TATA CONSULTANCY SERVICES

Reimagining Shared Services as an Integrated Business Services Function

Abstract

Digital capabilities such as cloud computing, RPA, analytics, machine learning, and blockchain are enabling the transition to global and integrated business services. With skillful management, the transformation of your shared services into IBS will empower new organizational efficiencies and business capabilities. TCS recommends a 'fix-lift-drop' approach to implementation in order to bank quick wins early on in the reforming process and ensure that momentum is sustained throughout the transition.

Powerful Forces mean Shared Services are Evolving

New ways of managing and delivering shared services mean large companies can build on the cost efficiencies those models have historically generated while finding new sources of enterprise value. Shared services models that break down siloes to serve multiple functions and deliver an integrated set of services are proving their value in the digital age.

For the past twenty years or so many organizations in the public and private sectors have bought into a traditional model of shared services. Whether resourced onshore, near shore or offshore, this model was based on provision of a standardized process enabled in a centralized location performed by a centralized team. Those models tended to provide support to a single function so they delivered sub-optimal savings and lacked flexibility. TCS research suggests that where that basic shared services approach is still being deployed it has stagnated. Traditional models may be delivering as little as 15% efficiency savings as labor arbitrage and perceived economies of scale lose their shine[1]. Worse still they could be creating what the occupational psychologist John Seddon described as 'failure demand'[2] that is 'demand caused by the failure to do something or do something right for the customer.'

Several factors, not least the arrival of digital technologies in the mainstream business world, are creating an appetite for alternative, more mature models of shared service. Businesses demand greater flexibility and want innovation as they deal with greater complexity in their own operations. New digital capabilities including cloud computing, robotic process automation (RPA), analytics, machine learning, and blockchain are transforming the infrastructure that underpins the services provision.

As these technologies proliferate and companies become skilled in their application they find they can reimagine their business processes.

But the trends are not just technological. A generation of employees now entering the workforce has new ideas and want to create more collaborative and agile workplaces. Businesses with global operations need delivery networks based across multiple hubs to service functions in several time zones simultaneously. Consumers want products and services on-demand and delivered within hours not days. To compete, companies find that their own systems and support ecosystems must be more agile and responsive.

Recognizing these emerging trends, and the opportunities they present, many organizations are reviewing and rejuvenating their existing business models. Some are gaining the confidence to move away from operating in functional silos and embracing an integrated business services model. Doing so allows them to change the way they utilize global assets and capabilities to deliver for multiple functions on terms that were previously unachievable.

Integrated Business Services Models are Gaining Traction

The structures of shared services organizations are being transformed. Ones serving multiple functions have begun to replace single-function set-ups and now a new generation of global business services (GBS) and integrated business services (IBS) are taking shape. IBS is increasingly seen as a desired outcome of a shared services transformation.

An integrated business services model, designed for better customer outcomes, delivers higher-value, enterprise-wide services that are consistent, of high quality and cost-competitive. It also improves governance because co-located shared services are based on business proximity, time zone dependency and scale of operations. Of course it must continue to deliver the economies of scale, process standardization, and higher focus on core business that have been the hallmark of shared services for decades. As it matures through its phases, IBS can deliver that and more.

The maturity curve consists of three stages. The first involves sharing between support services operations without co-location, the second, sharing with co-location, and the third sharing with co-location and with the added value of enterprise-wide IBS governance. This is the highest stage of maturity and its benefits are significant.

When a company reimagines its shared services as a co-located and integrated resource and begins to apply digital capabilities it discovers a wealth of important insights at its fingertips. Once gathered, those insights can be used to improve decision-making and increase enterprise performance. When digital technologies are applied, finance, human resources, procurement, supply chain management, IT and customer experience are all beneficiaries.

By introducing a single overarching governance a company can address a host of regulatory concerns. By building and maintaining master data management on an integrated system, a company will create both efficiencies and valuable new data sets. Establishing such global networks can resolve issues pertaining to differing time zones and language skills while balancing cost optimization and proximity to markets. Blending captive and outsourced resources in a hybrid model delivers new levels of flexibility to the business. Common budgeting and universal customer interfaces create other tangible benefits.

The returns on investment can be immense if the transformation is conceived and handled skilfully.

A 'fix-lift-drop' Model lets you Manage the Transition

The process of implementing IBS requires much more than simply asking existing and established shared service centers to co-operate. Even mature functions such as HR, finance, and IT, well versed as they are in the practice of shared services, will need to have a holistic migration strategy and detailed roadmap in place.

Three choices exist for companies seeking to set up, or migrate to, an IBS model. These are generally described as 'lift-fix-drop', 'lift-drop-fix' and 'fix-lift-drop'. All are proven as models for outsourcing and relocating business processes. The latter approach, which concentrates resources to make sure that the processes have been 'fixed' before they are relocated to the shared services facility, has advantages. It means the onus on defining and designing the best processes rests with the team who'll become the 'customer'. It's likely to be a faster and more reliable way to identify and capture the quick wins needed to build and sustain momentum for the change agenda. Figure 1 identifies the relative value merits of the three approaches.
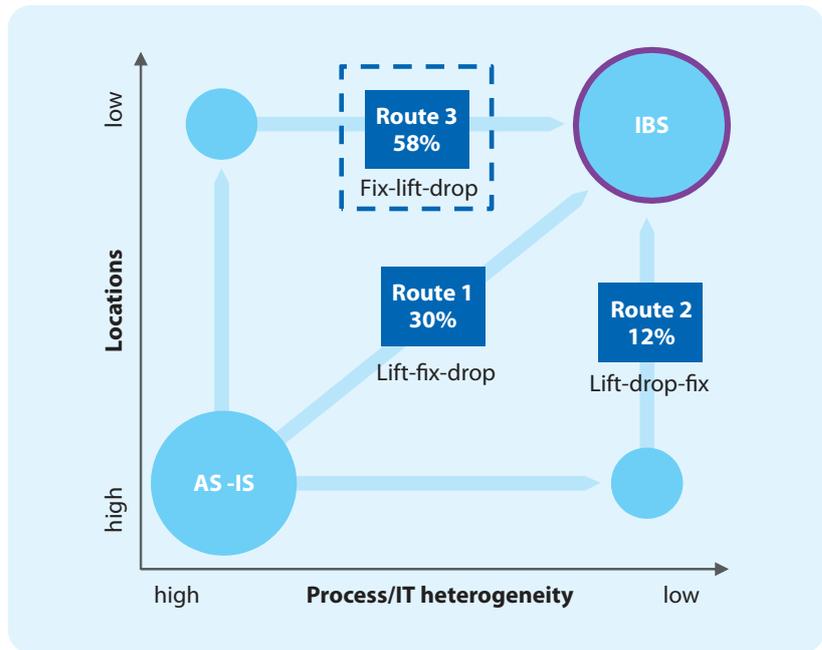
Figure 1: Alternative Methods for Moving from the Current Position to an Integrated Business Services Model[3].

There are several factors to consider when planning the roadmap. Understanding how far and how fast you'll want to move is an important starting point and one upon which the leadership should be able to agree.

As with any change initiative the chances of success are increased dramatically when enterprise level sponsorship has been established. A CEO who advocates for the model and can make a compelling case to all those impacted will prove to be a great asset. Part of his/her advocacy should be to define an effective leadership structure and an organization structure that actively promotes and rewards global integration. Without it the integration will struggle to achieve its promised potential or desired objectives.

It's also important to establish from the outset an ongoing global process leadership model. The change must be actively managed with clear vision and confidence. Regular and reliable communications will be an important factor as the business increases its maturity, navigates some of the hurdles and moves towards a fully integrated, multi-functional, and global services model.

Adopt an IBS Model and be Future-ready

By adopting an integrated business services model an enterprise will capture benefits that go beyond the proven reduction in operating costs and uniformity that traditional models deliver. IBS should be seen as a route to accelerated growth and a way to drive greater efficiency across functions. It will encourage and nurture agile approaches to business model innovation. It should be acknowledged as a means to enter new markets, respond to unexpected competition and meet the needs of dynamic customer expectations. Companies that can create an advanced integrated shared services organization will find themselves minded and resourced to compete as new and exciting frontiers open up for them.

References

[1] TCS Internal Research

[2] John Seddon, I want you to cheat, accessed October 10, 2017,
    http://www.systemsthinkingmethod.com/downloads/31365_Cheat_Book_v2.pdf

[3] The percentages (12%, 30% and 58%) represent the volume of customers who have adopted
    the respective models to set up or migrate to IBS.

About The Author

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Vikas Gopal is the Global Managing Partner, Finance & Shared Services Transformation within Tata Consultancy Services. He has extensive experience advising senior executives on industry trends and strategies for shared services, finance, and digital transformation. Vikas has held leadership roles in consulting and has led the strategy, design, and implementation of several transformative programs.

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