driver of business value.

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