# A METHODOLOGY FOR INTEGRATED DELIVERY OF BUSINESS SUPPORT SERVICES

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Mississauga, Canada Vipin Suri

June, 2016

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## CHAPTER 1: INTRODUCTION

Business support services are internal services required by various business units within a company to support their operations and meet their strategic business objectives. The strategies for sourcing, structuring and governance of business support services depend on the nature of work being performed and who is being served. In recent decades, companies have been using various service delivery models, such as decentralization, centralization, shared services, offshoring and outsourcing to deliver these services.

Through these models of service delivery companies manage their business support services not only as stand-alone functions but also as sub-functions such as payroll, general ledger accounting, accounts payable, employee services and purchasing, which are carried out within the departments of Finance, HR, IT, Supply Chain Management and Facilities Management. These sub-functions within functions deliver services such as payment of employees, bookkeeping, payment of vendors, employee records and processing of purchase orders. Business support services are internal services that are required by various business units within a company. These internal services, in turn, support the company's operations in meeting the company's strategic business objectives.

The models applied to deliver these services have changed significantly. Current models include decentralization, centralization, shared services, offshoring and

outsourcing (KPMG 2012). A number of approaches have been used to implement these models, with varying degrees of success. Service delivery modes related to shared services can be seen as strategic instruments which are dependent on organizations business objectives. The most common modes are Centralized, Outsourced, Collaborative and Decentralized (Plugge, Janssen et al. 2013). Millions of dollars are spent on business support functions in companies. The cost of business support services, expressed as a percentage of total revenue, can be as high as 20% of the firm's annual total revenue (Quinn, Cooke et al. 2000).

While centralization of services, shared services, offshoring and outsourcing have become the main models for delivery of business services in the past decade, lack of adequate integration of these models has resulted in varying degrees of success of these strategies (KPMG 2012). Since 2011, a hybrid model called "global business services" has emerged in the industry (KPMG 2012); this model uses a combination of internal shared services and external service providers. It allows companies to operate with greater efficiency and enables business growth, as well as supporting global standards and compliance (KPMG 2012). The goals of this model are to optimize service delivery and drive process improvement across the entire company.

The origin of the term “shared services” and its related concepts is somewhat unclear. As early as 1986, General Electric, USA, formed an organizational group called Client Business Services, which is still often used today as a model for what we know as shared services. Bob Gunn of the consulting firm Gunn Partners believes the term was coined when he led a best practice study at A.T. Kearney in 1990 (Quinn, Cooke et al. 2000).

To implement a service delivery model successfully, companies must decide how to select strategically among various service management strategies, such as decentralization or centralization of services, shared services, captive and non-captive offshoring, and outsourcing. The implementations of shared services are linear processes that have been regularly tested and fine-tuned by many practitioners of this model. Although linear and sequential, there is often a need to revisit previous steps taken to make corrections and to revisit decisions when more information is presented (Quinn, Cooke et al. 2000).

As this research shows (Chapter 4.2), most of these efforts at implementing shared services have not been successful, typically because effective methodology support is lacking for the design and implementation of shared services. This research investigates the limitations of methodologies used by companies to implement

service delivery models, develops an understanding of industry requirements for an ideal methodology, and develops a methodology for integrated service delivery.

During the early days of shared services, offshoring and outsourcing, companies put their transactional processes and discrete sub-functional units (such as accounts payable, payroll, employee services and general ledger accounting) into these alternative delivery models. Today, companies are more likely to integrate multiple service delivery models, including using them for more knowledge-intensive processes such as decision support, strategic sourcing, engineering, marketing, research and legal work.

As with the transition to any new business model, familiarity with new and innovative paths to success is lacking. For shared services to take hold fully as the operational framework in any organization, the entire organization, starting with senior leadership, must buy into the plan and adapt its work practices. This organization-wide buy-in can be especially challenging when the transition requires tough staffing procedures and training (Gould and Magdieli 2007). Experience shows that business transformation and change management are seldom high on the list of priorities in organizations. However, if change

management is emphasized, the conditions for success are more likely to be met (Gould and Magdieli 2007).

As the managing director of Shared Services International Inc. since its establishment in July 2003, and as a consulting alliance partner of The Amherst Group Limited, the author of this research has assisted several companies in the Asia-Pacific Region, Europe and North America with their efforts to implement service delivery strategies and deploy management practices for maximizing the performance of their business support services. The functional scope of my experience with services includes: finance, accounting, human resources, procurement, supply chain management, real estate and facilities management, information technology, mergers and acquisitions, project management, environment, health and safety, legal and security. I have also been involved in conducting quality assessments and business health checks for several service delivery groups within major companies. It has been exciting to see the service management themes emerging from these assessments.

In general, it has become clear that managers seem to be struggling with methodologies and tools during the implementation of service delivery models throughout the life cycle of the business. Typical shared service methodologies do

not include means of addressing implementation issues such as resistance to change. In this research, I develop a methodology for shared services that specifically addresses these issues of implementation.

From my experience as an executive responsible for leading the transition to, and managing, business support services, as well as the many lessons learned as a management consultant, it has become clear that the value creation potential of the service delivery model increases when a disciplined and integrated approach is used during all phases of any service delivery model: ***planning, design, implementation and operation***. The key is to adopt a service strategy that not only offers a way to create more value for the enterprise but which also provides an approach that is aligned with the business strategy of the enterprise.

## 1.1 Structure of the Dissertation

This dissertation has the following chapters:

1. **Chapter 1** defines the phenomenon of business support services and also outlines the purpose of the research, the research questions, and the scope, deliverables, and contributions of the research.

2. **Chapter 2** introduces the theoretical foundations of this research and provides an overview of the literature informing the work, specifically the

literature related to shared services and global business services management.

3. **Chapter 3** covers the conceptual lens and the research paradigm, as well as the research methodologies used.

4. **Chapter 4** presents the data collection methods and the process of data analysis, after which the findings and conclusions of the data collected are presented.

5. **Chapter 5** reports the research results and also outlines the new delivery model for integration of business support services and a new methodology for delivering business support services.

6. **Chapter 6** summarizes the results of the evaluation of the new service delivery model and the new methodology by practitioners and scholar practitioners. It also describes the results of implementation testing.

7. **Chapter 7** summarizes the thesis, offers the contributions and limitations of the research, and proposes future research directions.

## 1.2 Phenomenon: Business Support Services

While business support services may not be visible to the external customers of a company, they are critical for running the business day-to-day. Common examples of such services include: payment of employees' wages and salaries, payment of

suppliers' invoices, maintenance and support of application systems, recruitment, training and development, and tax advice. These services, while invisible externally to the ultimate customers of the company, are essential for the functioning of the business. As these services are primarily considered as business overheads, the fundamental objectives in offering them are typically to improve the efficiency and effectiveness of operations, to reduce costs and to increase the value offered.

The selection of service delivery models for delivering various business support services depends not only on the nature of work being performed but also on the customer, that is, who is being served. We differentiate between two types of services: ***scale services*** and ***expertise-based services***. Two types of SSCs can be distinguished when focusing on the kind of services they deliver. There are SSCs that deliver "services for transaction-oriented processes" and there are SSCs that deliver "complex knowledge-based processes" (Knol, Janssen et al. 2014).

**Scale services**: Transactional and administrative work is often routine and repetitive in nature. These services, in general, are scale intensive (that is, they are subject to economies of scale) and are delivered using standard systems and

processes. They are typically offered to large groups of diverse stakeholders, such as company employees and vendors.

**Expertise-based services**: Professional and advisory work, on the other hand, requires specialized or technical knowledge, is consultative in nature and is solutions-oriented. These expertise-based services are technically specialized, requiring considerable interaction with internal service-customers for projects such as: hiring a diverse work force, resolving legal issues, or managing projects on time and on budget. Service providers must learn best practices in their technical areas and apply their knowledge to specific business problems. Some degree of customization may be required in delivering these services to managers and executives. This customization is based on the specific requirements and context of the users of these services. Shared services, outsourcing and offshoring have been extensively deployed to deliver both scale services and expertise-based services using the same delivery model and delivery methodology.

At this point in this text it is appropriate to clarify the similarities and differences between three related terms: “service,” “business process” and “functional department.” For the purpose of this dissertation, a service is defined as:

An offering to a customer (consumer) that the customer of the service initiates or requests via an interface, and in so doing initiates one or more underlying actions (which are generally hidden from the customer), whose normal and expected result is either a delivered response or a change in some object that the customer seeks to change (Welke 2012).

A business process is an inter-connected set of activities (tasks) and the associated transactional flow logic (events, gateways) that collectively provide a response/answer/solution to the initiator of the process transaction (an internal/external client). (Welke 2012).

A functional department is an organizational unit that manages business processes such as general ledger, accounts payable, payroll and purchasing in order to order to provide services to various units. A business process, therefore, is a set of activities (processes) initiated by a service request through the execution of the associated process by the functional department and produces an outcome (service) deemed valuable or necessary by the customer. Additionally, there should be a pre-existing definition of who the customers for the service are, and the benefits that these customers expect to receive from the functional department and its associated processes. This is the “service” associated with the process.

According to the management consulting firm, The Amherst Group Limited, the word “shared” within the context of “shared services” means that both providers and their internal customers are jointly responsible (that is, they share the responsibility) for meeting customer needs and expectations. Shared also refers to sharing of resources (such as staff, data and facilities) required to deliver services to various customers in a company. Services produce customer-relevant outputs that deliver results to internal or external customers, e.g., production of pay-cheques or payment of suppliers. By customer-relevant, it is meant that the requirements of the customers and the outputs needed by them are clearly understood by service providers. Work performed to deliver a service is described in terms of activities (process steps) needed to produce the service-output. For example, the verification of invoices is an activity (or a process-step) and not a service. The associated service is payment of vendors.

While shared services may sometimes look like centralization, at other times they can be just the opposite. Shared services are not a rebirth of centralization. In a centralized model, business support services are managed and delivered from a central location whereas, in a decentralized model, these services are managed and delivered from locations of individual business units. In shared services, the

governance emanates from corporate center but the physical delivery of services to the business units could be from one or multiple locations.

In a centralized organization, the corporate office controls the resources and dictates policies, programs and procedures to be implemented by the rest of the company. In a shared service organization, resources are shared (which may look like centralization), but the control over the use of these resources resides with the business units and the users of these services; thus, the control may be decentralized. On the other hand, it is possible that these resources may be fragmented and decentralized, residing within the business units with each unit having control over its own service-providing resources. One manager of shared services summed up his understanding of shared services not being centralization, with the quip: “the user is the chooser” (Ulrich 1995).

From a user perspective, shared services may be seen as a specific kind of service-sourcing arrangement. Sourcing arrangements, in the case of outsourcing, address the relationship between clients with one or more external vendors. Shared services arrangements address the relationship between many clients and one internal vendor, where both the client and the provider units (servicer provider or vendor)

may either be outsourced or belong to the same company or organizational entity (Janssen and Joha 2008).

Using a service delivery model or a combination of various service delivery models allows the business units to focus on their core competencies and strategic priorities, rather than on managing their business support services. The service delivery models combine the non-competing administrative and business support functions of business units on a collaborative basis. The services may include a wide range of functional business processes that have been agreed upon for inclusion by the participating business units. By combining their resources, the business participating units reap full advantages of technologies that might otherwise be too costly if purchased on their own, while at the same time also realizing efficiencies in staffing and improved customer service through collaboration.

The term shared services (Schulman, Dunleavy et al. 1999) has also been defined as:

The centralization of company resources performing like activities in order to service multiple internal partners at lower cost and with higher service levels, with the common goal of delighting internal customers and enhancing corporate value.

In the book, *Shared Services: A Manager's Journey* (Melchior Jr. 2008), the author describes why shared services is a method proven to deliver value in the support services field. Melchior's 2008 description sheds light on how using shared services to perform specific internal services such as payroll, accounts payable, and travel and expense processing can tactically equip a business with a flexible tool for improving processes, generating profits and reducing costs.

Business support functions are big business. Worth billions of budget dollars, they represent the last frontier for major organizational cost savings. Organizations that have taken the time to leverage staff functions have not only taken an easy 25–30% out of their operating budget, they have also managed to increase service responsiveness to the operating and business units (Quinn, Cooke et al. 2000).

As illustrated in Figure 1.1, companies have been using various approaches to delivering business support services competitively, improving efficiency and effectiveness, and satisfying the needs of internal customers.


**Figure 1.1: Delivering Business Support Services**

Before developing a service delivery strategy, senior management should have a good idea of the potential value creation for their organization. In other words, the four key questions to ask are (Bergeron 2003):

- How much money could be saved with a viable strategy in place? In other words, what are the potential cost reductions in ancillary processes?
- How much could implementation of strategy improve the efficiency and effectiveness of the current business process?
- How much will it cost to develop and implement the service delivery strategy, from consulting fees to investment in new management structures to employee training?

- How long will it take for the investment to break even?

The value creation potential of various service delivery models is company specific. In evaluating the value of using service delivery models, it is important to first identify the problem areas in the company and then devise ways of identifying and designing improvement, as well as quantitatively measuring or qualitatively observing improvements.

Service-orientation enables new organizational forms of service delivery. Service-orientation refers to a focus on outputs delivered to customers (business units) as opposed to process orientation, which means optimization of processes. Typically, companies only initiate “shared service centers” (SSCs), which are transaction centers dealing only with routine processes and not expertise-based processes with managing resources located at a central location and/or various sites. The services can be performed in-house, offshore or outsourced. However, outsourcing faces significant challenges and to date a paucity of research has focused on capturing experiences in this domain (Janssen and Joha 2008). These challenges can be addressed by creating shared services first, and then later considering outsourcing as a service sourcing strategy. Shared services can be seen as both an alternative to

outsourcing as well as an interim step towards full outsourcing of services (Nasir, Abbott et al. 2011).

Technological developments can also enable a service-oriented approach by creating self-service portals, where the customers of the unit may request the service to be performed by a technical module. This could lead to new organizational forms where technical business units are created to develop and maintain technical service-providing modules. This may be accompanied by a shift towards a more market-oriented type of control over these technical business units. A service oriented enterprise (SOE) is an enterprise that is modularized in business domains and organized around SSCs, which can display varying levels of modularity (Janssen and Joha 2008). New service products can be created by orchestrating the services provided by the SSCs. This orchestration becomes a core capability of the shared services organization. The service delivery organizations can be either managed in-house and/or outsourced to a third party located either in the home country of the firm (onshore outsourcing) or outside the home country (offshore outsourcing).

Moreover, in a multi-national organization, shared services organization may also include the management and design of service-providing units within an

internationally located subsidiary or division. In these cases, the decision of whether and how to implement service delivery models is strategic in nature and should be aligned with the company's business strategy (Janssen and Joha 2008). To make such decisions, the company needs to undergo a thorough assessment of its existing service delivery strategy and understand the value propositions behind the service.

Regarding the actual process of implementing the service delivery model(s), there are several transformation methods and steps, such as: simplification (i.e., simplifying and improving local practices); standardization (i.e., standardizing processes and technology across business and geography); consolidation (i.e., consolidating processes and technology by function); insourcing (i.e., setting up an internal organization to provide service to the entire company and possibly to external clients); outsourcing (i.e., transferring service to an external outsourcer) (Gould and Magdieli 2007). Critical decisions that companies must make are: when and how to pursue these methods and which of them should be applied. This requires a proper conceptualization and valuation of service organizations and their transformation (Su, Akkiraju et al. 2009).

Personal experience and findings of this research suggest that many organizations have discovered that their initiatives in service design have not been able to achieve their intended benefits. The reasons given by these organizations for not being able to do so are numerous and complex (e.g., political, cultural, economic and lack of integration); however, they usually are the consequence of the organization focusing mainly on cost reduction without an attempt to transform the processes or introduction of a culture of customer service. Organizations recognize that various service delivery models have the potential to deliver higher value, but often the service delivery managers are concerned about the methodological rigor, rather than the effectiveness and relevance, being offered by various shared-service methodologies. Many companies have long been using tools and methodologies offered by several consulting firms. The problems are associated with components such as service delivery management, customer relationship management, etc., of existing methodologies (e.g., complexity of application, internal resistance to change and long lead times for implementation).

Most large and many medium-sized companies adapt and/or expand their service delivery models (see section 2.2.3). While these models have become the norm, most firms have approached change mainly with a mind-set of cost reduction. Few

firms have actually taken on the challenge of using service delivery models (such as offshoring, outsourcing, hybrid, etc.) to increase the efficiency and effectiveness of their service delivery operations; fewer still have truly used an integrated technology platform to improve the competitive positioning of the firm and of the service delivery organization.

### 1.3 Research Purpose

The purpose of this research is:

- to understand service delivery methodologies that are currently being used in the industry,
- to identify the requirements for an ideal methodology for efficient and effective delivery of business support services,
- to build a methodology for integrating delivery of business support services, and
- to provide a way of transformation that leads to more consistent and integrated solutions.

The **motivation for this research** is the fact that the potential benefits (e.g., provision of quality services at competitive prices, increased customer satisfaction, demand management, process simplification and system-wide standardization of service delivery organizations) are not currently being achieved by many companies, as evidenced by the focus group findings. To realize this potential, a

disciplined approach is required to plan, design, implement and operate service delivery organizations. As shown in the following section 1.3.1, this observation is also supported by participants in a focus group during our exploratory research phase.

### 1.3.1 Exploratory Research - Validation of Research Purpose - Focus Group

In order to validate the purpose of this research and to develop requirements for building a methodology, a focus group session was conducted in September 2009 in Sydney, Australia.

In this focus group session, a collection of 10 (ten) senior shared services and functional executives were brought together to discuss their issues and concerns. This focus group assisted in qualitative data collection, provided detailed insights into individuals' beliefs, experiences and perceptions and validated the need for this research.

The representatives who participated in the focus group session were:

- General Manager, Corporate Supply Chain - Travel Industry
- Finance Director - Consumer Products Manufacturing

- General Manager, Finance & Accounting - Hospitality & Entertainment Industry
- CIO, Shared Services Group - Transportation Industry
- Group General Manager, Shared Services - Transportation Industry
- Manager, Shared Services - Government Services
- Project Leader - Australian Government
- Director, Commercial Operations and Corporate Governance - Services Industry
- General Manager, Shared Business Systems - Australian Government
- Client Partner - Services Industry

### 1.4 Research Questions

In this research the focus is on understanding existing methodologies, developing an integrated service delivery model and building a new methodology for delivering business support services that is tested to further reduce costs and increase service levels.

Therefore, the research questions guiding my research are as follows:

1. **What are benefits and issues in implementing shared services delivery models from an academic and practitioner perspective?**

2. **What are current methodologies and tools in use by service delivery organizations during the planning, design, implementation and operation phases?**
    a. Were the methodology and tools developed in-house or were they obtained from an external source?
    b. Were the goals for optimization of the performance of service delivery achieved as a result of the methodology and tools?
3. **What are the shortcomings of the methodologies and tools that are/were used?**
    a. How well have different components of the current methodologies worked? Which components did not work or did not work with other components?
    b. Are the tools fully integrated with the methodology and what are the challenges?
    c. When problems are encountered in the use of a methodology, is the methodology at fault or are there shortcomings in the application of the methodology?

4. **What are the requirements and building blocks of a comprehensive methodology for shared services design and implementation?**
    a. What requirements are necessary for designing and implementing shared services?
    b. What are the building blocks for implementing a new shared service methodology?

In attempting to provide answers to the above research questions, this research focuses primarily on the perspectives of service leaders and functional leaders who are responsible for governing and operating service organizations in companies.

## 1.5 Research Scope

The scope of this research includes:

- conducting an in-depth analysis of business support services and processes currently being used in multiple companies
- determining the requirements for an improved methodology based upon this assessment
- designing a new methodology that meets these requirements
- assessing the viability of this new methodology, its potential benefits, possible concerns and key success factors.
- considering the rules, management practices and processes for adoption of the methodology and application of tools

- covering all service delivery models: Decentralization, Centralization, Shared Services, Offshoring, Outsourcing, Global Business Services and related Compliance and Governance units.

## 1.6 Research Approach

By employing a combination of “action design research” and “methodology engineering”, this research builds, tests and justifies a new methodology for developing an integrated model for delivering business support services. In this research methodology engineering (Kumar and Welke 1992) is used to construct a new methodology for integrating various delivery models for business support services. The nature of the research problem should drive the choice of research strategy (Creswell 2009). Consistent with this philosophy, action design research (ADR) has been employed to understand what is working and what is not working within industry in delivering business support services and in testing the design of the new methodology.

ADR aims to link theory and practice, and thinking and doing. ADR is undertaken by people who are trying to understand their practice in order to improve the quality of their work with others. It is increasingly used widely to promote

personal and professional awareness and development within organizational contexts (Rossi, Sein et al. 2009).

The ADR Methodology includes the development of an artifact (Design Research), and the use of this artifact for organizational action (Action Research). It deals with two seemingly disparate challenges. (1) Addressing a problem situation encountered in a specific organizational setting by intervening and evaluating; and (2) constructing and evaluating an artifact that addresses the class of problems typified by the encountered situation (Sein, Henfridsson et al. 2011).

While ADR is a design research (DR) method, it may be tempting to interpret it as a variant of action research (AR) as well. However, ADR has two stringent requirements that AR does not. First, ADR requires a DR contribution in the form of design principles. Second, these principles should address a class of problems, not just a specific problem (Rossi, Sein et al. 2009).

Methodology engineering is used to build a methodology where one does not exist, to critique existing (and competing methodologies), or parts of methodologies, and to adapt a methodology to the specifics of a particular situation . The purpose of methodology engineering is to design and implement information systems

development methodologies (ISDMs). It is based upon the observation that organizations are continually devising, using and adapting development methodologies in their information systems development endeavours. As the methodology to be customized or designed is to be used in real-life situations (as opposed to academic research), the efficiency of the methodology development and adaptation is of paramount importance. Real-life organizations can ill afford to wait for a customized methodology to be developed, tested and implemented from scratch for each new development project (Kumar and Welke 1992).

Methodology engineering is a research discipline focused on the construction of situation-specific methodology. A core theme of this discipline is the three-step methodology engineering process:

1. The first step is *characterization* of the situation: by using situation factors and, possibly, performance indicators, the project situation is described.
2. This description can serve as input for the second step – the *selection* step, in which the required method building blocks are selected. These building blocks are called method fragments and are stored in a "method base."
3. The selected method fragments are combined in the *assembly* step that results in a situational method applied in the project.

The process does not necessarily take place at the beginning of the project; parts can also be added or corrected during the project, as not all the information required may be available beforehand (Harmsen 1997).

Finally, we need guarantors of the adequacy of the designed methodology. These should guarantee that the methodology (1) fits the situation, (2) is complete (i.e. has an adequate set of components which work together), and (3) each of these components have themselves been individually proven to work (Kumar and Welke 1992).

# CHAPTER 2: LITERATURE REVIEW

## 2.1 Overview

The objectives of this research are:

- to understand service delivery models that are currently being used in the industry,
- to understand the shortcomings of current methodologies,
- to identify the requirements for an ideal methodology for efficient and effective delivery of business support services, and
- to develop and test a new methodology for integrating delivery of business support services,

To meet these objectives, existing literature was reviewed to gain insights from other organizations and analysed to determine how this extant knowledge can be used to develop a new methodology. The Literature Review focused on the following five key topics:

1. Services and Service Providers (Section 2.2)
2. Service Delivery Models for Business Support Services (Section 2.3)
3. Shared Services Development Challenges (Section 2.4)
4. Action Design Research (ADR) Method (Section 2.5)

5. Theories underlying service delivery models (Section 2.6)

This literature review was critical in developing the requirements for the new methodology. In addition to reviewing the available academic literature on shared services, a review of professional literature was also conducted.

## 2.2 Services and Service Providers

A service is a mechanism to enable access to one or more organizational capabilities. This access is provided using a prescribed interface. It is exercised consistent with constraints and policies specified by the description of the service. A service is provided by an entity called the service provider, which is provided for use by others; however, the eventual consumers of the service may not be known to the service provider, and may sometimes demonstrate uses of the service beyond the scope originally conceived by the provider (Welke 2012). Among the organizational imperatives (drivers) that compete for an organizational leader's attention today are: increasing product/service innovation, rapidly sensing and responding to environmental change, deciding core competencies and divesting (outsourcing) the rest, and responding to new regulatory compliance requirements (Welke 2005).

Implementing shared services incurs a number of risks, such as lack of operational flexibility, unbalanced power concentration, increased system complexity, unclear service accountability, dampened employee morale, ineffective communication, unexpected implementation cost escalation, and long project timelines (Su, Akkiraju et al. 2009).

There should be a pre-existing definition of who the customer of the process is, along with the results they expect to receive from the process. These expected results or deliverables are called the “services” associated with the process. Next, one must define the metrics that characterize the performance of the process and their relationship to the services being offered. The process boundary and the activities it embraces should include all those activities that have a significant bearing on the service outcomes and their associated performance metrics.

The activities that comprise a process can easily cross the boundaries of departments, business units and organizations. This can create the issue that there is no single owner of the process, as it is “co-owned” by the unit managers whose activities the process encounters while attempting to achieve the goal. However, unit managers may have their own individual goals and objectives of optimizing their unit’s limited performance metrics. These goals and related metrics are

frequently unrelated to the objectives of the overall organization and its processes. This leads to ambiguity and confusion regarding who is responsible for the objectives of the overall cross-functional process. Assuming such a responsible person is identified, it still leaves open the question as to how the conflicting needs of the process and the various business units can be resolved (Welke 2005).

### 2.3 Service Delivery Models for Business Support Services

A service delivery model is an arrangement of resources for delivering business support services within an organization, for example, centralization, shared services and outsourcing. The models through which organizations deliver and manage their core operating services (e.g. Information Technology (IT), Finance & Accounting (F&A), Human Resources (HR), customer care) have changed significantly over the past 25 years. Leading organizations today employ a broad range of service delivery models and techniques, including alternative delivery models such as shared services centers (SSCs), offshore captive operations, and Information Technology outsourcing and business process outsourcing (ITO/BPO).

KPMG has developed a model, labelled the extended global enterprise (EGE), that provides a framework to design, build, deploy and manage service delivery globally (KPMG 2011). End-user organizations are changing their approach to

optimizing their internal operations, and are changing their delivery of internal support using a combination of external providers and internal staff. Fierce global competition and difficult economic times require radical improvements with new constraints that do not allow significant investments and extended time frames (e.g., implementation of massive enterprise resource planning software or 10-year outsourcing deals). There is a renewed focus on optimizing services and driving process improvement across the entire organization using domestic and offshore captive SSCs augmented, extended and often improved by external service providers. It is no longer an either/or approach (KPMG 2011).

Sharing services increasingly extends beyond intra-organizational concentration of service delivery. Organizations have started to promote cooperation across their boundaries to deal with strategic tensions in their value ecosystem, moving beyond traditional outsourcing. The challenges of inter-organizational shared services (ISS) are: why organizations want to get and remain involved in ISS and what are the implications of ISS for (inter) organizational value creation? The key motivation of ISS lies in the fact that independent service partners together may create an added value level far beyond each individual's service (Fenema, Keers et al. 2014).

Companies are no longer looking at alternative delivery models, function-by-function or process-by-process. To help maximize the impact of service management, they are looking across their portfolio of business services for both stand-alone as well as cross-service integration opportunities. In some cases, companies are turning to global multifunctional shared services to drive an integrated portfolio. In other cases, they are creating enterprise-wide systems and organizations to develop the service delivery strategy, execute the plan, and manage ongoing relationships between service providers and users. Given the variety of options available and the complexity of establishing and maintaining relationships, the new groups charged with realigning and integrating business services require a unique set of skills and tools typically not found in the same individuals or group of individuals who have traditionally managed business services in the organization so far (Cecil 2011).

After the emergence of shared service centers, shared services became most common in the fields of Human Resources Management and Finance. The fields such as Information Technology and Supply Chain Management are also on the rise (Loges 2013).

The Booz & Company methodology (Pigorini, Couto et al. 2009) for reviewing issues related to the business model allows for a precise diagnostic and focused efforts related to a company's critical business model issues. In addition, the Booz & Company methodology entails the identification and implementation of quick wins, early in the effort, in order to maximize the necessary savings and fund the rest of the program. Although every company has its own realities, a set of key questions helps to kick-start the diagnostic (Pigorini, Couto et al. 2009). The following table (Table 2.1) lists the questions used in their methodology:

| | |
|---|---|
| Corporate Center | - What **roles** should the corporate center play?<br>- Given these roles, what is the best **organizational structure**?<br>- What should be the **decision rights** of the **corporate center** and the **business units**? |
| Business Units | - What is the best way to **organize the business units**?<br>- How can we **align business units with the company's strategy**?<br>- **How should we push accountability** and how can the business units be held accountable? |

| | |
|---|---|
| Support Services | - Which services should be **centralized vs. decentralized**?<br>- How can we ensure that support functions provide the **right level of service** for the business?<br>- **Is shared services the most adequate construct**? If so, **for what functions**? How should shared services be governed?<br>- **Which services should be outsourced**? What are the expected savings/effectiveness gains?<br>- How can we ensure the **appropriate management** of outsourced services? |
| Overarching Topics | - **How many people do we need** to perform the activities?<br>- **How many and what work levels** should there be in the organization?<br>- What is the adequate **number of layers and spans of control**?<br>- What are the **gaps in skills and qualifications**? |

**Table 2.1: Key Questions on Business Models**

Typically, according to Booz & Company (Couto, McNeese et al. 2003), the transformation journey for business support services includes a combination of the following models. These models may either be applied in succession as stages, or may exist concurrently:

1. Decentralized Model

2. Centralized Model

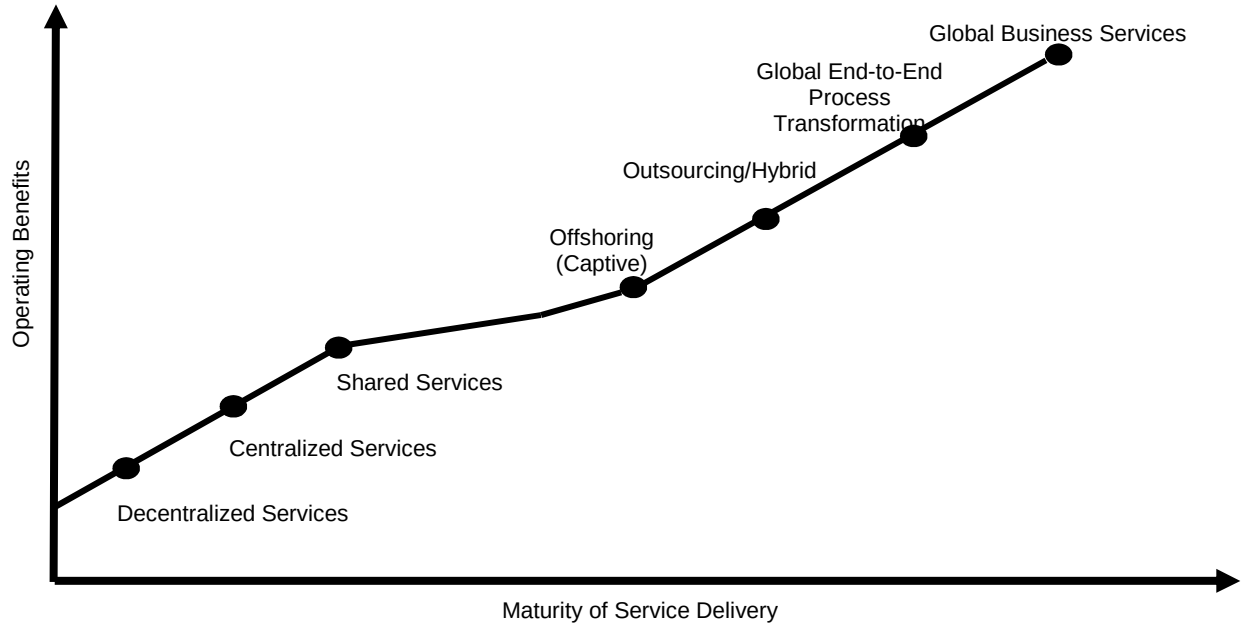
3. Shared Services Model

4. Offshoring Model

5. Outsourcing Model

6. Global Business Services Model

During the early days of shared services, outsourcing and offshoring, companies were applying these various delivery models to transactional processes and discrete projects such as accounts payable, IT desktop, applications development, and payroll. This is no longer the case. Now companies are also scrutinizing their mid-office and selected front-office processes to see if they can benefit from and leverage these models in their transactional services portfolio. More knowledge-intensive processes such as strategic sourcing, engineering, marketing, research, and legal services are in fact the fastest growing market for outsourcing and offshoring. Over the past several years the knowledge process outsourcing (KPO) industry has experienced a cumulative annual growth rate of 46%; almost double that of business process outsourcing (BPO) (Cecil 2011).




Source: Shared Services International Inc., 2011

**Figure 2.1: Models of Business Support Services Delivery**

Figure 2.1 shows the various models of business support services delivery. Typically companies use a combination of these models. Therefore, for this thesis, an integrated model using elements of various delivery models is developed. This model provides seamless business support services to the business units, and a single point of accountability for increasing their value and reducing their costs. In the rest of this section the currently existing service delivery models and their relationship to the research objectives are described:

### 2.3.1 Decentralized Model

In the decentralized model, business support services reside in and are managed by the individual business units (customer-units) that use the service. The business units are responsible and accountable for their own service delivery. Business support services are often duplicated across business units. There is little central control over their delivery. No leveraging of resources is achieved across business units. This model is typically the least efficient, but it is effective in meeting the needs of individual business units in a customized manner.

### 2.3.2 Centralized Model

In the centralized model, selected business support services are managed by a central organization within the company, thus achieving economies of scale. This model leverages centralized service delivery across the business units. Although cost savings increase, effectiveness may be reduced as customer focus and customization is reduced. In this model the focus is on cost reduction and not meeting the unique needs of the business units.

### 2.3.3 Shared Services Model

Shared services is one of the most popular organizational forms of the last two decades and has emerged in a variety of businesses. While most studies of shared

services investigate their benefits and risks (Friebe 2013); even though organizational structure has a strong influence on the performance of a firm, often much less insight about the actual structural design of shared services is examined. Typically, goals and strategy for shared services dominate the existing literature (Friebe 2013).

Organizations increasingly establish Shared Service Centers, either for transactional (administrative) or transformational (organizational change) purposes. Their popularity originates from a combination of efficiency gains and an increase in service quality, without giving up control of the organizational and technical arrangements. The belief is that shared services should maximize the advantages of centralized and decentralized delivery of business functions (Bondarouk 2014).

Shared services integrates centralization and decentralization models and shared services value follows from user characteristics such as their product-specific human capital that enables them to create value out of service delivered by service providers. The creation of value is a joint activity to which suppliers, clients and end-users contribute. In order to understand how shared services creates value, the

focus needs to be intersection of supplier, client and end-user resources and on their co-creation activities (Meijerink 2013).

However, organizations seeking improvements in their performance are increasingly exploring alternative models and approaches for providing support services; shared services is one such approach. Because of the potential impact of shared services on organizations, and as Information Systems (IS) is both an enabler of shared services for other functional areas, as well as itself a promising application of shared services, shared services has become an important area for research in the IS field. The shared services model has been extensively adopted due to its promises of economies of scale and scope, factors of success for adopting and implementing shared services have received little research attention (Miskon, Bandara et al. 2011).

The impetus for deploying the shared services model comes from the intersection of five management concerns: productivity, reengineering, globalization, service and technology (Ulrich 1995). Productivity demands that managers do more with less through improved resource efficiency and reduced costs. Many costs derive from the inefficient use of human resources. Shared service organizations (SSOs) improve productivity both by sharing service resources and by providing services

that improve the use of human resources. By sharing services, managers remove redundancies, duplications, and overlapping work. This increases productivity as fewer employees produce similar or more work outputs. Second, by making the "user the chooser" of the services offered, superfluous services are discontinued (Ulrich 1995).

Organizations can encounter technological, managerial, organizational design, scalability and change management challenges when sourcing and sharing work with SSCs. Change management challenge refers to managing resistance, communicating expectations, involving end-users, achieving necessary cultural changes and getting cooperation of employees in order to achieve an organizational transition. The cultural or "human" component is essential while developing SSCs (Knol and Sol 2013).

In today's volatile global economy, many organizations face severe pressure to downsize. In the "shared services" model, a firm combines common functions performed by multiple units into a single service delivery organization; and thus provides an innovative approach to make business more efficient and effective. To implement shared services successfully, firms need to decide strategically whether and how to pursue various service transformation alternatives such as

simplification, standardization, consolidation, insourcing and outsourcing (Su, Akkiraju et al. 2009).

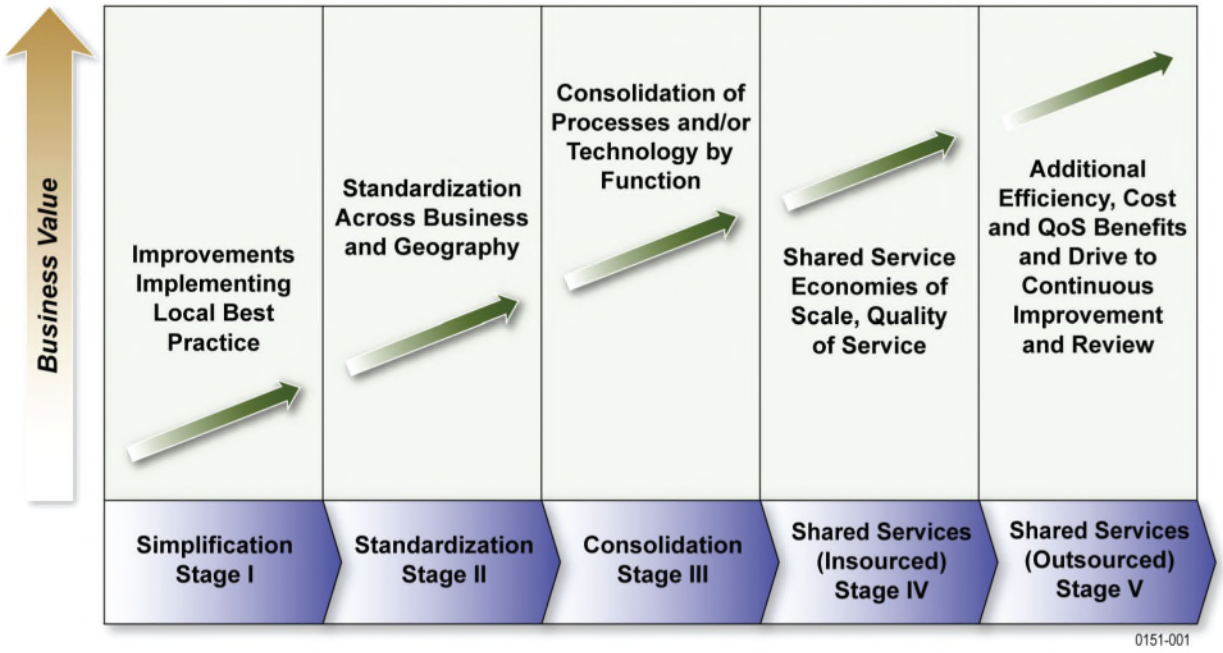
The underpinning of the shared services model is that common management practices are concentrated in a business-oriented unit focused entirely on delivering the highest value services at the lowest cost to internal customers. This creates accountability for services within the organization. This single point accountability is more effective than having multiple points of responsibility and varied management practices. In a SSO, a special relationship between service provider and recipient is established. The same best practices that are used to gain a competitive advantage with external customers can now be applied internally to create a partnership between the provider and the recipient.

This relationship addresses both the service-provider and the service-client sides of the equation. Service-customers can specify what services and how much of the service they need. These clients can expect service providers within the SSO to be responsible for meeting those requirements. Similarly, service providers can expect to have their performance evaluated objectively as a result of having measurable criteria about service provision in place (Forst 1997).

The business functions that may be shared are very diverse, including both front-office work, such as customer support, and back-office work, such as finance, legal services, human resources and IS (Ulrich 1995). The activities performed by SSCs can span from transaction based activities, that is, routine, high volume activities, to transformation based activities, that is, activities that require extensive expertise and are strategic to the company.

SSOs improve productivity by being both shared and services. First, by sharing services, managers may remove redundancies, duplications and overlapping work, which increases productivity as fewer employees produce similar or more work outputs. Second, by making the "user the chooser" of the services offered, superfluous services are discontinued (Ulrich 1995). Shared services is a framework for bringing together services that are common to multiple business units, such as human resources (HR), financial management (FM) and information technology (IT), as well as functions such as billing and call centers. Relevant services are transitioned into a single SSO, either supported by in-house resources or outsourced to an independent organization. Implementation of this framework has been shown to improve the quality and consistency of customer service and lead to cost savings in both public and private organizations (Gould and Magdieli

2007). Their five-stage matrix of shared services maturity is shown below (Figure 2.2).




Source: Gould & Magdieli, 2007

**Figure 2.2: Matrix of Shared Services Maturity**

Specifically, for a given service, the decision maker needs to understand its current status, whether it is optimized, standardized and consolidated, and then sets the objective of the transformation. Conceptual tools such as Gould's shared service maturity matrix (Gould and Magdieli 2007) (see Figure 2.2), help diagnose the

current state of the firm's services and identify transformation alternatives. The business value of a shared service increases as organizations move to service providers with a larger number of participants and more integrated scope of services.

Today's environment, with high demand for quality service and cost savings, is ideal for the move to a shared services model (Gould and Magdieli 2007). The way forward is to move as quickly as possible to a fully outsourced phase (Stage V), where an entire function is sent to an external organization (public or private) whose mission is to perform outsourced functions. With careful implementation, this should allow agencies to reach the top end of the estimated 20-40% cost savings that have been the benchmark savings rate in the private sector. To ensure that these outsourced providers are able to ensure high quality and consistent services to their client agencies, all providers, whether public or private, must be designed to meet reporting guidelines, security standards, internal controls and IT requirements. A central independent governing body should steer the creation and implementation of shared services requirements (Gould and Magdieli 2007).

IT services are increasingly being offered via a shared services model. This model promises the benefits of centralization and consolidation, as well as increased

customer satisfaction. Adopting shared services is not easy as it necessitates a major organizational change, with few documented exemplars to guide managers (Olsen 2012).

Achieving back office cost reduction is a major public policy goal in many countries, and shared services models are increasingly promoted as a means for achieving this. As organizations realize the difficulties in reducing costs, other motives for using shared services increase in significance: improvement of service delivery, service quality and consistency, exchange of internal capabilities, and better access to skilled and external resources (Paagman, Tate et al. 2014).

A successful shared services model typically incorporates the following concepts (Huber and Danino 2011):

- Focused company resources
- Service orientation
- Process ownership as a key characteristic
- Critical values of partnering, teamwork and adding value
- Effective leverage of tools and technology
- Accountability by specialists with service focus (internal and external)
- Strong communications and governance principles

- Center of excellence and a company asset for developing talent
- Results that emphasize efficiently meeting customer requirements
- Focal point for company best practices

Many organizations struggle in their quest to set up a successful shared services organization. Often, the strategy begins with a consolidation of facilities and resources. While this is a necessary step in the early phase of a plan, a mere consolidation without a long-term strategy for a service delivery model will not be sufficient (Huber and Danino 2011).

The firms should anticipate low levels of end-user satisfaction when shared services ‘go-live’ as the intellectual capital and controls of SSC might well not be geared toward facilitating effective and efficient service delivery. The delivery of services to end-users is only likely to improve after a period of limited satisfaction among end-users and once organizations have invested in developing the human capital of SSC staff and of the end-users (Meijerink and Bondarouk 2013).

Standardization is a means of facilitating organizational restructuring in shared service centers as highly skilled back office work is reframed as routine service work. Standardization is the vehicle that drives commodification of labor process are tasks are fragmented, quantified and traded in global sourcing of services,

allowing work to be lifted out of traditional organizational structures and placed elsewhere, or outsourced to other service providers. This ongoing process is fraught with contradictions, problematically rendering people and place ancillary. People are both a necessity and a challenge for SSCs. Given the context of continuous restructuring there are diverse approaches for keeping ‘experts’ and ‘experienced’ staff in an environment where the work is often perceived as routine. Achieving the ‘right skill mix’ is a challenge for managers since having too many staff that are ‘high flyers’ is problematic (Howcroft and Richardson 2012).

The implementation of Shared Services structures is now in many areas and many regions is a widely accepted model to gain process efficiency and reduce costs. But the evolution is ongoing. Shared Services are increasingly being seen as a modern, effective and efficient way for multinational companies to organize and streamline their administrative structures across borders. In theory, SSO can quickly improve cost position, quality and control, and give business units flexible support by freeing them from their administrative tasks. In practice, it takes a rather long breath and systematic planning as well as stringent execution of different development phases, each with its own challenges. This ultimately takes the SSO to the position of being recognized as a trusted partner (Keuper and Lueg 2013).

### 2.3.4 Captive Offshoring Model

In the offshoring model, the company's employees do the work in an offshore location but are still employed by the company (captive). Offshoring is no longer just about lowering costs by moving back-office operations to low-cost locations like China, Malaysia and India (labor arbitrage). More than ever, offshoring is about "sourcing" the talent needed to sustain the innovation of business support services. The model for success in running an accounting back office has shifted away from the low-cost global "body shop" approach to a more professional model staffed with highly competent people capable of executing more efficient business processes.

Confronted with increasing competition from overseas firms, European and US firms increasingly offshore their operations to countries that offer significant labor cost advantages. Initially developed in the manufacturing sector, this trend is gradually permeating the service sector, particularly with the diffusion of offshore call centers. Lower variable costs have often to be traded off against lack of specific capabilities at the local level, which translates into poor customer service and a diminished ability to innovate and seize revenue-generating opportunities (Aksin and Masini 2008).

The offshoring phenomenon shows signs of evolving into a global delivery model but a reversal of offshoring (or at least outsourcing) is being observed as the costs increase in certain countries. It will be interesting to study how large suppliers take this model forward, including the degree to which they sub-contract work themselves, in order to achieve requisite geographical coverage in the light of economic, labour supply, infrastructure, and customer requirement considerations. More mature companies use offshore outsourcing to enable corporate strategies, such as increasing business agility, bringing products to market faster and cheaper, financing new product development, accessing new markets, or creating new business. These strategic initiatives often evolved over time (Willcocks, Lacity et al. 2007).

### 2.3.5 Outsourcing Model

The outsourcing model involves completely turning business support services over to a third-party company. The outsourcer provides the business support services to the company's business units on a contract basis ensuring cost reductions and enhanced service quality. This model is based on the principle that the outsourcer can provide greater leveraging opportunities than an individual company can

achieve on its own. The outsourcer can leverage resources across multiple clients and the client companies can reduce their investments in technology.

Shared services organizations are seen by some as the step taken before outsourcing, and by others as alternative to corporate outsourcing. Sometimes the shared services is a third party owned business unit. Thus, in the current debate of business process outsourcing practices and offshoring of services, understanding shared service structures and their performance implications will constitute an important piece. To answer questions about whether to outsource or not, companies need to understand in-house solutions better. Similarly, the question of offshoring requires a good understanding of service structures that guarantee high performance (Aksin and Masini 2008).

A variant model in which the employees are employed by the firm (in an outsourcing relationship) but the center runs using the client’s rules and regulations similar to captive offshoring model. In today's globalized economy, firms often consider offshoring when confronted by rising costs and fierce competition and adopt different captive center strategies (Oshri and Corbett 2011).

The information technology (ITO) and business process (BPO) outsourcing services markets, together with more recent offshore variants, have been dynamically

expanding revenues, capabilities and associated rhetoric, in equal measure, for over fifteen years. Outsourcing makes up a substantial and rapidly rising part of expenditure across corporations and government agencies alike (Willcocks, Lacity et al. 2007).

The sourcing strategies beginning with the assumption that back-offices should be treated as a portfolio of activities and capabilities. Some IT activities must be kept in-house to manage risk and to ensure business advantage, while others may be safely outsourced. This portfolio perspective is empirically supported by research findings that selective outsourcing decisions had a higher relative frequency of success than total outsourcing decisions. The scope of sourcing options is:

***Total Outsourcing:*** *the decision to transfer the equivalent of more than 80% of the function's operating budget for assets, leases, staff, and management responsibility to external providers.*

***Total In-Housing Sourcing:*** *the decision to retain the management and provision of more than 80% of the function's operating budget internally after evaluating the services market.*

***Selective Outsourcing:*** *the decision to source selected functions from external provider(s) while still providing between 20% and 80% of the function's operating budget internally.*

The selective outsourcing is also the most common sourcing practice. The most commonly outsourced functions in IT were mainframe data centers, software development and support services, telecommunications/networks, and support of existing systems. The most commonly outsourced applications in human resources were payroll, benefits administration, and employee training and education. In most cases, suppliers were judged to have an ability to deliver these products and services less expensively than internal managers. The ability to focus in-house resources to higher value work also justified selective outsourcing (Willcocks, Lacity et al. 2007).

### 2.3.6 Global Business Services Model

Most large and many medium-sized companies have adopted and/or expanded their shared services models over the past decade. While this leveraged model has become the norm, most have approached the change to shared services with a cost reduction mindset. Only a few firms have taken on the challenge of using shared services to fundamentally advance their business model, and fewer still have truly

innovated their global business services (GBS) platform to improve competitive positioning (KPMG 2012).

The management consulting firm KPMG asks “what’s next?” (KPMG 2012). It proposes the GBS model as the next model for organizing and delivering services. KPMG defines GBS as the collective set of resources, capabilities and systems to deliver support services such as finance and accounting (F&A), human resources (HR), procurement and other business processes across an organization. Implied in GBS is greater aggregation and leveraging of common information technology (IT) and business processes, models and best practices to deliver these services more efficiently and effectively than in the past. As the term “global business services” implies, this aggregation and leveraging is on a global scale, using multiple service delivery models including elements of shared services, outsourcing and, increasingly, cloud solutions (KPMG 2012).

The assessment and measurement of service delivery maturity occurs across a range of operating categories such as commercial orientation, delivery models employed, global process ownership, governance and organizational models, and degree of standardization. Based on the experience from their clients, KPMG identified the characteristics of highly mature GBS operations as follows:

- Integrated services portfolio operating on a standard platform
- The use of services portfolio management supported by a strong business intelligence capability and measured on business value
- Emphasis on end-to-end processes across functions in scope
- Focus on moving services up the value chain to support evolving business needs
- Seamless integration of internal and external outsourcing and pay-as-you-go cloud service providers via centers of excellence (COE)
- Common services architecture across functions and businesses.

The Information Services Group of TPI and Compass (Huber and Danino 2011) defines GBS as follows:

> An integrated compilation of service offerings for multiple business support functions within a company. This compilation of service offerings is global in nature with respect to both delivery centers and customers. The provider of the individual services can be either internal or external but must be managed centrally by the global business services organization. The service offerings themselves are harmonized and end-to-end in nature (Huber and Danino 2011).

The key factors for running GBS as a business, and for achieving success in their implementation, are as follows (Huber and Danino 2011):

- **Leadership**: establish support from chief financial officer, chief executive officer and business units (a requirement for success)
- **Urgency**: develop a sense of urgency in the implementation
- **Costs**: define base costs accurately to enable measurement of success
- **Resources**: utilize your best demonstrated practices and personnel for input and implementation; budget for and commit internal and external resources from the start
- **Location**: ensure easier transition by using a "greenfield" site (new location)
- **Leverage**: employ internal leading practices and benchmarks before considering "world-class" solutions
- **Implementation**: phase migrations and scope expansion; learn from your experiences
- **Achievability**: create an achievable vision within the desired timeframe that is realistic in relation to investment needed
- **Measurement**: incorporate performance measurements into service level agreements

- **Communication**: over-communicate; have change management plans that start from the first day

Building a mature, value-producing GBS organization requires many integrated elements and practices, one of the most critical elements being the ability to measure and monitor performance to guide continuous improvement. The GBS model includes shared services, outsourcing, optimized processes, technology, performance management and governance. A recent survey by Hackett Group of Shared Services & Outsourcing Network (SSON) members found that, while GBS executives recognize the importance of monitoring performance, most are still struggling to move their metrics and measurement capabilities to the next, higher level of GBS maturity (Weller 2012).

A GBS organization is typically set up as an independent legal entity. This is an increasingly common trend for organisations that wish their SSC to have a true service and process orientated culture, a unique brand, and the commerciality to drive change, improvement and transformation (Huber and Danino 2011). GBS organizations manage and control most, if not all, of a corporation's general and administrative functions. The GBS organization is managed as if it were a

standalone business from the parent organization. In many cases, in fact, the GBS unit is a separate legal entity (Huber and Danino 2011).

When considering sourcing options, the managers should include concurrent sourcing along with solely making or solely buying. The term concurrent sourcing refers to only backward, partial vertical integration of a homogeneous good (or service) by a single firm. By incorporating transaction cost, neoclassical economics and capabilities theories, a holistic view of why firms use concurrent sourcing mode reveals aspects of each theory motivating the sourcing choice (Parmigiani 2007).

Transaction governance is, in the context of concurrent sourcing, where a manufacturer relies on sourcing from external suppliers and in-house production simultaneously. The focus is on a buyer's use of particular safeguards or governance mechanisms vis-à-vis an external supplier and how the effects of these mechanisms on various performance outcomes are influenced by the joint presence of an internal manufacturing branch (Heide, Kumar et al. 2014).

### 2.4 Shared Services Development Challenges

Adopting the shared services model is not easy. Typically, some of the biggest problems that arise in a move to shared services can be of the organization’s own

making; simple mistakes creep in, which, if not discovered and averted, can spell serious difficulties further along the line (Liddell 2009).

Organizations can encounter a number of diverse technological, managerial and organizational challenges while developing shared services (Knol and Sol 2013):

### 2.4.1 Technological Challenges

a. The complex and diverse processes and IT systems challenge refers to processes and IT systems that are difficult to analyze, improve standardize and harmonize.
b. The lack of performance indicators challenge refers to a difficulty in agreeing on performance indicators resulting in a lack of performance data and inability to assess the performance of a SSC once operational.

### 2.4.2 Managerial Challenges

a. The alienation challenge refers to a distant relationship between SSCs and end-users, a loss of face-to-face contact and depersonalization with formalized procedures.

b. The diverse interests and missing shared mindset challenge refers to "multiple (sometimes conflicting goals), individual interests and associated behaviors which can generate resistance to change or create internal conflicts" (Janssen, Joha et al. 2009).
c. The incomplete business case/planning challenge refers to making robust business cases and planning roadmaps when developing SSCs.
d. The lack of qualified resources challenge refers to lack of skill of the SSC staff in terms of communication, results orientation, cooperation and customer orientation.
e. The poor change management process refers to the lack of effective change management in terms of managing resistance, communicating expectations, involving end-users, achieving necessary cultural changes and getting cooperation from employees in order to achieve organizational transition. Resistance can be caused by incomprehension of opportunities provided by a SSC and a fear that "service levels would fall" (Janssen and Joha 2006).
f. The shadow staff challenge refers to the phenomenon that SSC services are not used, but instead staff is hired by line managers to do

the work. For instance “administrative assistants” are hired by line managers instead of managers using the SSC directly (Ulrich 1995).

g. The shift of work and power challenge refers to the shift of work and power that comes with reorganization process, in terms of restructuration of work force, change of career paths, sift of power for managers, difficulty in accepting new roles and relations and damaged autonomy of line managers. A shift of work can also mean that a certain part of the work force loses their jobs (Davis 2005).
h. The transfer of personnel challenge refers to transfer of personnel from different departments to SSC which can be troublesome, as a result of differences in personnel agreements. “Contrary to the what the top of departments and senior executives assumed, there could be quite a number of differences among the departments and their prevailing reward and incentives schemes” (Wagenaar 2006).

### 2.4.3 Organizational Challenges

a. The lack of clarity of ownership and responsibility (governance) challenge refers to a lack of clarity of or different views on ownership

of problems and responsibility when operating SSCs across organizational boundaries which can result in employees feeling that a clear structure, of who to turn to with problems, has faded after an SSC is established.

b. The implementation strategy challenge refers to choosing between a top-down (planned, big bang) or a bottom-up (incremental, soft pressure) implementation strategy of SSC. A combination between the two, “big bang as the story and soft pressure as the practice “ can be regarded as an optimal strategy (Wagenaar 2006).

c. The organizational design and scalability challenge refers to an organizational difficulty of how to design a specific SSC. Scalability refers to the challenge in choosing optimal size of a SSC to achieve its full potential. Some of the questions to be dealt with are: “should an organization have only one center or several, should it be organized locally, regionally or globally, or may it perhaps be some kind of virtual organization?” (Ulbrich 2006).

For any shared services implementation project, especially if added complexity is thrown into the mix via the scale and structure of the SSO being implemented,

requirements for offshoring or building new infrastructure come with their own inherent risks, and it is critical to be aware of those risks and to have in place contingency plans (which of course are useless without a monitoring system that allows you to know when you need to initiate them). This seems obvious, however many shared services projects fail or are delayed due to a lack of appropriate risk management and monitoring, according to KPMG's Cliff Justice (Justice 2012). There are many value levers that organizations can pull to increase savings and improve effectiveness in a shared service organization. What most companies fail to realize is the corresponding risks associated with these decisions are usually left unchecked. This can lead to surprises and costly mistakes. Setting up a risk monitoring or similar dashboard can provide insight into the key areas that should be monitored based on the structure of the organization. For example, monitoring the status of offshore delivery markets (currency, politics, and labor pool), contractors, outsourced service providers and infrastructure can provide an ongoing risk profile to the shared services organization (Liddell 2009).

# CHAPTER 3: THEORIES AND RESEARCH METHODS

## 3.1 Theories Underlying the Shared Services Models

Two theories were examined to study the phenomenon of business support services:

- Agency Theory
- Transaction Cost Theory

Agency theory and transaction cost theory are the backbone of service delivery models and were examined to understand their aspects to the phenomenon of business support services, to develop the conceptual framework and service-centric thinking. These theories were selected because of their relevance to delivery of business support services in organizations. **Agency Theory** deals with the relationship between service providers and customers and the T**ransaction Cost Theory** explains why companies source out activities to the external environment and sees institutions and markets as different forms of organizing and coordinating economic transactions.

While shared services and outsourcing have become the norm in the past decade, the folding of these service delivery strategies into the Global Business Services

(GBS) model will allow organizations a unique opportunity to leverage GBS as a strategic asset to further their organizational goals. These goals may also include driving greater efficiencies, enabling business growth and supporting global standards and compliance.

Flexibility in the service delivery model is a competency displayed by more mature organizations with respect to GBS where they consistently measure and look for ways to improving their service delivery. Similarly, process ownership of global end-to-end processes is a key goal for the more mature organizations. Mature organizations seek to build, manage, operate and improve horizontal processes that cut across functional lines (KPMG 2012).

### 3.1.1 Agency Theory

The principal and agent theory emerged in the 1970s from the combined disciplines of economics and institutional theory. There is some contention as to who originated the theory, with theorists Stephen Ross and Barry Mitnick claiming its authorship. The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick, independently and roughly concurrently. Ross is responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency,

though the basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions. In short, Ross introduced the study of agency in terms of problems of compensation contracting; agency was seen, in essence, as an incentives problem. Mitnick introduced the now common insight that institutions form around agency, and evolve to deal with agency, in response to the essential imperfection of agency relationships: Behavior never occurs as it is preferred by the principal because it does not pay to make it perfect. But society creates institutions that attend to these imperfections, managing or buffering them, adapting to them, or becoming chronically distorted by them. Thus, to fully understand agency, we need both streams - to see the incentives as well as the institutional structures (Mitnick 2006). .

Agency theory (Eisenhardt 1989) is directed at an agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work. Agency theory is concerned with resolving two problems that can occur in agency relationships. The first problem is the agency problem that arises when the desires and motivations or goals of principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is actually doing. The problem

here is that the principal cannot verify that the agent has behaved appropriately. The second problem is the problem of risk sharing that arises when the principal and agent have different attitudes towards the risk. The problem here is that principal and agent may prefer different actions because of different risk preferences (Eisenhardt 1989).

Because the unit of analysis in agency theory is the contract governing the relationship between the principal and the agent, the focus of agency theory is on determining the most efficient contract governing the principal-agent relationship. Agency theory operates with a set of human, organizational and informational assumptions mentioned below in Table 2.2. Specifically the main question that agency theory addresses is, “is a behavior-oriented contract more efficient than an outcome-oriented contract?” An overview of the agency theory is given in Table 3.1 (Eisenhardt 1989).

| | |
|---|---|
| **Key idea** | Principal-agent relationships should reflect efficient organization of information and risk-bearing costs. |
| **Unit of analysis** | Contract between principal and agent |
| **Human assumptions** | Self-interest, bounded rationality and risk aversion |
| **Organizational assumptions** | There could be partial goal conflict among participants |

| | |
|---|---|
| | Efficiency as the effectiveness criterion<br>Information asymmetry exists between principal and agent |
| **Information assumption** | Information can be a purchasable commodity |
| **Contracting problems** | Agency (moral hazard and adverse selection) and risk sharing |
| **Problem domain** | Relationships in which principal and agent have partly differing goals and preferences (e.g., compensation, regulation, leadership, impression management, whistle-blowing, vertical integration, transfer pricing) |

**Table 3.1: Overview of Agency Theory**

In this research, agency theory is used to address the relationship between the principal - the customer (service requester), and the agent - the service provider. These relationships are of key importance in a service delivery environment. It is important to understand this relationship and the potential problems in the relationship. Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that arises when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing.

The problem here is that the principal cannot verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes towards risk. The principal and the agent may prefer different actions because of the different risk preferences. Consequently, ideal principal-agent relationships should reflect efficient organization of information and risk-bearing costs to best avoid these problems. Agency theory will assist in answering the research question - When problems are encountered in the use of a methodology, is the methodology at fault or are there shortcomings in the application of the methodology?

### 3.1.2 Transaction Cost Theory

Transaction cost theory is a theory accounting for the actual cost of insourcing/outsourcing production of goods or services including transaction costs, contracting costs, coordination costs and search costs. All of these costs are considered when making a decision and not just the market prices. Essentially this theory illustrates the make-versus-buy decision for companies.

Economist Ronald Coase observed that economic activity is conducted within firms when the costs of using the market to organize that activity are excessive. Coase referred to the many aspects of having the activity performed outside the

firm as “transaction costs.” Whenever transaction costs are high (relative to their benefits), firms will conduct those activities inside their four walls. If, on the other hand, the transaction costs are low, the firm would buy these activities from the market where the costs are lower, presumably due to economies of scale. However, the costs and benefits of organizing an activity through the market are not fixed; they can be influenced by the level of knowledge possessed within a firm, compared to the available knowledge on that activity that exists in the market, outside the firm. If sufficient knowledge and experience accumulate outside a firm for performing an activity, the activity may shift from being performed within the firm to being performed in the market.

The transaction cost economics (TCE) is used here to address the research questions as we are developing an internal market for delivery of business support services. Most transactions require parties to engage in a relationship over which ongoing interaction is needed to complete the transaction. TCE is part of a broader effort to study the economics of organization, which includes agency/mechanism-design theory, team theory, property rights theory, and resource-based/competency theories (Tadelis and Williamson 2010). One of the potential challenges is that the full transaction cost is hard to determine due to the risks associated with

assumptions about the depth and breadth of resources. Today many firms use external companies to process their payrolls. The transaction costs remain, but the specialization of these payroll processing firms has tipped the balance for many firms from payroll processing inside the firm to outsourcing it to an outside specialized firm, such as ADP and Ceridian. Information technology plays an important supporting role globally.

In summary, lessons learned from the review of existing literature covering business support services and the principles derived from the understanding of relevant underlying theories have been used to develop the new model and methodology for delivering business support services. The agency theory has been used to develop the relationship between the service providers and customers, the open services innovation theory has been used in identifying the customers' needs and expectations, and the transaction cost theory has been used to understand the reasons for outsourcing to the external environment.

In this research, I use these theories to develop a new model and methodology for delivering business support services. I do this by integrating various sourcing options such as insourcing and outsourcing. The key criteria remain transaction costs, knowledge and experience.

## 3.2 Developing a Conceptual Lens

A conceptual lens (focus concept) forces thinking to the integration level whereas a concept is timeless, abstract or broad such as change, system or interdependence. A service-oriented organization (SOE) is an organization whose business processes and IT infrastructure are integrated across the entire enterprise to deliver on-demand services to customers, partners and suppliers. SOE means that everything an enterprise delivers is a service - even products are services, in a sense. And the enterprise itself is a service. Everything is a service. That is the key idea behind a SOE: a view of the enterprise in which everything is seen in terms of services and their interactions and interdependencies, providing consistency and simplicity everywhere, and creating new space for agility and innovation in the enterprise (Graves 2009).

Introducing the model of a service oriented enterprise (SOE) to a company involves making critical decisions at a strategic level. This implies a long-term strategy with considerable complexity and risks. At the heart of a SOE there is an implicit sourcing question. The company and its services need to be divided into modular service components. These subdivided components, in turn, need to be integrated. This process of organizational decomposition and integration is realized

through the use of services. Moreover, there could also be a need for new business functions that manage business processes as well as orchestration that facilitates the integration of modular components (Janssen and Joha 2008).

Extending beyond the technical architecture to the very philosophy of how a business should operate, the Service Orientation approach establishes fluidity across boundaries to provide agility, transparency, and fundamental competitive advantage. "Service Oriented Enterprises" brings the concept of service orientation from the IT department to the boardroom, applying the precepts of service oriented technology to the underlying dynamics of how a business operates. Implementing a technological concept as a cultural paradigm, the SOE succeeds by combining the best features from virtual, extended, real-time, and resilient enterprises to serve not just its customers, but also its trading partners, shareholders and employees.

Building primarily on the success of the Internet and the automation of business policies and processes, the Service Oriented Enterprise (SOE) is defined by three essential layers: the enterprise performance layer, the business process management layer, and the underlying service oriented architecture (Khoshafian 2006).

Service orientation enables shared service centers (SSCs) to become shared service organizations (SSOs). SSCs are restricted by the boundaries and capabilities of the internal organization, often not being allowed to serve external clients and only being able to use internal resources, thereby restricting the limits of potential economies of scale. The outsourcing model is different from the shared services model because of its external orientation, which involves a formal contractual relationship, where clearly defined responsibilities are legally shifted to the outsourcing vendor (Janssen and Joha 2006).

### 3.3 Conceptual Lens

Chart 3.1 shows the conceptual lens for the study. As depicted, delivery of business support services is an engagement between two parties, usually the business units and the internal or external service providers that perform business support activities for the service-requesting business units. In this research, the engagement between the business units and the service providers is modeled as a principal-agent relationship, where the business units are the principals and the service providers are the agents. A service provider (the agent) may be the company's own subsidiary or, in the case of outsourcing, an external company. The main criteria for a business unit of the company (the principal) in sourcing

business support activities is to access knowledge resources at a lower cost than would otherwise be possible.

The principal determines what business support activities it requires to be performed in accordance with its business needs and allocates these tasks to an appropriate agent. The allocation of tasks to the agent is expected to be based on the agent's stock of skills and knowledge. The agent's stock of skills and knowledge may be similar to that of the principal (duplicated knowledge) or different from the principal (diverse and complementary knowledge) (Moitra 2008).

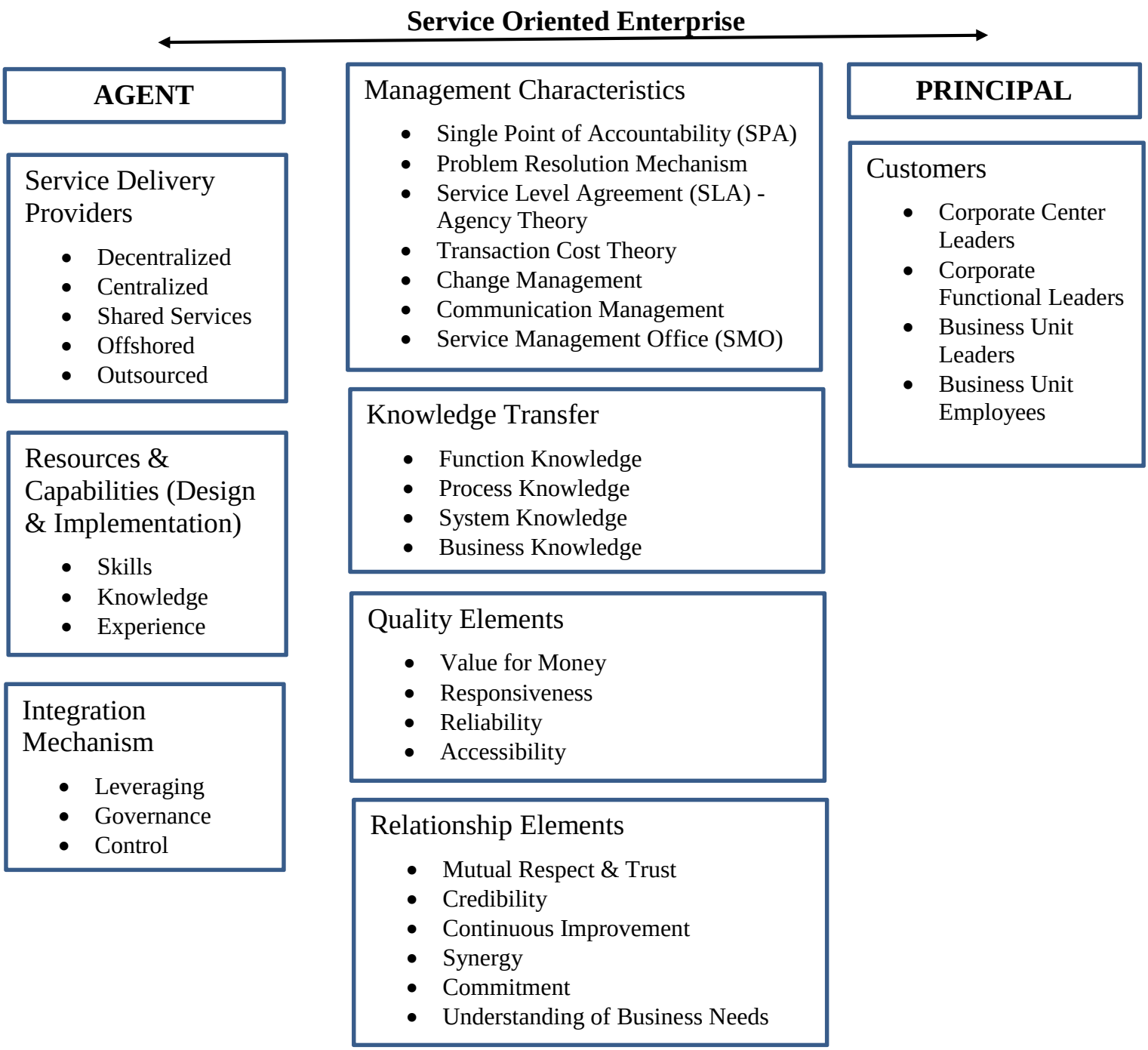



**Chart 3.1: Conceptual Lens for the Study**

## 3.4 Research Paradigm

A paradigm is a set of beliefs about the way in which particular problems exist and a set of agreements on how such problems can be investigated. Research is about asking questions and seeking information to answer the questions posed. This understanding ultimately influences the research paradigm. The decisions made about the research process depend upon the paradigm held (Mukherji 2009).

The purpose of this research is to understand existing methodologies, develop an integrated service delivery model and build a new methodology for delivering business support services that are tested to further reduce costs and increase service levels.

The branch of philosophy that looks at the nature of knowledge, the source of knowledge, how knowledge is acquired and the validity of knowledge, is called epistemology. There are two basic points which need to be investigated: (1) what knowledge is, and (2) how 'valid' knowledge is obtained. The nature of the research problem should drive the choice of research strategy (Creswell 2009).

## 3.5 Research Methods Used

As the prime objective of this research is to develop and test a new methodology for integrated delivery of business support services, we have used Action Design Research (ADR) and Methodology Engineering to address this objective. These research methods have also been used for developing the implementation roadmap.

### 3.5.1 Action Design Research (ADR)

A combination of design research (DR) and action research (AR) can be very useful for studying high performance designs. However, there has been a separation between the two approaches. A growing body of literature is recognizing these cross fertilization possibilities between AR and DR. One shortcoming in DR is the lack of a clear stage for “reflection” to specify learning. This requires reflecting on the outcomes to understand how they have contributed to the change sought, and why the success or failure is observed in the organizational settings. For DR, this can be especially problematic when the DR project is not carried out in a specific organizational context, for example in the case of market-based development. The outcome of such a project may result in an artifact, which needs to be shown to have advanced both theoretical and practical knowledge (Rossi 2009).

The “essence” of the two approaches may, indeed, be similar or have much in common. ADR is a research method for generating prescriptive design knowledge through building and evaluating ensemble artifacts in an organizational setting. It deals with two seemingly disparate challenges: (1) addressing a problem situation encountered in a specific organizational setting by intervening and evaluating; and (2) constructing and evaluating an artifact that addresses the class of problems typified by the encountered situation. Since ADR focuses on ensemble artifacts, it deals with certain critical issues. First, evaluation efforts cannot follow building in a sequence as suggested in stage-gate models of DR. Second, controlled evaluation efforts are difficult to design and conduct. Finally, innovation must be defined for the class of systems typified by the ensemble artifact. The ADR method contains four stages and seven principles that address these issues (see Figure 3.1). As a preliminary conceptualization, the following four-stage model can be used in ADR. The first stage is the Problem Formulation, corresponding to the first step in both, problem definition in DR and diagnosing the problem in AR. The second stage is Building, Intervention and Evaluation, similar to the ‘Build’ stage of DR and a combination of the action planning and action taking stage of AR. The third stage is Reflection and Learning and

incorporates the criteria that are germane to both approaches. The final stage is Formalization of Learning, which abstracts knowledge to make practical and theoretical contribution to the field (Sein, Henfridsson et al. 2011).

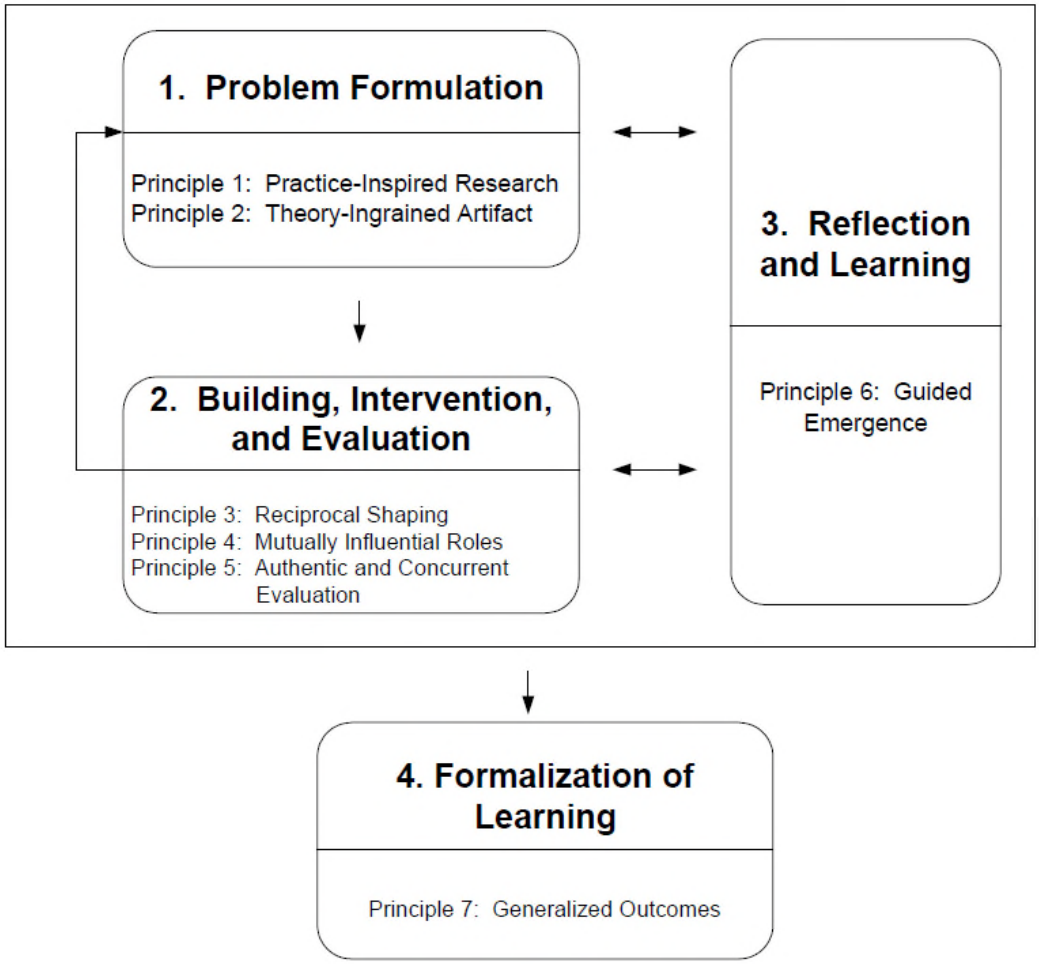



**Fig. 3.1 ADR Method: Stages and Principles**

The tasks in the ADR Problem Formulation Stage are (Sein, Henfridsson et al. 2011):

1. Identify and conceptualize the research opportunity
2. Formulate initial research questions
3. Cast the problem as an instance of a class of problems
4. Identify contributing theoretical bases and prior technology advances
5. Secure long-term organizational commitment
6. Set up roles and responsibilities.

The following features of the AR approach are important (Koshy 2010):

- AR is a method used for improving practice. It involves action, evaluation and critical reflection and – based on the evidence gathered – changes in practice are then implemented.
- AR is participative and collaborative; it is undertaken by individuals with a common purpose.
- AR is situation based and context specific.
- AR develops reflection based on interpretations made by the participants.
- Knowledge is created through action and at the point of application.
- AR can involve problem solving, if the solution to the problem leads to the improvement of practice.

- In AR findings will emerge as action develops, but these are not conclusive or absolute.

AR aims simultaneously to contribute both to the practical concerns of people in an immediate problematic situation and to further the goals of social science. Thus, there is a dual commitment in AR to study a system and, concurrently, to collaborate with members of the system in changing it in what is regarded by them together as a desirable direction. Accomplishing this twin goal requires the active collaboration of researcher and client, and thus it stresses the importance of co-learning as a primary aspect of the research process.

AR is used in real situations, rather than in contrived, experimental studies, since its primary focus is on solving real problems. Mostly, though, in accordance with its principles, AR methodology is chosen when circumstances require flexibility, the involvement of the people in the research, or when change must take place quickly or holistically. It is often the case that those who apply this approach are practitioners who wish to improve understanding of their practice, such as social change activists trying to mount an action campaign, or, more commonly, academics who have been invited into an organization (or other domain) by

decision-makers aware of a problem requiring research, but lacking the requisite methodological knowledge to deal with it (McNiff 2000).

ADR provides explicit guidance for accomodating building, intervention, and evaluation in a concerted research effort. It is an approach to produce knowledge by intervening in an organization and through developing an innovative ensemble artifact. This knowledge adds to, refines, or generates theory or theories and supports practitioners in solving immediate problems. Figure 3.2 shows a comparison of DR, AR and ADR approaches (Henfridsson 2011):

| Property | DR | AR | ADR |
|---|---|---|---|
| Artifact | Central | Peripheral | Central |
| Organizational impact | Peripheral | Central | Central |
| Subject participation in research design | Possible | Mandatory | Mandatory |
| Subject Feedback | Discrete | Continous | Continuous |
| Transferability | Explicit | Implicit | Explicit |
| Success measure | Quantifiable measures of artifact behaviour | Organizational Impact | Organizational learning and artifact generalizability |

Source: Ola Henfridsson 2011

**Figure 3.2: Comparing DR, AR and ADR**

DR develops prescriptive design knowledge through building and evaluating artifacts intended to solve an identified class of problems whereas AR is more of a holistic approach to problem-solving, rather than a single method for collecting and analyzing data. ADR is a research method that accounts for both technological and organizational contexts, shapes the artifact via design and use and influences designers and users.

### 3.5.2 Methodology Engineering

Methodology Engineering is a meta-methodology for designing and implementing information systems development methodologies (ISDMs). It is based upon the observation that organizations are continually devising. Using, and adapting development methodologies in their information systems development endeavors. The continual adaptation is a consequence of the situation variety. Different development situations (e.g. different stakeholders and corporate cultures, different types of application systems, and different skill levels of those participating in the development process, different system scope and complexity) require that different strategies and tools be employed and different types of developmental tasks be performed in each development situation. First introduced by Kumar and Welke in 1992 as a discipline aimed at constructing methodologies to match given

organizational settings or specific development projects, methodology engineering provides an approach for situation-specific methodology construction. It forms the basis for a now-flourishing area of research on methods, methodologies and requirements engineering (Kumar and Welke 1992).

As the methodology to be customized or designed is to be used in real-life situation (as opposed to academic research), the efficiency of methodology development and adaptation is of paramount importance. Real-life organizations can ill afford to wait for a custom methodology to be developed, tested, and implemented from scratch for each development project. Methodology engineering advocates the tailoring of methods, tools and techniques to the circumstantial needs of the transformation desired (so-called “situational methodology engineering”). In short: what is to be accomplished as the change agent and what methods, tools and techniques should be used to capture the needed information? Method, tool and technique “assembly” is a common approach taken by most professional developers (change agents). They assess the current situation and the sense of the necessary, then draw upon their comparative wealth of various tools, techniques and methods in some order (the process or project sequence) to accomplish this.

Typically, this may be done in an ad-hoc manner. There are, however, several problems with ad-hocery:

- First it does not provide any record of what has been done, and thus no usable learning can take place.
- Second, it does not rationalize the data collection of either the “as-is” or “to-be” representations of the phenomenon under study (the model).
- Third, it does not draw into question possible alternative methods, tools and techniques that might be more applicable to the situation.

Methodology engineering aims to avoid, fix or improve upon these problems. It also provides a tool (or set of tools) to guide and capture this journey of transformation (Welke 2012). Methodology engineering has been used within this thesis to develop and test the building blocks for the new methodology for integrated delivery of business support services.

### 3.6 Summary of Theories and Research Methods Used

Research methods, **ADR and Methodology Engineering**, the **Agency Theory**, the **Transaction Cost Theory** and the **Conceptual Lens** have been used for:

- Collecting and summarizing the current state data from multiple organizations
- Conducting interviews with service delivery executives for arriving at the requirements for a new methodology
- Developing the new methodology for integrating the delivery of business support services, and
- Requesting the practitioners to evaluate the new methodology

Moreover, as we plan to use, evaluate, and improve the new methodology by deploying, observing, and improving it in a real-life use situation, we have tested it in a large corporation.

Methodologies, like corporate data, are an organizational resource. The organization has invested both time and money in the development or acquisition of the methodological tool base. With time, the organization will collectively develop experience with methodology engineering and the use of the methodological components. It will have personnel who are trained in methodology engineering and systems development methods. All these organizational resources must be managed. In addition, the organization will need experts in the area of methodology development who could support application development project managers and

systems analysts in the engineering and implementation of their situation-specific methodologies (Kumar and Welke 1992).

## CHAPTER 4: DATA COLLECTION

Research is about generating knowledge. Action research (AR) creates knowledge based on enquiries conducted within specific and often practical contexts. The purpose of AR is to learn through action which then leads on to personal or professional development (Koshy 2010). Figure 4.1 is an adapted illustration from (Koshy 2010):

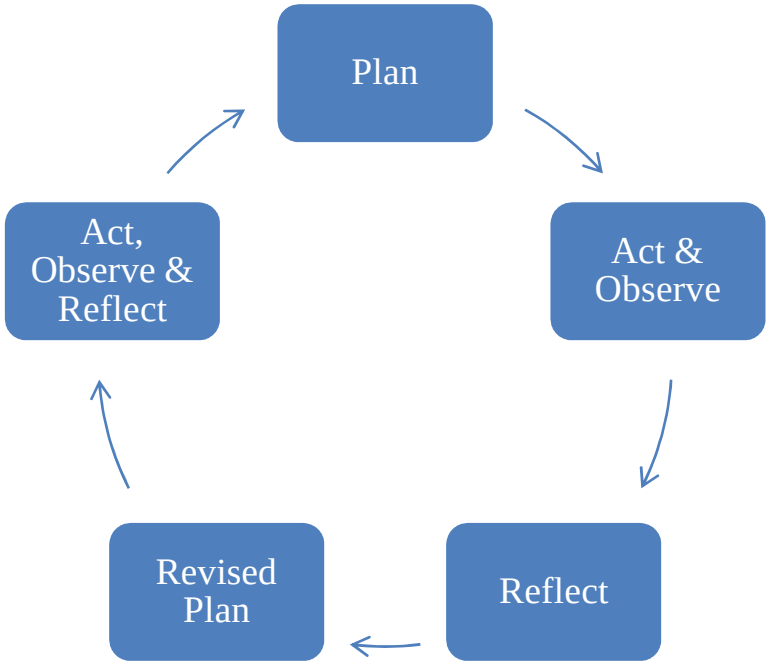



**Figure 4.1: Action Research Cycle**

In attempting to provide answers to the research questions, this research has primarily focused on the perspectives of service leaders and functional leaders responsible for governing and operating service organizations in various companies. Figure 4.2 shows that in addition to the focus group session (section 1.3.1), five sets of data were collected and analysed:

1. Value Potential Survey
2. Methodology & Tools Survey
3. In-depth Interviews and Methodology & Tools Survey
4. Evaluation of the New Methodology by Practitioners
5. Testing of the New Methodology in real-life situation

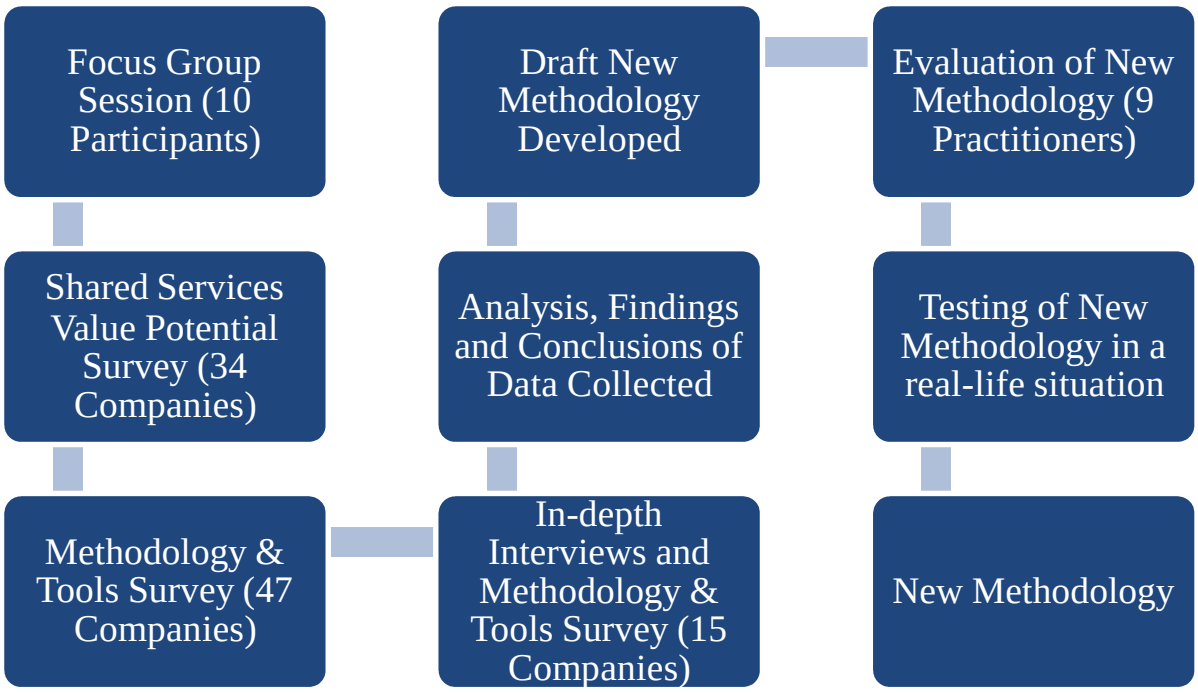



**Figure 4.2: Data Collection, Analysis, Evaluation and Testing**

## 4.1 Data Gathering and Analysis

The research questions were addressed by conducting a “shared services value potential” survey as part of the activities of the Asia-Pacific Shared Services Council of The Conference Board. The survey was sent to over 100 shared services leaders globally and 34 respondents from companies with primary business in 10 industries participated in the survey. The second and third research question were addressed by conducting a “Methodology and Tools” survey. A total of 47 respondents from companies with primary business in various industries participated in the survey. To get additional insights, in-depth interviews and an updated version of the “Methodology & Tools Survey” were conducted. In order to answer the fourth research question, the requirements and building blocks for a new methodology.

## 4.2 Value Potential Survey (34 Companies)

### 4.2.1 Purpose of the Value Potential Survey

The purpose of the Shared Services Value Potential survey was to understand the factors critical for increasing the value of shared services, i.e., the shortcomings of the current generation of methodologies, so that the requirements for a new methodology could be identified. In line with the

elements of the conceptual lens and the research questions, following questions were asked from the survey participants to develop an understanding of the current methodologies and tools that are currently being used and their limitations:

- "What is shared services all about?"
- "What is the principal strategy for shared service and governance?"
- "What should service level agreements describe?"
- "How should customer satisfaction be measured?"
- "How should employee commitment be measured?"
- "How can shared services value potential be increased?"
- "What should communication and change management programs focus on?"

### 4.2.2 Description of Value Potential Survey

The Shared Services Value Potential Survey was conducted as part of the activities of the Asia-Pacific Shared Services Council of The Conference Board. The survey was sent in 2009 to over 100 shared services leaders globally. 34 respondents from

companies with primary business in 10 industries participated in the survey. The response rate of 34% was considered acceptable. The locations of the headquarters of these companies are:

- The Americas (67.6%)
- Asia-Pacific (8.8%)
- Europe (23.6%)

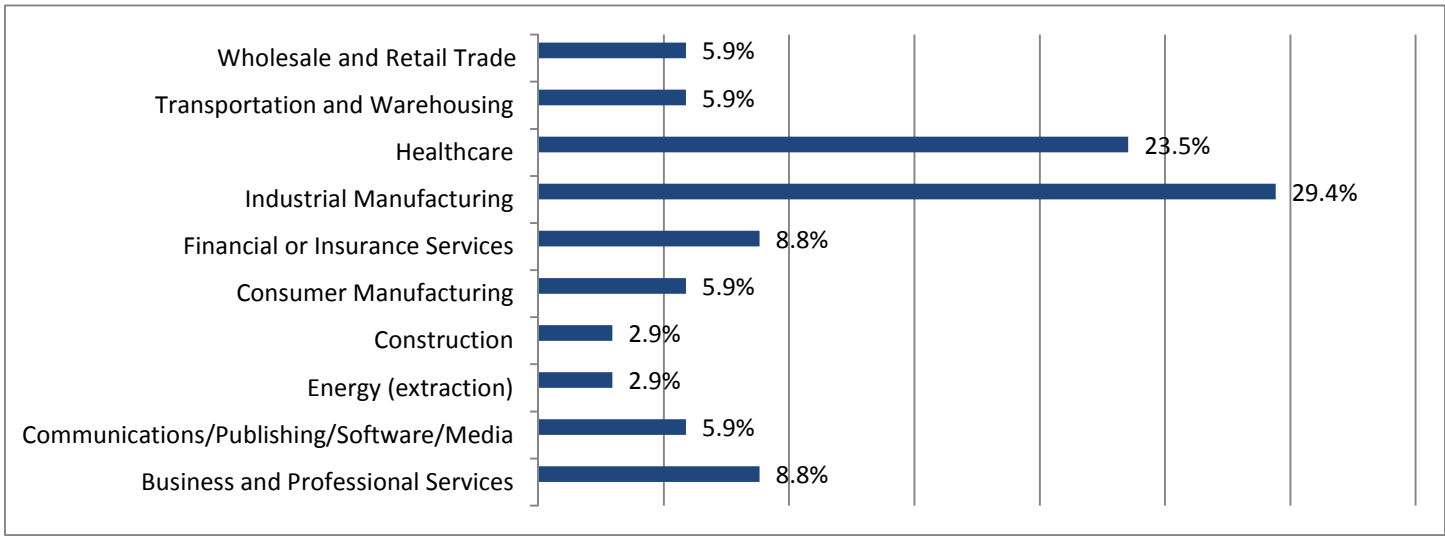



**Chart 4.1: Representation of Industry Sectors in the Value Potential Survey**

### 4.2.3 Findings of Value Potential Survey

Based on answers to the questions about the application of shared services and the value potential of shared services, key findings of the Shared Services Value Potential Survey include that shared services is a business strategy to increase

service satisfaction and quality and to reduce cost, and that the scope of shared services can potentially be applicable to all scale and expertise services in business support functions. In addition, the shared services model allows business units to focus more on market and competitive issues. The value proposition of shared services is improvement in quality and reduction in cost. The participants indicated that:

- Shared services creates a platform for satisfying internal customers and reducing cost effectively
- Shared services results in clarification of accountabilities for both providers and customers
- Shared services providers are primarily responsible for improving service quality and decreasing total cost of services
- Enterprise resource planning (ERP) systems are key enablers for increasing the value created by shared services.
- Management practices, change management, performance targets and vision, values and operating principles are foundational elements for shared services and focus should be on meeting customer needs and not on what providers want to provide.

- As shown in Appendix 1.1, areas which are important in managing functions and business support services include pricing/cost to serve, process standardization and service quality.

### 4.2.4 Conclusions from Value Potential Survey

Conclusions to be drawn from the Shared Services Value Potential Survey include that customer satisfaction and business value contribution measures must be included when assessing the performance of shared services implementation and customer satisfaction is directly proportional to the commitment of employees to shared services values. Also, SSOs must adopt a service based culture and a commercial culture in order to operate “like” a business as SSOs must communicate their value to their business units on a regular basis.

The overall conclusion from the responses is that training programs for shared services employees must include training in customer service, communications and change management, and change management programs should equally focus on service providers and internal customers. In addition, the change management programs should focus on changes in service delivery, in processes and in organization structure. Also, the communications programs must be based on a fact-based “no surprises” approach.

## 4.3 Methodology & Tools Survey (47 Companies)

### 4.3.1 Purpose of Methodology & Tools Survey

The purpose of the survey was to gain insights into the methodology and tools currently being used to optimize performance of service delivery organizations.

### 4.3.2 Description of Methodology & Tools Survey

The Methodology and Tools survey was conducted during October and November 2009 as part of the activities of the Asia-Pacific Functional Excellence and Shared Business Services Council of The Conference Board. A total of 47 respondents from companies with primary business in various industries participated in the survey. The locations of the headquarters of these companies are:

- North America (47.8%)
- Asia-Pacific (17.4%)
- Europe (28.3%)
- India (6.5%)

As shown in Chart 4.2, the manufacturing industry made up over half of the survey population.

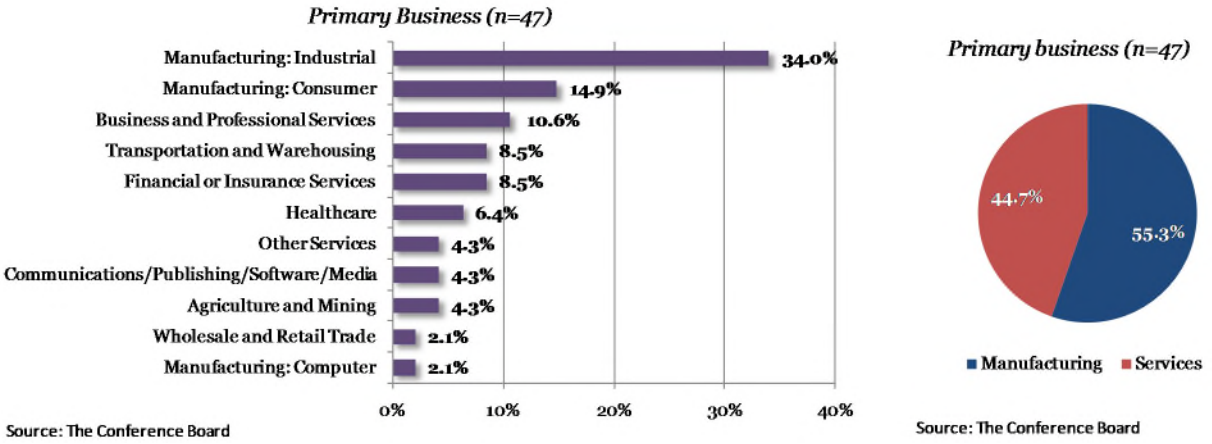



**Chart 4.2: Representation of Industry Sectors in Methodology & Tools Survey**

### 4.3.3 Findings of Methodology & Tools Survey

During the data collection process, over 70% of the respondents indicated that there were limitations and shortcomings in the methodologies used by their companies. The key shortcomings of the methodologies in use are:

- No comprehensive roadmap to success
- Inadequate coverage of essential management practices
- Difficulty to implement
- As tools are critical for optimizing the performance of functional and service organizations, most companies are developing in-house tools
- The current tools in use are complex and not integrated

Most of the respondents indicated that their methodologies did not provide clarity about the sequence of steps to be followed. Appendix 2.3 provides insights into implementation problems/issues with the current generation of methodologies.

One of the major implications of moving to a shared service environment is the need for enabling information technology (IT). The two enabling technologies with the greatest potential are enterprise resource planning (ERP) software and call centers. IT systems must also be rationalized, so that all of the business units are feeding the necessary information into compatible IT systems. Systems are a critical infrastructure component that can determine the success of shared services. The ultimate goal is to move from the current hodgepodge of transaction systems to a common system platform (Schulman, Dunleavy et al. 1999).

In order to improve efficiency, the tools used during various phases of the shared services lifecycle need to have interface capabilities with company ERP and other systems. Between 70 and 80% of the surveyed companies indicated that there were limitations and shortcomings in the tools used by their companies during their shared services journey. As shown in Appendix 2.6, the key shortcomings of the tools in use are:

- Lack of automation

- Lack of appropriate functionality
- No interface capability with ERP and other systems

Appendix 2.6 also shows that the companies are having difficulties with the following type of tools:

- Performance measurement tools
- Customer satisfaction measurement tools
- Service-based costing tools
- Service level agreements tools

### 4.3.4 Conclusions of Methodology & Tools Survey

The Shared Services Methodology & Tools Survey conducted across several industries globally has led to the conclusion that a disciplined approach is critical for optimizing the performance of functional and service organizations. This survey also led to the conclusion that current methodologies used by companies have limitations and are not providing clear instructions.

Appendix 1.2 shows two key requirements for an ideal methodology and the scope of an ideal methodology:

1. An ideal methodology needs to be simple and provide step-by-step instructions and a clear roadmap to success

2. The scope of an ideal methodology should include performance management, service level agreements and demand management

Appendix 1.2 also shows the critical requirements for an ideal set of tools. These requirements can be summarized as follows:

1. Tools need to capture data economically and integrate all required data elements
2. New methodologies and tools are required to assist companies in optimizing performance of their functional and service organizations.

## 4.4 INTERVIEWS AND METHODOLOGY & TOOLS SURVEY (15 COMPANIES)

### 4.4.1 Purpose of Interviews and Methodology & Tools Survey

The purpose of the in-depth interviews and the updated Methodology & Tools Survey conducted was to validate current understanding of existing service delivery methodologies and determine requirements for a new methodology for development of service delivery organization during planning, design, implementation and operation phases.

### 4.4.2 Description of Interviews and Methodology & Tools Survey

The in-depth interviews and Methodology & Tools Survey were completed during the period November 2010–May 2011. An interview guide was developed which included the Methodology & Tools Survey (26 Questions) and 15 key interview questions. The interview guide was sent to 20 companies and 15 companies agreed to participate in interviews by telephone and send the completed survey by email. Industry participation is shown in Table 4.1. Further demographic details of the participants are included in Appendix 3.1.

| Company | Industry | Location of HQ |
|---|---|---|
| **1** | Oil & Gas, Refining, Petrochemicals | Mumbai, India |
| **2** | Mining | St. Louis, USA |
| **3** | Mining & Petroleum (E&P) | Melbourne, Australia |
| **4** | Engineering & Construction | Brisbane, Australia |
| **5** | Financial Services | Mumbai, India |
| **6** | Pharmaceuticals | New York, USA |
| **7** | Food Producer | Toronto, Canada |
| **8** | Adhesives, Sealants & Surface Treatments | Dusseldorf, Germany |

| | | |
|---|---|---|
| **9** | Mining/Resources | Melbourne, Australia |
| **10** | Professional Services | Riverside, USA |
| **11** | Financial Services | Melbourne, Australia |
| **12** | Professional Services | Melbourne, Australia |
| **13** | Oil & Gas | Adelaide, Australia |
| **14** | Communications | Toronto, Canada |
| **15** | Chemicals | Ludwigshafen, Germany |

**Table 4.1: Representation of Companies in Interviews and Methodology & Tools Survey**

### 4.4.3 Findings of Interviews and Methodology & Tools Survey

As shown in Appendix 3.2 the key shortcomings of the methodologies in use are:

- No comprehensive roadmap to success
- Inadequate coverage of essential management practices
- Difficulty in implementing

Detailed responses to survey questions related to **methodology and tools** are shown in Appendix 3.3.

For the abstract concept of a shared service business model to take on practical significance, there has to be a need for change, an awareness of the potential benefits of shared services, and a vision of where the company is going (Bergeron 2003).

An implementation roadmap provides a possible path to success. Based on the written answers provided by the participants and subsequent clarifying discussions, key findings from the interviews and the Shared Services Methodology & Tools survey are:

- The use of a “big bang” approach when virtually all staff are inexperienced does not help. The confusion between roles and responsibilities of ERP development teams and shared services implementation teams results in a solution that does not work effectively. Further, with this “big bang” approach the value potential of shared services is not well understood. As a result, the internal customers (the business units) are unsure about their satisfaction as better integration of all teams is needed.

- It would be ideal if the implementation could be facilitated through a self-service software which allows for user definitions of the business, organization structure and reporting needs.
- More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementations.

Most of the respondents indicated that in the future they will use a different methodology for integrating delivery of business support services, that ideal methodologies should provide a clear roadmap to success, and that the scope must include performance measurement and demand management.

### 4.4.4 Conclusions of Interviews and Methodology & Tools Survey

The conclusions derived from the in-depth interviews and Shared Services Methodology & Tools Survey conducted are as follows:

- **Implementation Considerations**
  - A “big bang” approach should be avoided when virtually all staff are inexperienced.
  - Inability to attract key personnel is a challenge.

- Partnerships with consultants were a significant source of conflict, as they maximized fees and did not optimize SSC implementation. A partner is important, however, it is best to engage with a strategic partner rather than one who is fee focused.
- Conceptual essences should be converted and applied for practical use, a copy-book approach should be avoided.
- Precise human resources planning based on work measurement is difficult in services processes. Advanced methodologies/tools such as Lean Process, Office-MOST and BPMS software should be considered to increase the precision of implementation.

- **Roles and Responsibilities**
  - The confusion between roles and responsibilities of ERP implementation teams, ERP development teams and shared services implementation teams should be avoided to increase probability of successful implementation
  - An integrated effort should be planned for split between functional-led re-engineering and IT-led ERP development

- **Communication and Change Management**

- Change management, risk minimization and functional versus service orientation are principal shortcomings.
- Fact-based approaches are not sufficient in and of themselves to engender the necessary support and alignment to implement step change solutions

- **Governance**
  - Internal control should be present in the implementation environment.

The chosen methodology should provide a technology strategy to drive efficiency by leveraging the ERP systems and internet functionality. In addition, the ideal tools should focus on key improvement opportunities and extract data from company databases economically.

Key requirements for an ideal methodology and tools are shown in Appendix 3.3.

### 4.5 Summary of Findings and Conclusions from Data Collected

In general, the data reveal that a disciplined approach is critical for optimizing the performance of functional and service organizations. The majority of the companies surveyed do not use a methodology during the design and operational

phases. The methodologies that are used by companies do not assist them effectively in achieving all their performance optimization goals such as:

- Reduction in cost of functions/services
- Increase in service quality
- Increase in customer service
- Increase in compliance and control
- Process standardization
- System standardization

The current methodologies in use were obtained from various professional consulting firms or developed in-house and these methodologies have limitations and do not provide clear instructions in most cases. It is understood that it will be difficult to design a methodology which provides support in all areas such as goal setting, performance management, ERP integration etc. However, an ideal methodology needs to be simple and to provide step-by-step instructions and a clear roadmap for success. The scope of an ideal methodology should include performance management, service level agreements (SLAs) and demand management. Most companies are developing in-house tools for optimizing the performance of functional and service organizations. The current tools in use are

complex and not integrated. Ideally tools will capture data economically and integrate all required data elements.

In-depth interviews and surveys conducted with various service and functional leaders found that a disciplined approach is critical for optimizing the performance of service delivery organizations and integrating delivery of business support services. These surveys also concluded that current methodologies used by companies have limitations and are cumbersome. The leaders mentioned that the principal shortcomings of the methodologies in use were with change management of systems and processes, risk minimization and the definition of functional versus service orientation.

Limitations of current methodologies used by companies were described by the leaders as follows:

- Does not provide a comprehensive roadmap to success
- Does not cover all of the essential management practices
- Difficult to understand
- Difficult to implement
- Difficult to measure workload and staffing needs precisely

- Difficult to replicate in the absence of a standardized tool
- Lack of change management roadmap
- Does not address processes and systems sufficiently
- Does not address the sequence of steps to be followed
- Lack of cross-functional change management, work measurement
- More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementation.
- There is a need for workarounds, organizational politics and power.

The objectives of this thesis are to design, develop and test a new methodology (artifact) for delivering business support services in organizations, the data collected is in line with the stages of ADR and the discipline of Methodology Engineering.

The results of the literature review, focus group discussions with practitioners, these surveys and in-depth interviews have helped us to address our research questions:

1. What are benefits and issues in implementing shared services delivery models from an academic and practitioner perspective?
2. What are current methodologies and tools in use by service delivery organizations during the planning, design, implementation and operation phases?
3. What are the shortcomings of the methodologies and tools that are/were used?

The first research question was addressed by conducting a “shared services value” survey. The survey was sent to over 100 shared services leaders globally and respondents from companies with primary business in 10 industries participated in the survey. The second and third research question were addressed by conducting a “Methodology and Tools” survey. A total of 47 respondents from companies with primary business in various industries participated in the survey. To get additional insights, in-depth interviews and an updated version of the “Methodology & Tools Survey” were conducted.

The majority of the companies surveyed do not use a methodology during the design and operational phases. The methodologies that are used by companies do not assist them effectively in achieving all their performance optimization goals.

They do not provide step-by-step instructions and no clear roadmap to success. The respondents mentioned that the principal shortcomings of the methodologies in use include a lack of support for change management of systems and processes, no tools for risk minimization and no aid in definition of functional versus service orientation.

Based on the results, we outline initial requirements for an improved and integrated methodology to effectively support implementing shared services in the next chapter.

# CHAPTER 5: MODEL AND METHODOLOGY FOR INTEGRATED DELIVERY OF BUSINESS SUPPORT SERVICES

Models are frameworks which by definition exist to provide structure and direction on a preferred way to do something without being too detailed or rigid. In essence, models provide guidelines and are powerful because they provide guidance while being flexible enough to adapt to changing conditions and can be customized for a company while utilizing vetted approaches (Norman 1999). A methodology, on the other hand, is an approach to "doing something" with a defined set of rules, methods, tests activities, deliverables and processes which typically serves to solve a specific problem. A service delivery methodology is defined as a body of service delivery guiding principles, standards, procedures and rules, a set of working methods and management practices including tools such as software solutions necessary for design, implementation and operations. The methodology needs to provide sequential steps during various phases of the journey. Methodology represents a system of methods used to conceptualize, design and implement the integrated model for delivering business support services. Essentially, a methodology must be determined so that it follows the constraints established by the governance system (Erl, Bennett et al. 2011).

An example of a business methodology would be how, in a defined, planned manner, you test “something,” validate results, establish the deliverables and determine how to improve and monitor that “something” on an ongoing basis. Methodologies demonstrate a well thought out, defined, repeatable approach. Most importantly, the use of well-developed methodologies supports the validity of the way something is done and the results achieved. The methodology you adopt must be aligned with the context and that you can “assemble” a methodology from various components to achieve a better outcome for the organization and the users who “consume” the result.

### 5.1 Requirements of Business Support Services Model

A model must provide a framework for the effective management of business support services within companies. Companies tend to want to execute projects such as the delivery of business support services their own way, which can reduce the opportunities for optimizing synergy, integration and future leveraging. Therefore, a company’s success with service delivery models is dependent on leadership being proactive in defining the vision and setting the targets for service delivery. A model produces and provides the needed subject matter information,

instructional materials and tools and techniques for companies to do what needs to be done, faster and better.

The model for business support services should provide:

- Integration of internal and external service providers (i.e. centralization, shared services, offshoring and outsourcing) for a single function such as Finance
- Integration of technology platform and service management for internal service providers (i.e., shared services and offshoring) for individual functions such as - Finance, HR, IT and Procurement.
- Integration of end-to-end process with technology enablement
- Integration of internal service providers when multi-function shared services are being implemented
- Integration of internal and external service providers (i.e. centralization, shared services, offshoring and outsourcing) for various service delivery models when multi-function shared services are being implemented

## 5.2 Business Support Services Model

The purpose of the new model is to determine a set of measures for areas requiring attention in order to control these areas of service delivery. The model is applicable to all companies that want to improve the efficiency and effectiveness of their business support services. The key characteristics of the new model for Business Support Services are:

- Governance board stresses compliance with the model
- Growth oriented business model to leverage scale and expertise
- Leverage of advanced technologies
- Virtualization - location neutral
- Globally integrated service delivery centers being managed cohesively
- Contact centers established to support stakeholder inquiries
- Continuous re-invention
- Expansion of services / scope including expertise services
- Open for competition with external providers; outsource where not best-in-class; external profit center approach
- Balanced scorecards integrated with customer strategy

- Menu pricing
- Service Level Agreement (SLA) / strong customer focus – an SLA is a management tool primarily designed to manage expectations for service delivery
- Involvement of Marketing & Business Development team
- Inclusion of R&D: new service offering development
- Optimal organizational structure
- Multi-functional leveraging and focus on business unit needs
- Tacit information managed to create competitive advantage
- Profit center approach with full financial transparency
- Global end-to-end process ownership integrated with technology
- Global sourcing contracts and seamless connectivity with all trading partners

Chart 5.1 shows the six components of the Business Support Services Model:

1. Governance mechanisms
2. Sourcing options for delivering business support services
3. Service management and process management

4. Engagement between principals and agents
5. Integrated organization structure for managing multiple service providers
6. Change management and continuous improvement.

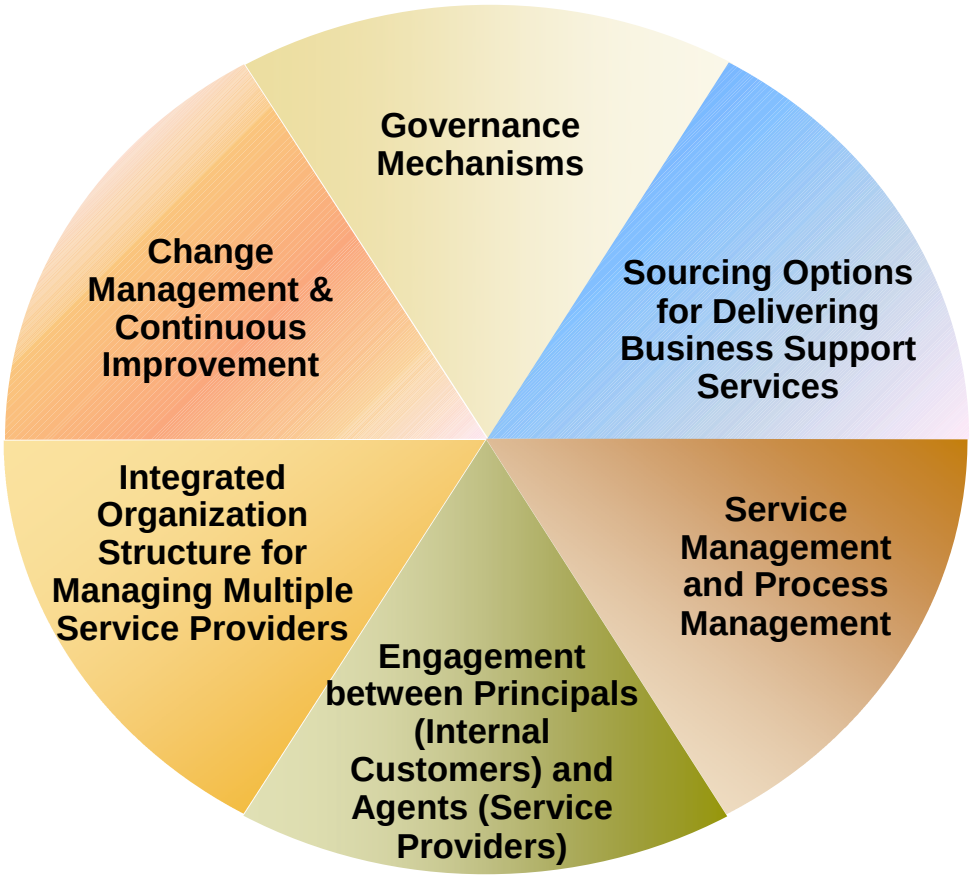



**Chart 5.1: Components of Business Support Services Model**

The six components of the Business Support Services Model are described below:

1. **Governance Mechanisms:** The purpose of governance is to assign decision rights and develop accountability and measurement framework for encouraging desirable behaviors in the design, implementation and operations of business support services. Governance is defined as establishment of policies and continuous monitoring of their proper implementation by the members of the governing body of an organization. It includes the mechanisms required to balance the powers of the members and their primary duty of enhancing the prosperity and viability of the organization.
2. **Sourcing Options for Delivering Business Support Services**: The choices are Insourcing (decentralization, centralization, shared services and offshoring), Outsourcing and Hybrid (combination of insourcing and outsourcing) to leverage both scale and expertise services and for better leveraging infrastructure costs.
3. **Service Management and Process Management:** Maintaining a catalog of services provided by various providers including prices and service standards and appointing global end-to-end process owners with

accountability for process standardization and process direction on a global basis. Integration of the chosen IT platform with service management is best achieved by:

- Providing either matching technology with outsourced parties or reviewing all platforms to enable synergy
- Identifying key elements that need to be in place to ensure achievement of benefits
- Establishing responsibilities for process steps
- Integrating end-to-end process with technology
- Providing flexibility and scalability to overcome restrictions of agreements**.**

4. **Engagement between Principals (Internal Customers) and Agents (Service Providers)**: Developing a partnership agreement between the agents and the principals in the company, two-way relationship. The elements of engagement include SLAs, customer councils, determining requirements of internal customers, obtaining feedback through customer surveys (voice of the principals) and aligning functional priorities with the needs of the business units.

5. **Integrated Organization Structure for Managing Multiple Service Providers**: Managing business support services delivered by multiple service providers from a single service organization. The organization structure should include a service management office (SMO). Roles should be defined for corporate functions, strategic business units and service delivery organization based on all elements of the model. Involvement of functional and service leaders is paramount in creating an integrated organization structure. Cost reduction and productivity improvement must be key focus areas.
6. **Change Management and Continuous Improvement:** The focus of change management and continuous improvement is to address the human and organizational factors that will both drive and obstruct change throughout the organization. Change management is a critical part of a business services project that leads, manages and enables people to accept new processes, technologies, systems, structures and values. In the context of creating a Business Support Services model, the goals include:
    - Establishing a project management capability to achieve sustainable outcome

- Minimizing disruption to the organization during transition
- Guiding the people directly impacted by the change in the service delivery model
- Establishing the effective leadership and structure to support the objectives
- Managing the demand for services.

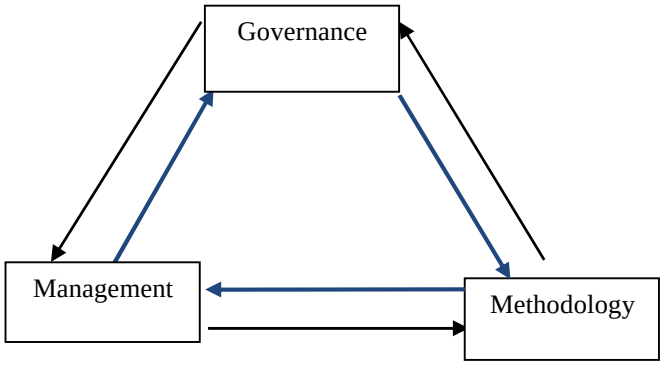
Continuous improvement in service delivery is also critical in sustaining the integrated delivery model. The use of approaches like internal crowdsourcing or Kaizen will assist with achieving the goals of continuous improvement. Kaizen is the practice of continuous improvement and means "change for better". Crowdsourcing is the practice of obtaining needed services, ideas or content by soliciting contributions from a large group of people, and especially from an online community, rather than from traditional employees or suppliers (Wikipedia 2014). While the idea behind crowdsourcing isn't new, its active use online as a business building strategy has only been around since 2006. The phrase was initially coined by Jeff Howe, where he described a world in which people contribute ideas towards the success of a project.

Crowdsourcing is a relatively recent concept that encompasses many practices. This diversity leads to the blurring of the limits of crowdsourcing that may be identified virtually with any type of Internet-based collaborative activity, such as co-creation or user innovation. The adaptability of crowdsourcing allows it to be an effective and powerful practice (Estellés-Arolas and González-Ladrón-de-Guevara 2012).

### 5.3 Methodology for Integrated Delivery of Business Support Services

Methodology is the unit of analysis for this research. Essentially, a methodology must be determined so that it follows the constraints established by the governance system and the corresponding methods (processes) must be carried out in compliance with these constraints, as well as any additional constraints that may be further introduced by the methodology itself. Whereas a governance system establishes rules and constraints, it is not responsible for enforcing them or overseeing related activities to ensure compliance. Management refers to the system of and resources responsible for day-to-day operations. In relation to governance, a management system provides the hands-on means by which the constraints and goals of the governance system are realized in the real world.

Therefore, the management of a governance system represents a subset of the overall management responsibilities (Erl, Bennett et al. 2011).




Source: (Erl, Bennett et al. 2011)

**Figure 5.1: Governance, Management and Methodology**

Governance, management and methodology are distinct areas within a service organization and share distinct relationships. Governance establishes rules that control decision making; methodology establishes processes that comply with governance rules and may introduce additional rules, whereas management is responsible for day-to-day operations and for ensuring that decisions made adhere to governance and methodology rules (Erl, Bennett et al. 2011). Poorly defined and executed methodology can jeopardize business goals associated with the governance system.

### 5.3.1 Primary Building Blocks of Methodology

The primary building blocks (Erl, Bennett et al. 2011) that comprise a methodology are:

- **Precepts:** Precepts define the rules that establish constraints and govern decision making
- **People:** People assume roles and make decisions based on precepts
- **Processes:** Processes coordinate precept-related decision making activities
- **Metrics:** Metrics measure compliance to precepts
- **Tools:** Tools facilitate analysis and implementation.

A **precept** is an authoritative rule of action. Precepts are the essence of governance because they determine who has authority to make decisions. They establish constraints for those decisions, and they prescribe consequences for non-compliance. Precepts codify decision making rules using objectives, policies, standards and guidelines.

**People** make decisions in accordance to and within the constraints stipulated by governance precepts. For a governance system to be successful, people must understand the intents and purposes of the precepts and they must understand and accept the responsibilities and authorities established by the precepts.

A **process** is an organized representation of a series of activities. It is important to make a distinction between governance processes and other types of processes related to service delivery. Any process is considered an activity, but a governance system is dependent on governance processes to ensure compliance with its precepts.

**Metrics** provide information that can be used to measure and verify compliance with precepts. The use of metrics increases visibility of the progress and effectiveness of the governance system and shared services program management. Metrics also measure trends, such as the number of violations and requests for exceptions to the rules. A large number of exception requests may indicate that a given precept might not be appropriate or effective.

**Tools** facilitate automation of governance tasks and processes. Examples of tools include service delivery maturity matrix, service level agreements (SLAs) and software solutions such as activity-based costing.

Good methodology empowers managers to do what's right for the service delivery business. Poor methodology unnecessarily creates constraints and activities which fail to provide guidance. Elements of a good methodology for service delivery include (Erl, Bennett et al. 2011):

1. Definition of service inventory scope
2. Service review
3. Service portfolio
4. Centralized service registry
5. Service-related details
6. Service delivery frameworks (shared services, outsourcing and hybrid of shared services and outsourcing)
7. Service contract (SLA) template

### 5.3.2 Requirements of the Methodology

The requirements for the new methodology for integrated delivery of business support services have been developed in this thesis based on:

- Conclusions drawn from the data collected
- Application of theories studied to understand the phenomenon of business support services
- Claims from the literature review
- Personal experience of the author as a leader and management consultant in shared services development and implementation.

### 5.3.3 Requirements from Conclusions Drawn From the Data Collected

Based on the conclusions drawn from the data collected and the identified limitations of current methodologies, requirements for the new methodology are:

- To be simple and provide step-by-step instructions and a comprehensive roadmap for success.
- The methodology should include management practices to address processes, systems, cross-functional change management and work measurement.
- The tools used should capture data economically and integrate all required data elements.

### 5.3.4 Requirements from Application of Theories Studied to Understand the Phenomenon of Business Support Services

Based on the Agency Theory and Transaction Cost Theory, the requirements for the new methodology are:

- The scope of the methodology should include performance management and Service Level Agreements.

- The methodology should be able to quantify cost reduction opportunities.
- It should describe the role of the service organization in achieving the company's business objectives.

### 5.3.5 Requirements from Claims from Literature Review

Based on the conclusions drawn from the review of current literature, the requirements for the new methodology are:

- The methodology should be able to measure customer satisfaction and identify service quality improvement goals.
- The methodology should provide the most effective sourcing mix for the service delivery operations.
- It should consider the extent to which a mixed economy model (hybrid) utilizing both in-house service delivery and third-party provided delivery is appropriate for optimizing an organization's service delivery operations.
- It needs to provide a resolution of issues that arise in integrating and managing in-house and third-party services.

- It should provide criteria for identifying opportunities for outsourcing.
- It should provide criteria for integration of internal and external services providers.

### 5.3.6 Requirements from Personal Experience of the Author

Based on the personal experience of the author, the requirements for the new methodology are:

- A demand-driven model is needed for delivering business support services.
- It needs to provide the governance framework for all internal and external service providers.
- It should identify future initiatives to enhance service operations
- It should provide potential benefits or pitfalls of pursuing Business Process Outsourcing (BPO) opportunities.

### 5.3.7 The New Methodology

ADR research method deals with addressing the problem situation encountered in a specific organization by intervening, constructing and evaluating an artifact (methodology). Based on the application of ADR, the new methodology was developed to meet the above requirements, evaluated based on usefulness to the

practitioners and ensuring abstract knowledge to make a practical and theoretical contribution to the field.

A modified Six Sigma approach has been combined with ADR to compose a stakeholder values-based methodology. The Six Sigma provides the building blocks for the methodology in a service environment. The generally understood Six Sigma uses DMADV (Define, Measure, Analyze, Design and Verify) for new projects. In order to clearly define the phases of the new methodology, we have used the approach as modified by Caterpillar. Instead of DMADV, we have used the following five phases, labelled DMEDI (Panchami 2008):

1. Define (D)
2. Measure (M)
3. Explore (E)
4. Develop (D)
5. Implement (I)

After implementation, a control plan should be put in place to ensure verification of effectiveness and maintenance of desired results on an ongoing basis.

### 5.3.8 Building Blocks for the New Methodology

Based on the identified requirements, the building blocks and the roadmap for the new methodology are shown in Figure 5.2:

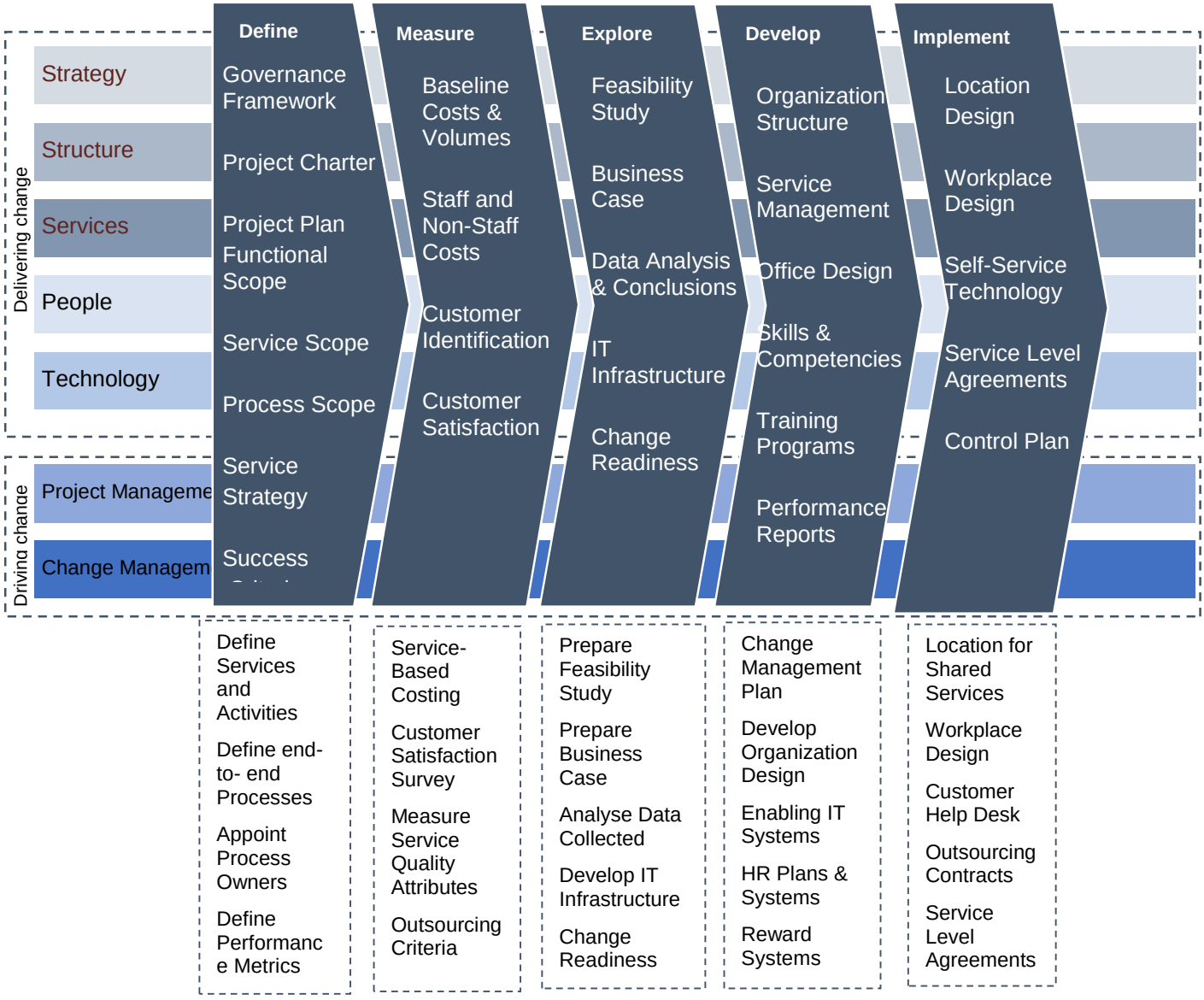



**Figure 5.2: Building Blocks for the New Methodology**

These building blocks for the new methodology provide precepts, people, processes, metrics and tools for integrating the delivery of business support services for each of the five phases of the DMEDI approach:

**I. Define (D)**

1. Establish a service delivery governance framework including a strategic vision
2. Define functional scope for all services to be delivered through the business support services organization
3. Define standard end-to-end global processes
4. Appoint a single owner for each global process and establish swim lanes to define the process steps to be managed within the business support services organization
5. Establish service delivery strategies (i.e. operational excellence, process innovation and customer intimacy) and scope for services to be provided
6. Determine scope for insourced services
7. Determine criteria for outsourcing services
8. Determine scope for services to be outsourced

9. Select outsourced service providers
10. Establish success criteria for service delivery from the viewpoint of customers
11. Define performance metrics and value contribution measures to demonstrate cost reduction and productivity improvements

**II. Measure (M)**

1. Determine baseline cost and baseline performance metrics for each service
2. Prepare a service catalogue showing services to be delivered in-house and by outsourced service providers
3. Identify internal customers for each service
4. Conduct customer satisfaction surveys to seek the voice of internal customers and establish customer satisfaction baseline
5. Determine functional and non-functional customer requirements for each service

**III. Explore (E)**

1. Prepare a feasibility study and business case for change demonstrating the value contribution to the company

2. Assess IT infrastructure and architecture for delivering insourced services and integrating with other outsourced service providers
3. Assess change readiness and barriers to change

**IV. Develop (D)**

1. Develop a plan for change management and continuous improvement in order to have timely and transparent communication and address change barriers
2. Develop organization structure and define roles integrating multiple service delivery providers
3. Develop a service management office structure
4. Develop enabling IT systems for insourced services and ensure integration with the processes
5. Develop required skills and competencies for each position within the service delivery organization to facilitate onboarding and staff development
6. Develop a talent pool of available resources
7. Develop reward and recognition system for employee motivation
8. Develop career progression paths for each employee

9. Develop training programs for service delivery concepts, change management, processes and IT systems
10. Develop performance metrics
11. Develop regular performance reports.

**V. Implement (I)**

1. Select locations for the insourced service delivery centers and finalize workplace requirements for the in-house center staff
2. Appoint people to the defined roles and appoint customer account managers
3. Establish a customer helpdesk and/or use of self-serve technology
4. Negotiate contracts with outsourced service providers
5. Sign flexible service level agreements (SLAs) with the customers to facilitate provision of satisfactory services (consider elimination of the SLAs after two years of operations)
6. Implement a demand management program
7. After implementation, establish a control plan and validation plan to ensure that desired results are achieved on a sustained basis.

The methodology requires a number of necessary practices to be deployed. A brief definition for each of these practices is as follows:

1. **Definition of Work**
    - Work is defined as services delivering outputs to customers and activities which are performed to deliver each service
2. **Service Classification**
    - Governance, business direct, and shared services are identified and dealt with separately
3. **Activity-Based Costing**
    - Total activity cost should include all labour, non-labour costs (e.g. contracted services and staff, purchased materials & supplies, equipment and technology, overhead & administration)
4. **Performance Measurement**
    - Targets can be set at multiple levels: Service, Bundle of Services, Segment, Function, and Shared Services overall.
    - Metrics relate to customers, to commitments made, and to internal operating management.

5. **Service Grouping**

    - Services should be grouped not by function, but into groups of services and activities alike in competency, form of delivery, etc.

6. **Organizational Modelling**

    - Cross-functional approaches offer the potential for superior performance: segmented, skill-based, process, combination, functional, matrix

7. **Joint Improvement Initiatives**

    - Identifying improvement opportunities jointly with customers

8. **Customer Identification**

    - It is appropriate, and beneficial, to apply a "customer-provider" paradigm to internal service providers and the people within their organizations that they support

9. **Customer Satisfaction Measurement**

    - Initially, customer satisfaction assessment is the best way to know that services provided are optimally supportive of customers' business success (alignment).

10. **Customer Requirements**

    - Requirements can be grouped into following categories

- Accessibility
- Reliability
- Responsiveness
- Skills, knowledge of providers
- Suitability for use
- Cost/Value

**11.Transfer Pricing**

- Objectives for transfer pricing process include:
  - Consistent recovery of fully loaded service costs that is in the best interests of the corporation
  - Clearing the accounts – a simple accounting requirement,
  - Affecting customer behaviours relative to services and service costs,
  - Making better management decisions on how services are used and provided.

**12.Service Level Agreements (SLAs)**

- Service level agreements (SLAs) can have several short term objectives, including

- Facilitate a discussion between Business Services and its customers, ultimately leading to agreement between those two groups,
- Provide an estimate of, or an actual commitment to a volume of services to be provided to customers,
- Formalize a commitment to a given level of service, defined by cost, customer satisfaction, and other performance measures,
- Finalize other aspects of the relationship that are considered important by the customer (e.g., billing arrangements, roles and responsibilities, handling contingencies).

**13.Customer Councils**

- A customer council can have more than one objective
  - To provide direct customer involvement in the leadership and management of shared services.
  - To provide a forum for shared services for addressing and resolving issues that impact multiple customer groups.
- The Council should
  - Act as an advocate for the Business Units and Shared Services
  - Protect the interests of the Business Units and the corporation

- Help set general direction and remove barriers
- Provide guidance in review of performance
- Endorse and support the activities of Shared Internal Services
- Participate as active partners in both internal and external communications programs,
- Be a driver of a “customer-focused”, business-based approach to service delivery.

**14. Competency Definition**

- The objective of competency definition is to ensure that the provider organization has the competencies required to deliver services in such a way as to maximize the benefit to clients and the organization overall.

**15. Service Training**

- Coordinate actions to alter behaviour through:
  - Awareness - knowledge that change is planned, underway
  - Motivation - internalization of the need for this change
  - Determination - clarity around the nature of the expected change, including “what I need to do differently”

- Selection/retention - assessment of staffing changes to modify the character of a group rather than individual behaviours
- Education - provision of the skills, knowledge needed to effect the desired behaviour
- Enablement - adoption and availability of needed tools and support

**16.Career Development**

- Career paths into, through and out of shared services are developed:
  - Individual provider staff members are assessed against appropriate paths.
  - Developmental plans are created to move people along paths.

**17.Reward and Recognition**

- Monetary and non-monetary reward and recognition programs are tailored to meet the specific needs of shared services positions, and the shared services organization overall

**18.Benchmarking/Best Practices**

- There are two principal types of benchmarking - results benchmarking and best practices benchmarking.

- Results benchmarking focuses on quantitative performance measures, i.e. how well something is done.
- Best Practices benchmarking focuses on processes, i.e. how something is done.

**19. Demand Forecasting**

- Projecting volumes, timings from customer input, business outlook, experience

**20. Vision/Mission/Guiding Principles**

- Developing shared vision, values and guiding principles

**21. Service Business Management**

- Different competitive service business practices have different impacts on various aspects of shared services performance. The right versions of the right practices to employ is a decision that must be made specifically for a particular organization, given its unique circumstances – the same practices are not the most important for every organization.

**22. Continuous Improvement**

- The implementation of shared services is a journey, not an event

- Customers' expectations change as shared services performance changes: raised expectations, "raising the bar"

**23. Communication Planning**

- Developing fact-based plans for communicating "wins" for the organization, internal customers and employees

**24. Supplier Partnerships**

- Treating external service providers as "suppliers of choice"

**25. Change Ownership**

- Becoming a change agent to make the changes work

**26. Service Quality Management**

- Having s system to manage the quality of services to be delivered

As an illustration of the application of the methodology, a service delivery governance framework is established as follows:

Service Delivery Governance is a process to provide oversight and guidance on:

- setting strategic direction
- determining performance targets, service expectations,
- ensuring operational efficiency
- defining decision making (with respect to scope, operating model, etc.)

- managing end-to-end processes
- resolving issues, conflicts

The Governance Structure as shown in Figure 5.3 takes into account 3 levels:

- Customer Advisory Council
- Function Council
- Service Delivery Management Team

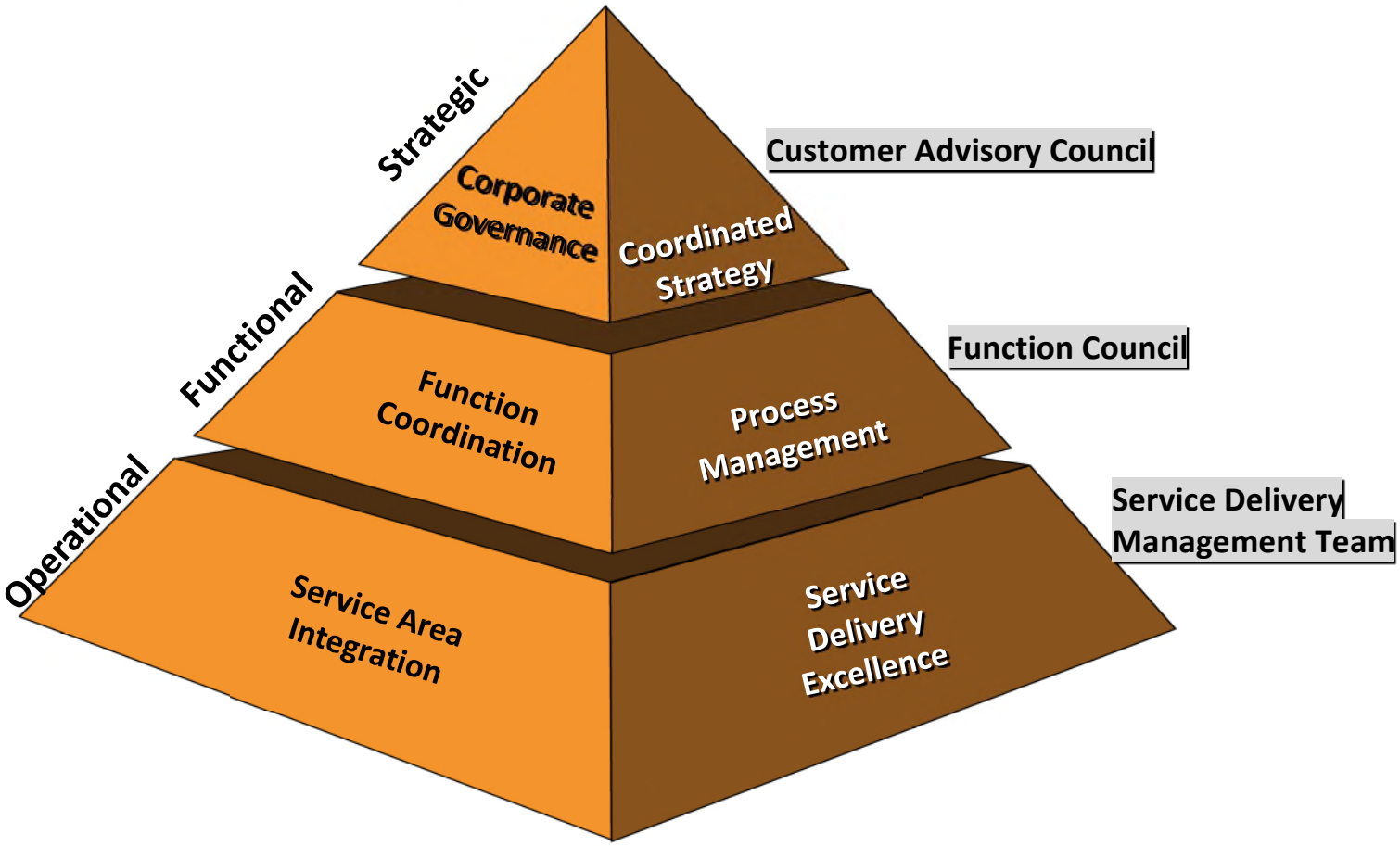



**Figure 5.3: Service Delivery Governance Framework**

Another illustration of the application of the methodology is the preparation of service catalogue. A sample catalogue for the IT function is shown as follows in Figure 5.4:

| SAMPLE CATALOGUE - IT SERVICES & ACTIVITIES | |
|---|---|
| **FUNCTION:** | **INFORMATION TECHNOLOGY** |
| **SERVICE AREA** | **APPLICATION DEVELOPMENT & DELIVERY** |
| **SERVICE** | **Application Consulting and Solution Analysis (i.e. Business Analysis)** |
| **ACTIVITIES** | Analyze and assess requirements of business<br>Research available IT solutions, costs, effort required, etc.<br>Develop project scope and best fit solution for business needs<br>Facilitate, gather and document business requirements in relation to system and business process change<br>Develop and maintain functional specification and SDLC documents<br>Ensure adherence to the SDLC process and provide quality assurance to all deliverables<br>Develop process maps and re-engineer<br>Obtain approval/sign off for functional specification document/s<br>Assist with estimates, quotes or input to business cases<br>Co-ordinate IT costing (quotes, estimates, delivery timeframes, etc.) |
| **SERVICE** | **Application design, development and delivery (SDLC process)** |
| **ACTIVITIES** | Review all requirements/functional specs and complete requirements analysis<br>Perform system requirements analysis<br>Conduct ongoing requirements analysis to ensure system/service optimization<br>Develop or determine solution (build or buy)<br>Develop system/technology life cycle management plan and roadmap<br>Recommend system/technology enhancement or upgrade plan<br>Design and develop applications<br>Document system and/or application designs<br>Develop strategy and plan for disaster recovery on new system additions<br>Conduct system testing and fix errors<br>Implement change management impact analysis and installation scheduling<br>Train end users on new functionality<br>Deliver and install application/system |
| **SERVICE** | **Data Management and Reporting Services (e.g. extracts, reports and data runs) - includes both server and client tools i.e. AS 400 Query versus Report Net** |

| | |
|---|---|
| **ACTIVITIES** | Design, develop and manage data warehouses<br>Write and run data queries<br>Communicate with stakeholders<br>Develop reports<br>Run and distribute reports to users |

**Figure 5.4: Sample Catalogue of Services and Activities**

Third illustration of the application of the methodology is the IT platform design. The crucial elements of customer interaction framework, key features of IT platform and platform design principles are as follows:

**Crucial Elements of Customer Interaction Framework:**

1. Account Management
2. Partnership Agreements (SLA)
3. Performance Measurement
4. Continuous Improvement
5. Customer Satisfaction Measurement
6. Customer Relationships Assessment

**Key Features of IT Platform:**

1. Interaction Center - Multichannel support (phone, self-services, e-mail, chat) and provision of services to leverage operational efficiency

2. Self-service Access - Enable employees, managers, customers, and suppliers to access data via simple portals
3. Master Data Governance - Creation of high-quality master data
4. Service Level Agreement (SLA) - Manage SLA metrics
5. Performance Management - Analyze cycle time, automation, effectiveness, and volume-based process metrics
6. Service ticket management (categorization, contact history, status, service-level agreements)
7. Process guidance (checklists, routing rules)
8. Customer focus (customer history, surveys, complaint management)
9. ERP back-end integration (master data, transactions, applications, fact sheets)
10. Reporting (key performance indicators proving service-level agreements)

**Platform Design Principles**

Design Principles include the policies and guidelines that will be formed to make sure the platform is designed and implemented so the following design objectives are achieved:

1. **Usability**

   The platform need to be implemented so that it is intuitive, easy to learn, easy to use for end users. It will also need to have good response time.

2. **Expandability**

   The platform can be easily expanded to cover additional functions, additional users, and additional locations.

3. **Availability and reliability**

   The software implementation is considered critical for company's daily business operation.

4. **High performance**

   It need to support a large number of concurrent users, high volume of transactions and mass amount of data.

5. **Agility**

   New technologies, such as in memory computing and cloud computing, can be easily adopted in the future.

6. **Security**

   Strong security measure to be implemented so that the business sensitive information is adequately protected.

The service models and methodologies are temporary phenomena, even if they are performing well and that the service elements of an organization always have to adapt to its money making operations, and a successful company (and the same is true of a struggling one) is always changing the focus of its operations. This can happen slowly, as a company expands or changes within its given field (say, oil & gas) or it can happen very suddenly as a company changes direction or its business strategy begins to fail. For example, Nokia moved from wood pulp, through rubber boots and tires, cables - almost 10,000 different types - and even erasers, slippers, tissues and toys, to state-of-the-art consumer electronics (specifically within the field of mobile telecommunications) and is now in decline (Jobber, Rowe et al. 2009).

Kodak's lack of strategic creativity led it to misinterpret the very line of work and type of industry that it was operating as there was a fundamental shift towards the digital age (Mendes 2005). A company moves from only generating electricity to become a generator and a seller, and now has to manage a million small customers. The service delivery model for a corporate or shared services organization may also become a 'casualty' of wider structural changes within a company - for example, an organization may decentralize (or create highly independent BUs), and the internal services elements no longer fit the wider organizational model. There are lessons to be drawn out concerning adaptability, concerning recognizing that the formation of a service delivery unit carries the seed of death within it from the start.

The proposed model and the methodology were evaluated to validate that the shortcomings of current methodologies have been addressed and processes, services, systems and governance mechanisms have been integrated in order to improve the efficiency and effectiveness of service delivery. In particular, the evaluation included that the new methodology meets the identified requirements.

Chapter 6 covers the evaluation results of the model and the new methodology for integrating delivery of business support services. It also lists the changes which

were made to the model and the methodology as a result of the evaluations. A comparison of sample features of the current models and methodologies with new model and methodology appears in the following Table 5.1:

| Sample Feature | Current Models & Methodologies | New Model & Methodology |
|---|---|---|
| Roadmap to Implementation | A clear roadmap is not provided | Fig. 5.2 on page 132 provides a clear roadmap |
| Governance Framework and Mechanisms | The need for governance framework and mechanisms not clearly identified | Governance framework is a step in the Define phase and governance mechanisms are part of the model |
| IT Infrastructure | Not described as a requirement in all cases | Development of IT infrastructure is one of the steps in the Explore phase |
| Self-Service Technology | Rare mention of the need for self-service technology | Development of self-service technology is one of the steps in the Implement phase |
| Integrated Organization Structure for Managing Multiple Service Providers | Only covered in the global business services model | It is one of the components of the model for business support services |
| Service Management and Process Management | Some methodologies provide only process management whereas others provide only service management | The new methodology provides for simultaneous service management and process management |
| Change Readiness | Change readiness assessment is not part of change management | Change readiness is one of the steps in the Explore phase |

**Table 5.1: Comparison of Current Models & Methodologies with New Model & Methodology**

# CHAPTER 6: EVALUATION OF THE MODEL AND THE NEW METHODOLOGY FOR INTEGRATED DELIVERY OF BUSINESS SUPPORT SERVICES

The new model and the new methodology for integrating delivery of business support services were evaluated using two approaches:

- Evaluation by practitioners (section 6.1)
- Implementation testing (section 6.2).

## 6.1 Evaluation by Practitioners

Twelve practitioners who initially participated in the methodology and tools survey and in interviews were asked to evaluate the new model and the new methodology against the identified requirements. They were provided digital copies of the full model and new methodology and were asked to answer the following questions included in excel spreadsheets (see Appendix 4):

- Does the model meet the stated requirements?
- Do you have any suggested changes to the model?
- Do you have any additional comments about the model?
- Does the new methodology address the limitations of the current methodologies?

- Does the new methodology meet the stated requirements?
- Do you have any suggested changes to the new methodology?
- Do you have any additional comments about the methodology?

Written responses were received from the following eight practitioners:

1. Dr. D. S. Chowgule, Senior Vice-President - HR, Reliance Industries, India
2. Mr. Andrew Schoenmaekers, Director, Schoenmaekers Pty Ltd, Australia
3. Mr. Einar Vikingur, Consulting Advisor, Glencore, Australia
4. Mr. Greg Hyde, Senior Director, Cognizant Business Consulting, Cognizant Technology Solutions, Australia
5. Mr. Charles Reis, General Manager - Strategy, MMG Ltd., Australia
6. Mr. Stephen Dowling, Group Manager, Health Safety & Wellness Shared Services, St. John of God Health Care, Australia
7. Mr. Craig Allen, Chief Financial Officer, Ausenco, Australia
8. Mr. Andrew Slentz, Executive Vice-President and Chief Human Resources Officer, Peabody Energy Corporation, USA

The individual evaluations of the model and the new methodology for integrating delivery of business support services by practitioners appear in Appendix 4 and an aggregation and summarization of their responses appears on the following pages:

### 6.1.1 Model Evaluation Summary

1. The model meets the integration requirement for internal and external service providers - it is comprehensive, structured logically and cross-functional.
2. The model provides appropriate integration and matching technology for outsourced providers.
3. It provides a holistic framework which can be adapted to suit all situations.
4. It does not provide IT platform and service management integration.
5. The model enables change management and continuous improvement and addresses the people and organizational factors that arise from the introduction and development of Shared Services.
6. The model covers the role of all service providers and their need to feature heavily in the set-up of on ongoing operation.
7. The model addresses integration of end-to-end processes with technology. The technology has now broken down a lot of the barriers around shared

services and needs to be optimised and exploited as much as possible in any centre roll-out.

8. The model provides a practical approach to the realities of service delivery and the explanation of the model versus methodology helps clarify the strategic approach.

### 6.1.2 Methodology Evaluation Summary

1. The new methodology is comprehensive, simple to understand, provides clear instructions with a road map and step-by-step instructions for a sequential action plan. It needs to clarify more the change management steps and impacts. The sequence is appropriate and aligned to business excellence principles.
2. Approach is straight forward and comprehensively covers the key high level considerations to be considered.
3. The scope of the methodology is exhaustive and encompasses all the management practices.
4. The methodology requirements are all essential to success. These are the key building blocks for a successful centre.
5. It addresses performance and value contribution measures.

6. The methodology addresses leadership & management support with appropriate governance.
7. The methodology needs more flexibility so that it can be adapted to suit local, regional or global conditions and to manage expansion opportunities.
8. Whilst the methodology includes a range of sequential steps and instructions, it does not provide a view of the success criteria and target metrics that would enable an organisation to assess whether they have achieved what the methodology sets out to do.
9. It doesn't address the sorts of tools or data elements that will be required. Nor does it address how the data should be captured and integrated.
10. Whilst the methodology includes capabilities that should address change management, risk minimization and functional vs. risk management, it doesn't go far enough to be used as an implementation framework.
11. The methodology provides an efficient operating model.
12. The methodology addresses the customer service, service delivery and service expectation issues quite well.
13. A very good change management approach integrated with a six sigma process improvement.

14. The methodology does reference the need for business unit and client engagement as expressed in the design, service level agreements and measurement.

### 6.2 Evaluation from Implementation Testing

ADR research method was used to analyze data from implementation of shared services implementation in Finance at one of China's largest oil & gas companies. The scope of this implementation included setting up of two Finance Shared Services Centers (FSSCs) in China and did not include any outsourcing. The methodology was deployed using the DMADV Six Sigma approach which is similar to the DMEDI approach as noted above and included five phases: D-Define, M-Measure, A-Analyze, D-Design and V-Verify. The implementation was included in the Design phase and a control plan was developed as part of the Verify phase.

The FSSC pilot became fully operational starting July 7, 2014. The migration of Finance work from in-scope entities was completed seamlessly. A detailed project plan was prepared to track the progress of the project. The plan included methodology steps for each one of the five phases of the project. This provided a clear roadmap for development and implementation. The initial observations

indicate that the methodology covered all of the necessary steps in an adequate manner and is working very well in supporting a successful and flawless implementation. The following difficulties were encountered during various phases:

- Clear definition of Finance work in terms of services and activities
- Collection of baseline service-based costs, service volumes and baseline performance metrics
- Understanding the concept of services and internal customers
- Relationship between processes and services
- Buy-in from the internal customers
- Integration of processes and technology solutions
- Understanding the need for clear and transparent communications on a timely basis
- Adequate involvement of process owners and internal customers during Measure and Design phases.

Most of these difficulties can be attributed to change management and not the methodology itself. In spite of these difficulties, the methodology roadmap kept the project on schedule and greatly assisted with the implementation.

## 6.3 Changes Made to the Model and the New Methodology

As a result of evaluations made by the experts and feedback from the initial stages of implementation at Sinopec, the following changes were made to modify the proposed model and the methodology.

### 6.3.1 Changes Made to the Model

- Integration of internal service providers with enhanced focus on ensuring that the leaders should be brought into discussion specifically
- Strengthened focus on two elements which should be considered: cost reduction and productivity improvements
- Integration of IT platform and service management
- Provision of either matching technology with outsourced parties or review of all platforms to enable synergy
- Clarification of the term governance – it is setting boundaries or a code of practice and is not a constraint.

### 6.3.2 Changes Made to the New Methodology

The recommendations made by practitioners were reviewed and it was decided to incorporate every suggestion made as none of the recommendations were

conflicting. As a result, following changes were incorporated in to the new methodology:

- Additional steps added: (a) Current state assessment of activities and performance metrics (b) How to measure success and ongoing performance metrics and changes (control at the end)?
- Use of self-serve technology in addition to call centers or a combination thereof
- Addition of scalability in service level agreements (SLAs) to ensure SLAs are not constraining achievement of superior service
- Escalation and action in the event of blocks by systems or people
- Addition of control plan post-implementation
- Additional requirements for communications – need for open and transparent communications
- Additional focus on pursuing growth – where is business now compared with where it wants to be to ensure success and not fail as people and systems change
- Addition of continuous improvement focus and increase in operational efficiency by reduction of unnecessary tasks

- Addition of internal crowdsourcing for continuous improvement
- Identification of cross-functional barriers and what is needed to address the issues
- Considerations added to address the business size mix and current practices
- Consideration of provisions for flexibility to manage business expansion opportunities
- More explicit linkage to real world elements – cost reduction and productivity improvements (proven by metrics)
- Identification of key success criteria and measures in order to satisfy the needs of customers
- Addition of strategic vision for setting the boundaries for establishment and implementation
- Identification of success criteria covering areas such as people, processes, customers, systems and financials and alignment of steps required to achieve each

- Description of the extent of capabilities (skills and competencies) required for service delivery staff in order to support onboarding, role changes and ongoing staff development
- Incorporation of an overview of tools and key data elements that will support integration of all data elements and ensure ongoing integrity, consistency and completeness of data captured
- Added considerations for support of the technology strategy to drive efficiency from leveraging ERP backbone, internet functionality and telephony.

# CHAPTER 7: CONTRIBUTION OF THIS RESEARCH

## 7.1 Contribution to Theory

Whatever it may look like, and whatever form it may take, everything a business support services organization delivers to its internal customers is a service. That's the real implication of a service-oriented architecture; and also the real reason of its importance to a company. The services need to be linked together into end-to-end business processes – which means that there needs to be something above the services themselves. (Graves 2009).

Although Western economies continue to manufacture and grow products, the bulk of their GDP is now derived from providing services. A service, however, is both the start and end of a typically long chain of business processes that collectively respond to requests and then deliver these services. The chain extends beyond the direct service provider to its suppliers (and potentially, their suppliers). Creating service innovations implies adding, changing and re-directing the underlying set of processes; processes that were never designed with this in mind. Adding to the problem, organizations continue to manage themselves functionally, without clear process (and thus service) owners (Welke 2005).

The role of process management in business support services is critical as, without clearly defined processes, organizations cannot create effective service delivery models and will be inefficient in developing continuous improvement plans using approaches like Kaizen and crowdsourcing. Processes need to be managed on an end-to-end basis by identified process owners and the parts of the processes for which the service delivery organization is responsible should be clearly identified.

The improved service delivery model for business support services integration, presented in this research, provides a comprehensive approach which addresses all of the critical elements: governance, sourcing options, process management, service management, engagement between principals and agents, organization design and change management and continuous improvement. The methodology presented in this research provides a phased step-by-step approach to deal with the implementation of a SSO and delivery of business support services. Using the adapted Six Sigma methodology (Define, Measure, Explore, Develop and Implement), integration of business support services can be achieved. Therefore, the contribution to theory is the comprehensive approach for integrating delivery of business support services by multiple service providers in organizations.

## 7.2 Contribution to Practice

The majority of companies do not use a methodology during the design and operational phases of shared services. The methodologies used by companies that do use a methodology during the implementation phase do not assist them effectively in achieving all of their optimization goals such as process standardization, system standardization, reduction in function/service cost, increase in service quality, increase in customer service and increase in compliance and control. The current methodologies therefore have limitations and are not providing clear instructions. A disciplined approach is critical for optimizing the performance of functional and service organizations.

The critical requirements for an ideal set of tools include focus on key improvement opportunities and ability to extract and capture data from company databases economically and to integrate all data elements. An ideal set of tools should include functionalities such as performance measurement, service-based costing, customer satisfaction measurement, service level agreements and employee commitment measurement. It is also desirable that the ideal set of tools should have built-in performance measures, benchmarking capability, outputs in

Excel, Word, Access and similar easy to use formats and multi-language capability.

The comments made by the practitioners about the methodologies used by them indicated that there is no single methodology that is best suited for all aspects. As such, it is of the utmost importance to design the SSO in such a way that the various strategic objectives of the organizations involved are carefully chosen, and to align the design with these objectives. The companies need to negotiate the objectives because they need to agree on what is more important: to maximize cost efficiency or to increase customer service levels.

Efficiency and customer-orientation are often viewed as complementary variables that can be accomplished at the same time (Bergeron 2003). Our research illustrates that the level of possible benefits depends on the methodology. In order to realize the expected benefits, an ideal methodology needs to address the elements as expressed by industry leaders regarding their current implementation approaches.

The concept of shared services, which has been known in the past as commercial partnerships and internal markets, is not new. But the speed of implementation and breadth of its use is so rapid that it is quickly becoming the paradigm for staff

operations. Shared services is the combining or consolidating of services within a corporation. It can be delineated into two types:

1. Transaction-based services, which deal with all the processes and activities related to meeting the administrative requirements of employees, and

2. Transformation-based services, which are non-routine and non administrative activities that are primarily designed to transform a firm.

Four steps describe the horizontal, team-based process of a shared service organization (Ulrich 1995):

1. consideration of customer requirements,
2. interfacing with customers,
3. creation of a delivery mechanism to meet delivery requirements, and
4. the sharing of services that are consolidated.

### 7.3 Limitations of the Study

Although this research provides several insights and contributions, as with any research there are always limitations. First, this study utilized data obtained from a number of private sector organizations over a period of three years. It is not

possible to claim that the conclusions of the research will apply in all other settings such as public sector organizations. Second, the data was collected using multiple methods and respondents in earlier surveys were not interviewed. Further insights could have been provided if in-depth interviews were conducted with the respondents of all surveys. Third, the focus of this research was on business support services delivery models and methodologies with less emphasis on the development of associated tools. Finally, this research addressed issues raised by service leaders and functional leaders. These leaders talked about issues related to service delivery and governance but few insights were provided about customer satisfaction concerns.

### 7.4 Future Research Direction

In this research, I have specifically viewed a service delivery organization as a set of strategic options that give the firm preferential access to transformation opportunities and I have developed a new model and a new methodology for integrating business support services in an efficient and effective manner. Research is known to yield insights that are ripe for further research. While there are many questions which could be raised, I suggest three broad future research areas that could result in significant contributions.

**(1) Integrating Tools for Business Support Services**

Many consulting firms provide tools for managing business support services during development, implementation and operation phases. As these tools are not fully integrated, it becomes necessary to transport data from one tool to the other, resulting in inefficiencies. This research highlighted the shortcomings of current tools in facilitating managers to be proactive and maintain a service-orientated enterprise. Further research into the benefits and drawbacks of using an integrated tool in a business support services environment would be of great value. I propose this question for further research: *How can an integrated tool aid the implementation of a delivery model for business support services integration?*

**(2) Process Management and Service Management:** Business support services use processes to deliver outcomes (services) to internal customers. Currently confusion exists within companies regarding whether to adopt either a process management approach or a service management approach. In this research I developed a methodology using an end-to-end process approach in order to create a service-oriented enterprise for business support services. Future research could study the relationship between process management and service management. A

meaningful research question could be: *How does the simultaneous management of processes and services enable the transformation of business support services?*

**(3) Baseline Service-Based Costing:** The ability to know the exact baseline cost of services is one of the critical elements for adopting a model for delivering business support services. This enables informed decision making and presents cost transparency to internal customers. The current costing methods are complex and cumbersome and are not aligned with process-based costing. This leads to a question for further research: *How do the types of baseline costing methods in business support services have an effect on the choice of service delivery model?*

**(4) Skills and Qualifications of Resources:** The vulnerabilities in skills and qualifications across various teams need to be identified. The use of right resources (skills) allows maximum effectiveness and efficiency. The research question in this area could be: *How can the gaps in skills and qualifications be measured?*

## 7.5 Conclusions

Our surveys and in-depth interviews reveal that shared services are seen as a strategic value proposition and have the potential to improve quality and reduce cost. Also, shared services, if implemented, monitored and measured well, can make responsibilities and accountability clearer. However, companies should adopt

appropriate culture, change management and training programs to reap the benefits of shared services. Post-implementation, a control plan should be put in place to ensure verification of effectiveness and sustainment of desired results on an ongoing basis.

Based on our empirical results, we outlined requirements and presented a methodology for implementing shared services. This methodology has been evaluated using an action design research approach during implementation of Finance and HR Shared Services at one one of the largest Oil & Gas Companies in China.

Implementation of shared services has not been straightforward as the current methodologies and tools have several limitations. The methodologies do not provide clear steps, lack elaborate business practices and metrics and can be highly complex. Tools lack functionality and are often poorly integrated with the enterprise systems landscape. Organizations have been using various methodologies and tools to deliver their business support services and they have identified the following shortcomings in their current methodologies:

- It does not provide a comprehensive roadmap to success
- It does not cover all of the essential management practices

- It is difficult to understand
- It is difficult to implement
- Difficult to precisely measure workload & manpower
- Difficult to replicate in the absence of a standardised tool
- Lack of change management roadmap
- It does not address processes and systems sufficiently

In this research, a model and a new methodology have been developed for the Define, Measure, Explore, Develop and Implement phases for integrated delivery of business support services and their transformation in an uncertain business environment. This new methodology addresses the shortcomings in current methodologies.

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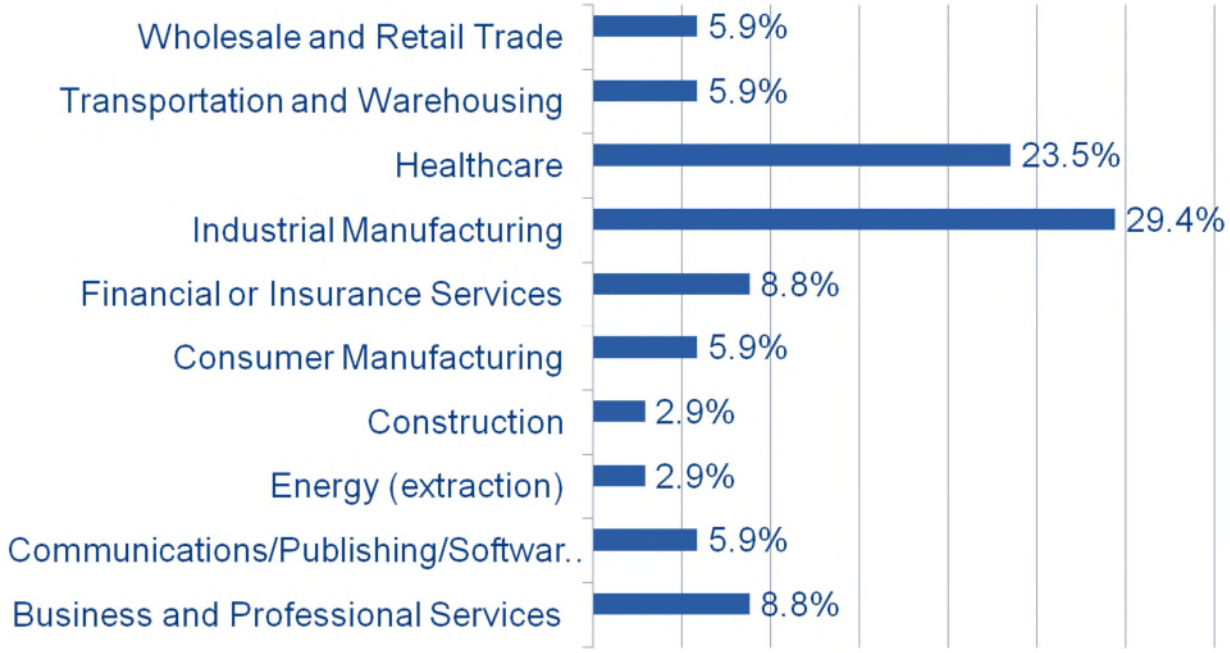
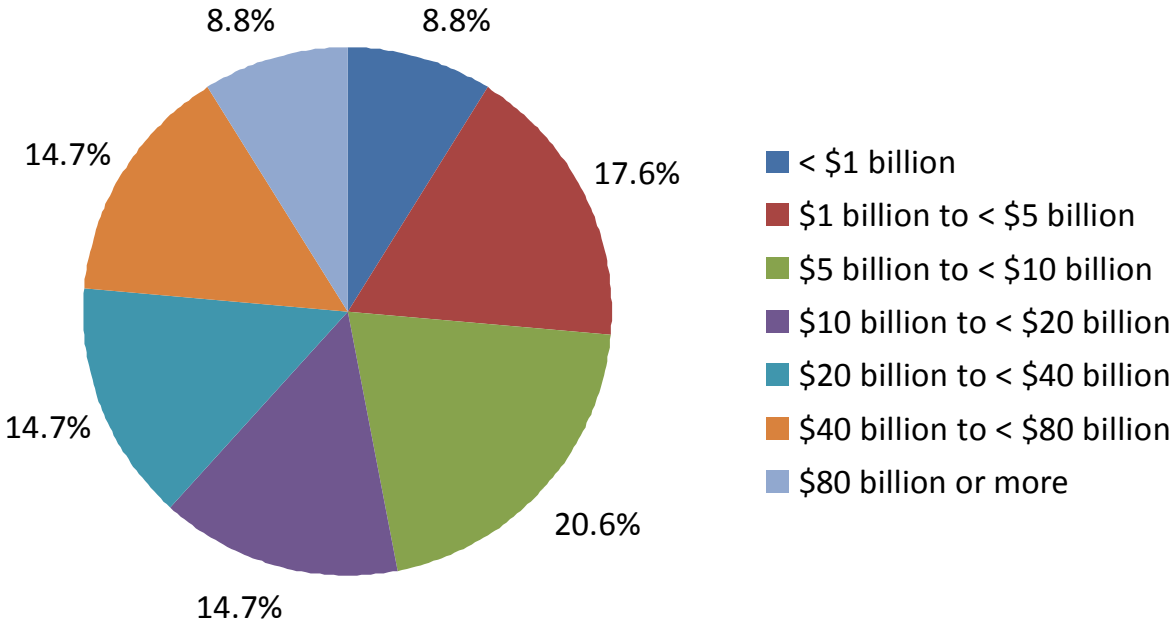
## APPENDIX 1: RESPONSES TO VALUE POTENTIAL SURVEY

### A1.1: Demographics of Respondents (34)

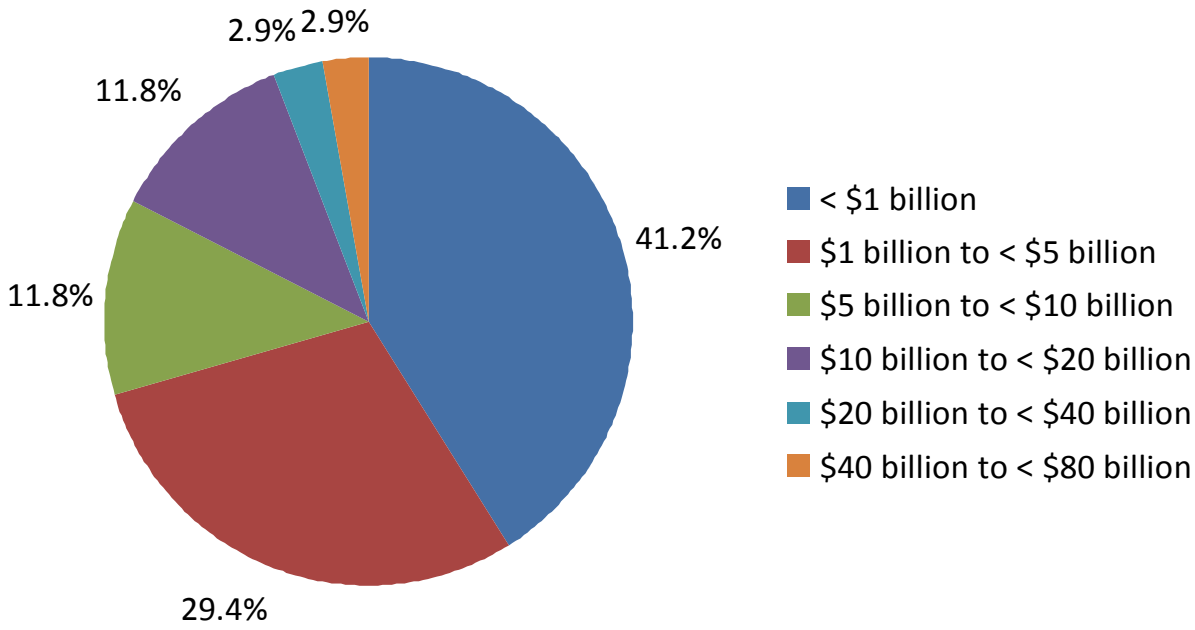



| The Americas | Asia/Pacific | Europe |
|---|---|---|
| Canada 2.9% | Hong Kong 2.9% | Belgium 2.9% |
| Mexico 2.9% | India 2.9% | Holland 2.9% |
| USA 61.8% | Singapore 2.9% | Finland 2.9% |
| | | Germany 2.9% |

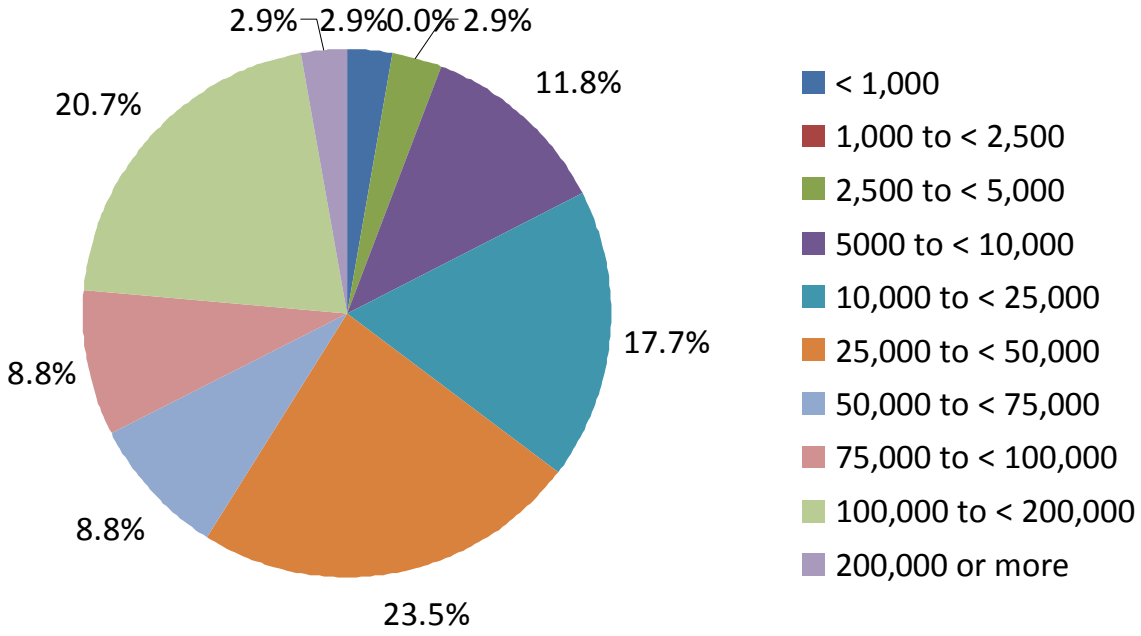
| | | |
|---|---|---|
| | | Switzerland 5.9% |
| | | United Kingdom 5.9% |



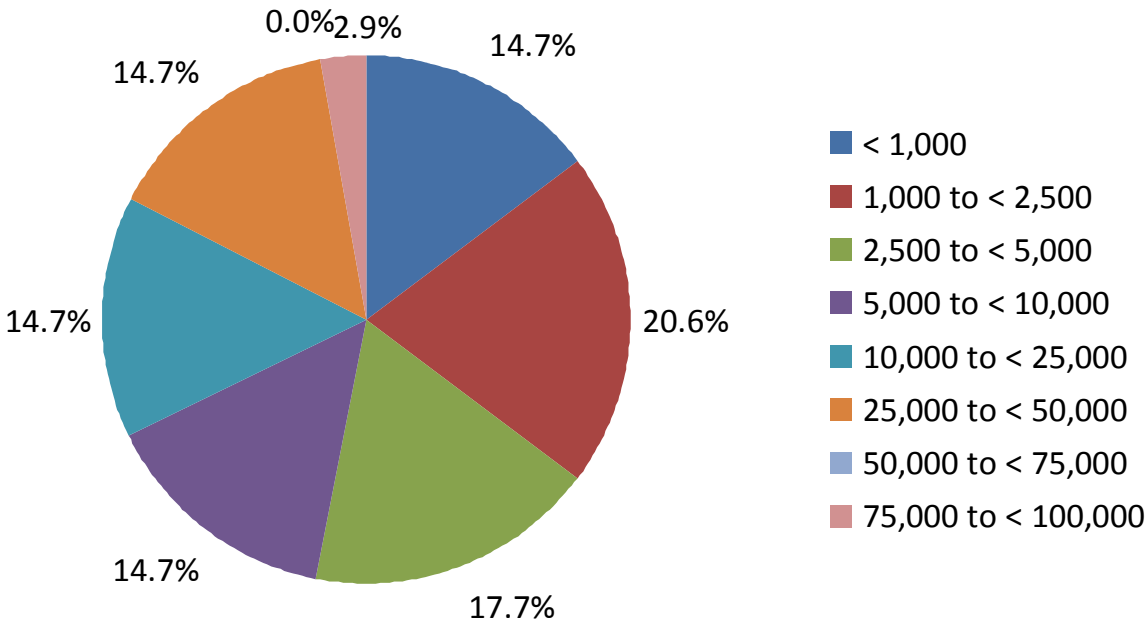

**Worldwide Revenue for Respondent Companies**



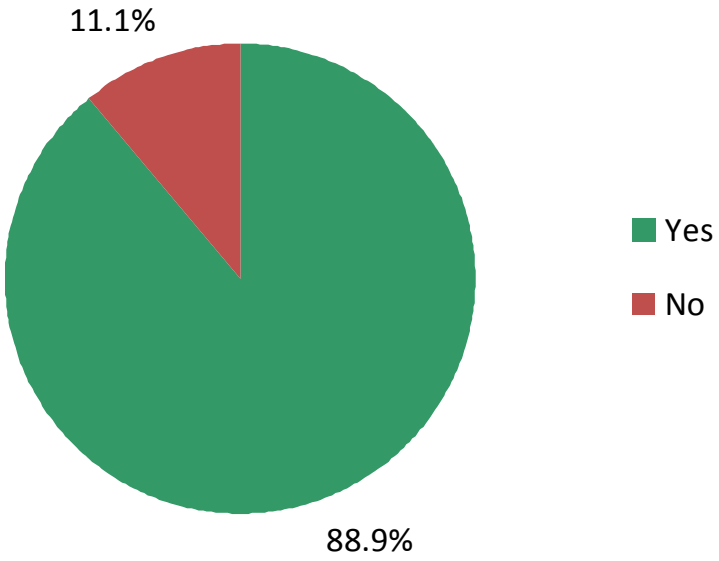

**Asia-Pacific Revenue for Respondent Companies**



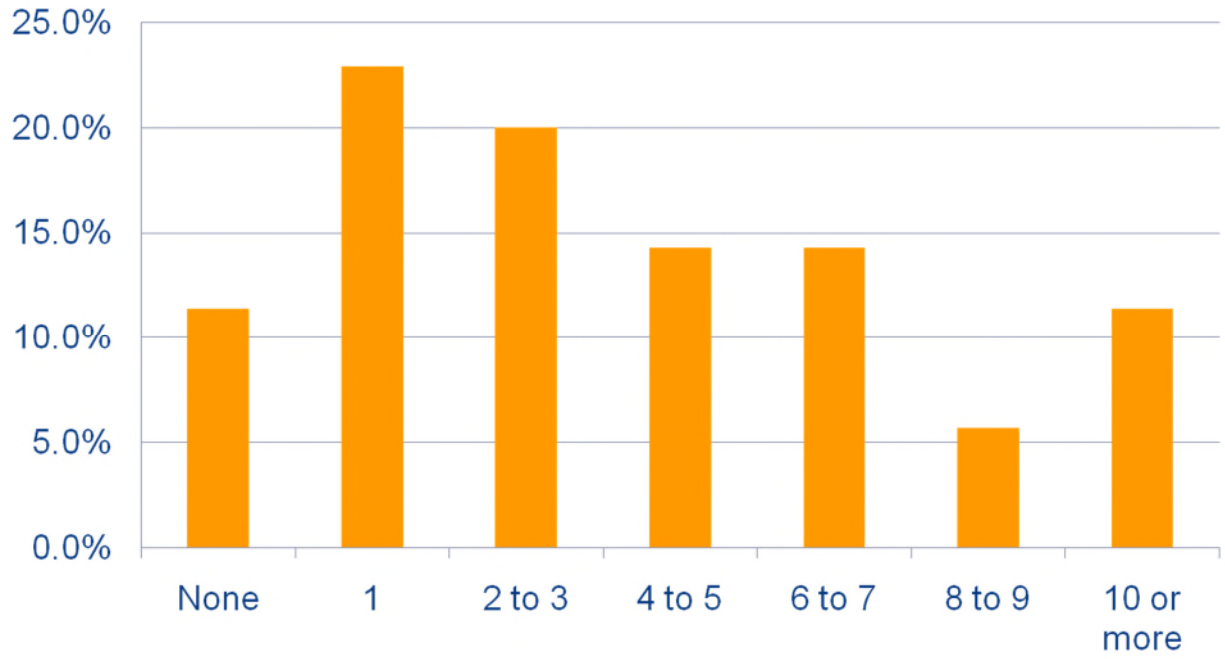

**Total Number of People Worldwide for Respondent Companies**




**Total Headcount in Asia-Pacific for Respondent Companies**



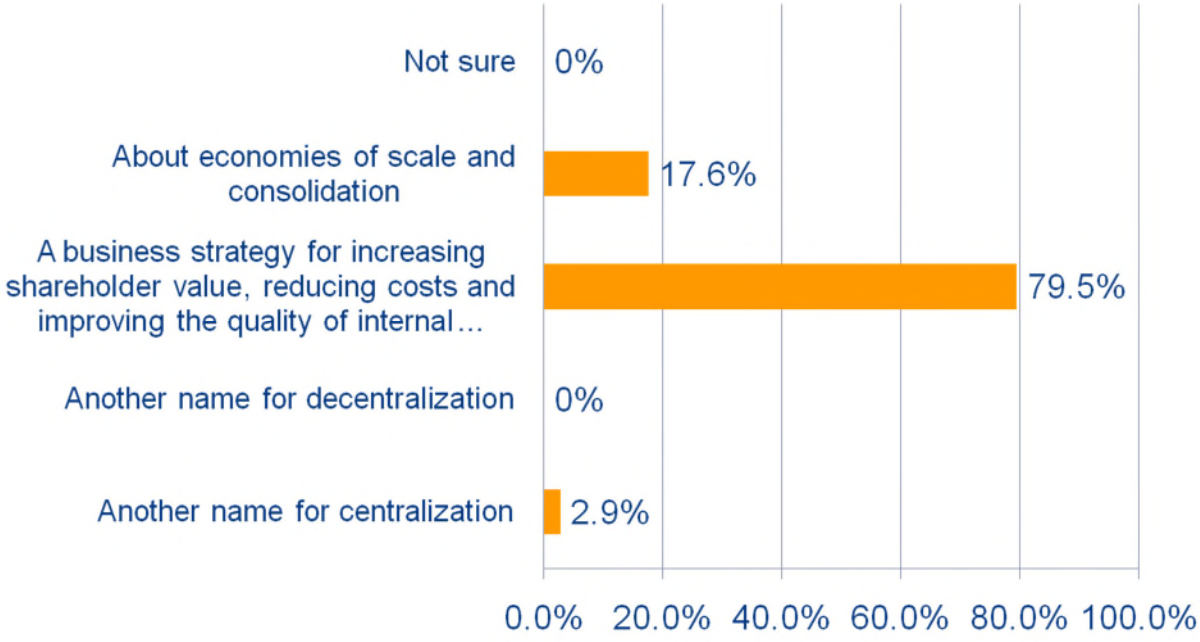

**Presence of Shared Services Centers**



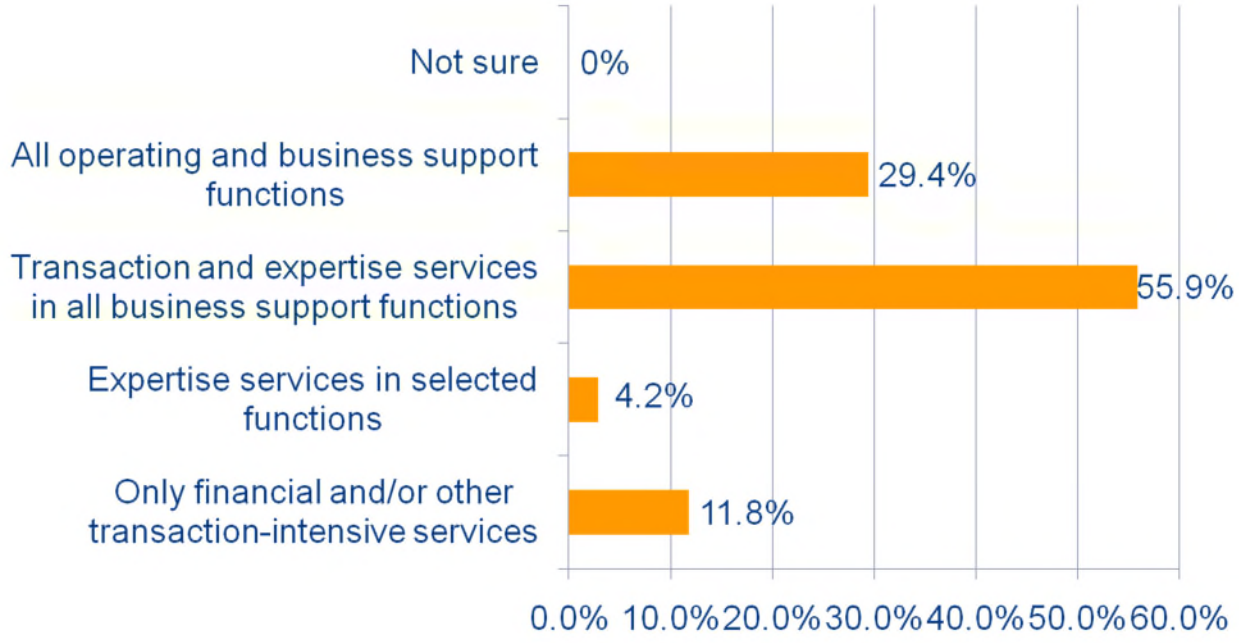

**No. of Shared Services Centers**

## A1.2: Questions Asked: What is Shared Services All About?

**Shared Services are …**

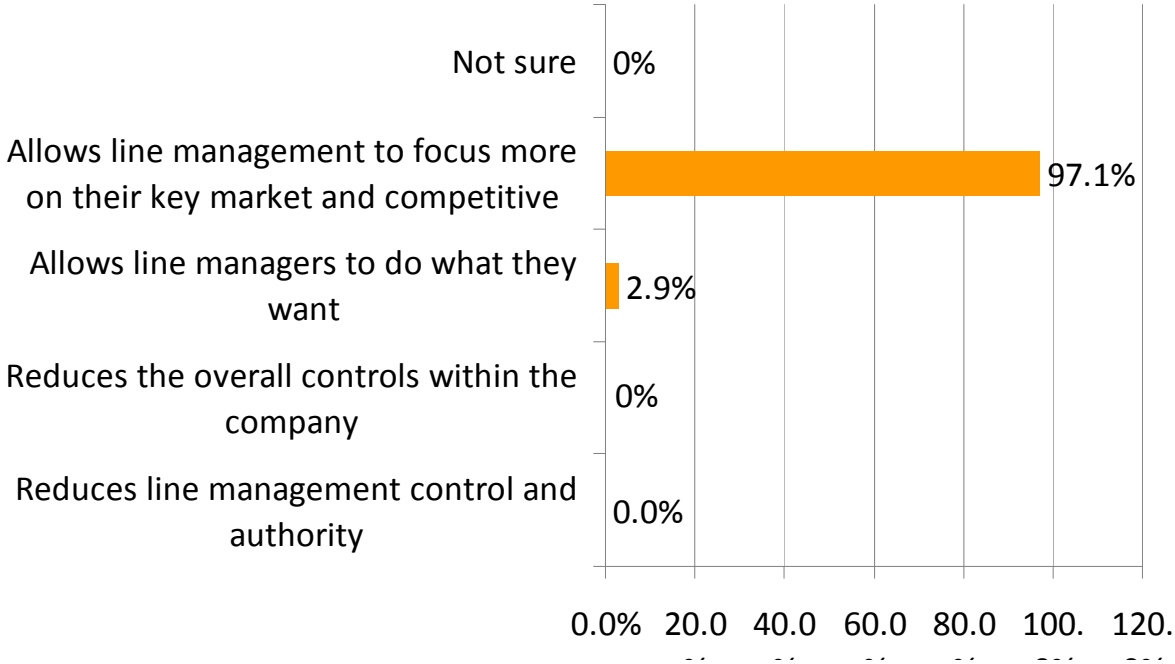


**Shared Services applies to …**



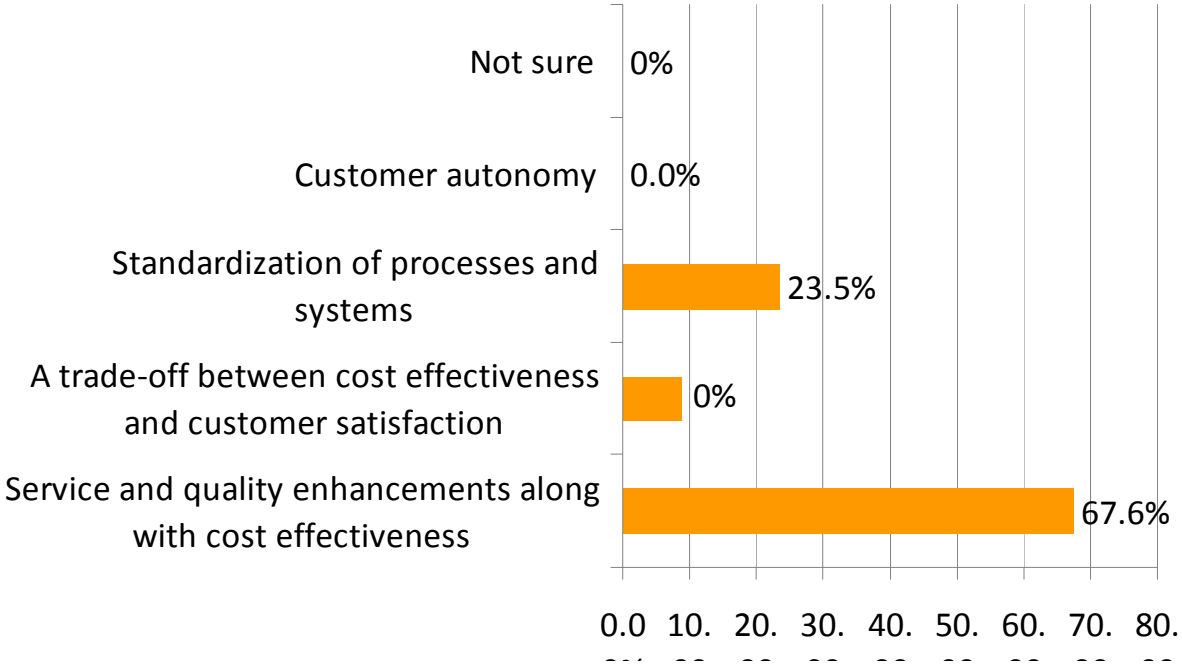

**Sample Size = 34**

**Shared Services …**



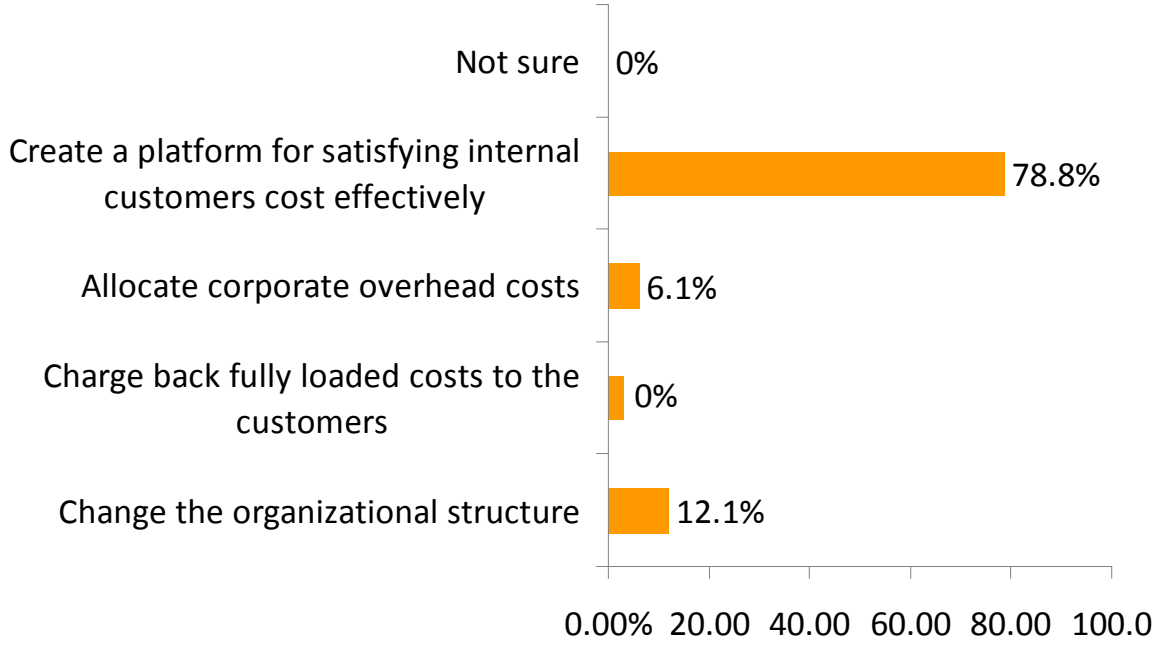

**Sample Size = 34**

**Shared Services achieves …**



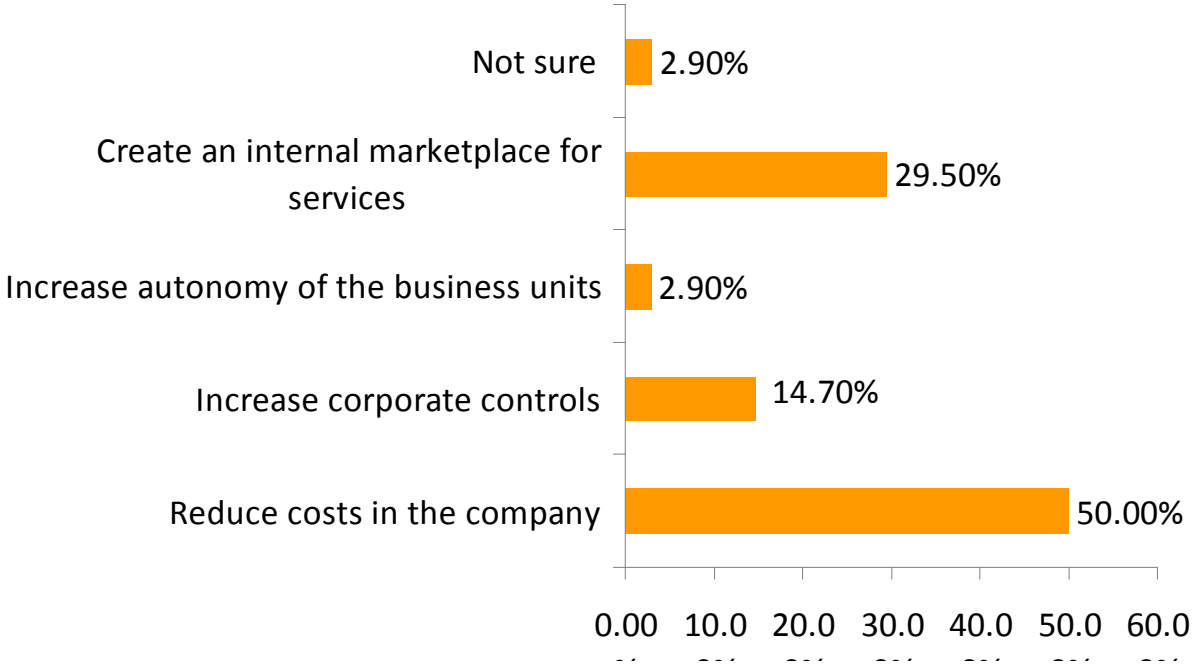

**Sample Size = 34**

**Shared Services is another way to …**



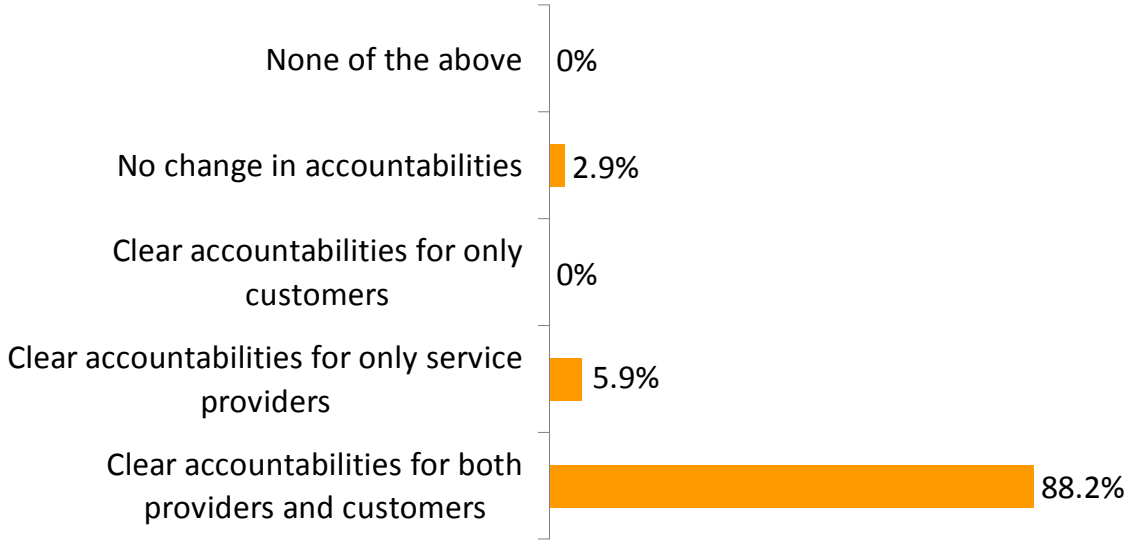

**Sample Size = 34**

**Shared Services is implemented to …**



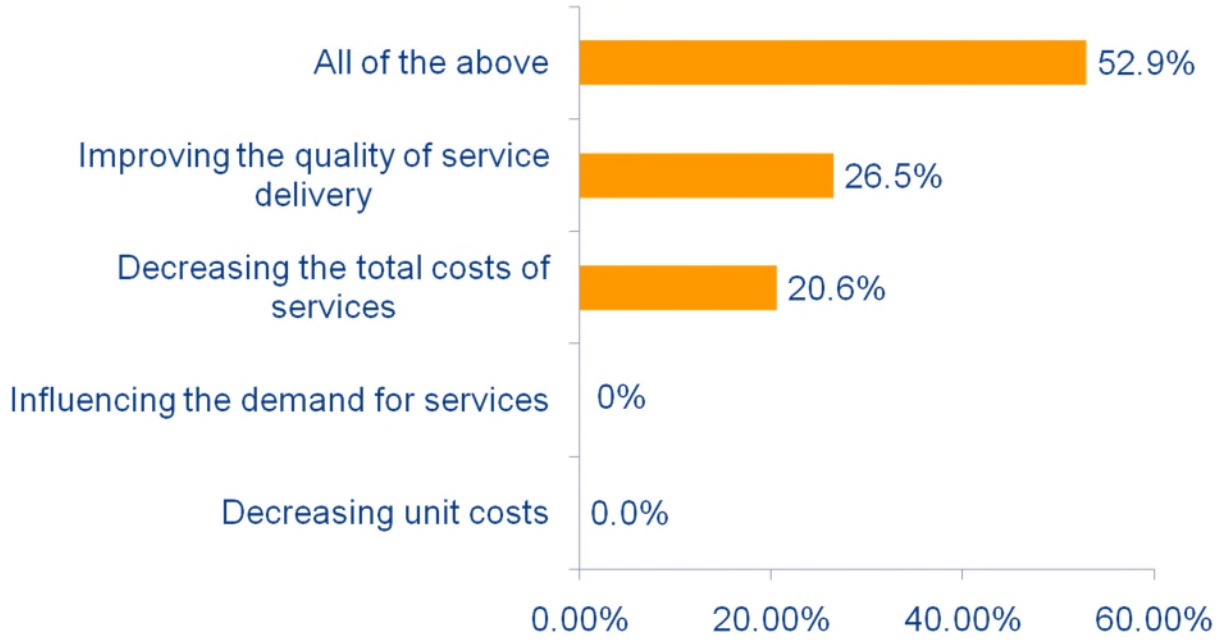

**Sample Size = 34**

**Shared Services results in …**




**Sample Size = 34**

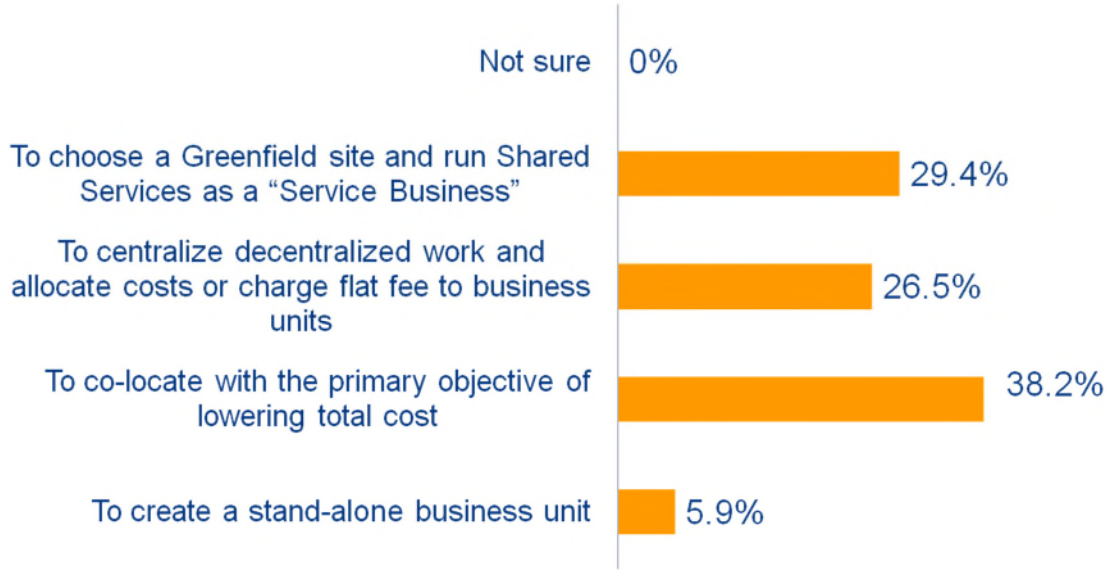
**Providers of Shared Services are primarily responsible for…**




**Sample Size = 34**

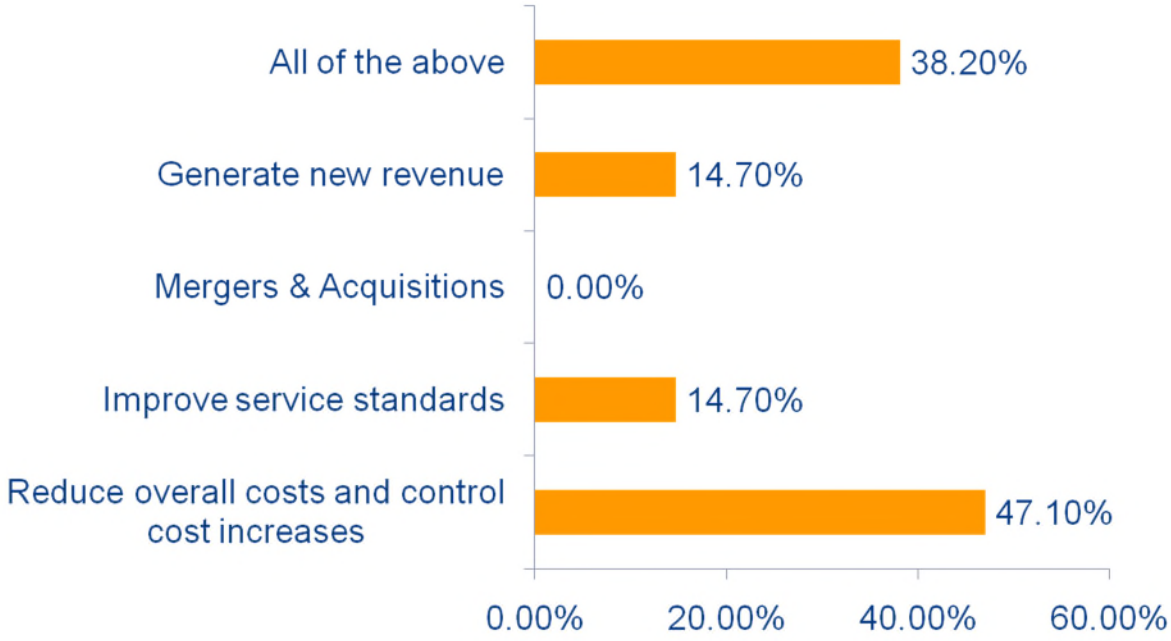
## A 1.3: Shared Services Strategy and Governance

**To create Shared Services, the principal strategy is …**



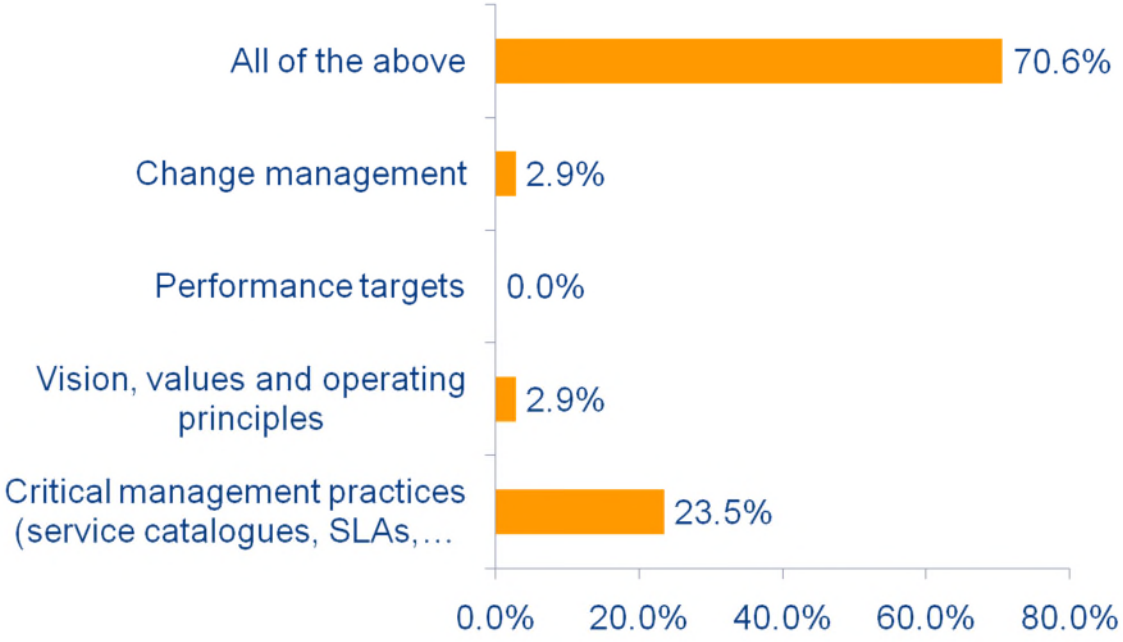

**Sample Size = 34**

**Overall drivers for pursuing a Shared Services strategy are…**



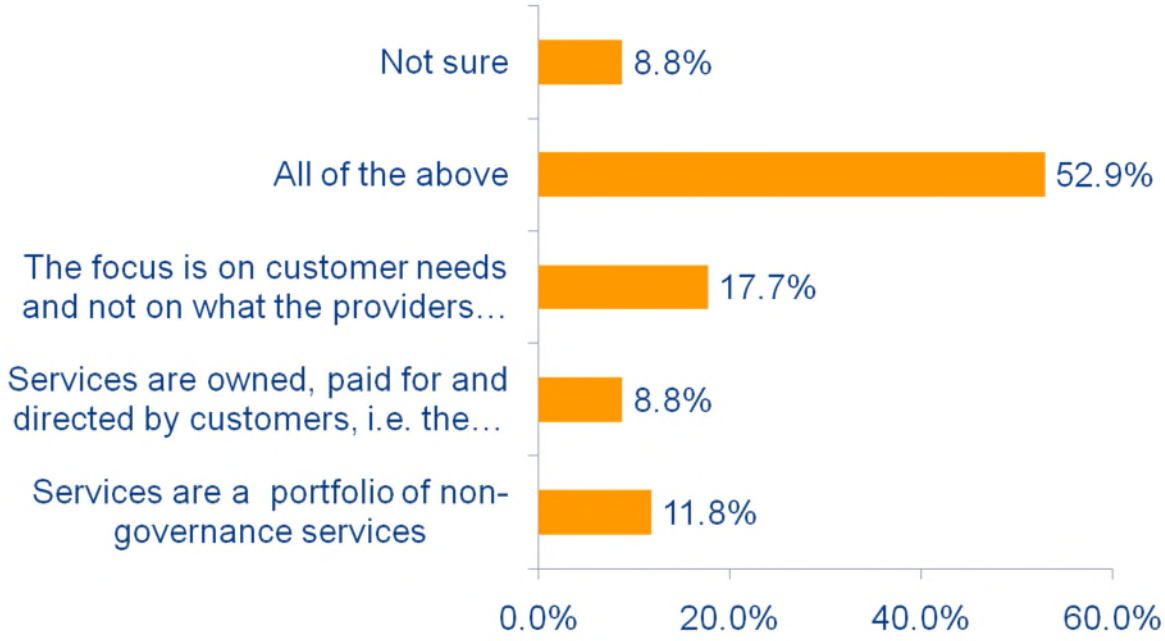

**Sample Size = 34**

**Critical elements that need to be built into the foundation of Shared Services are…**



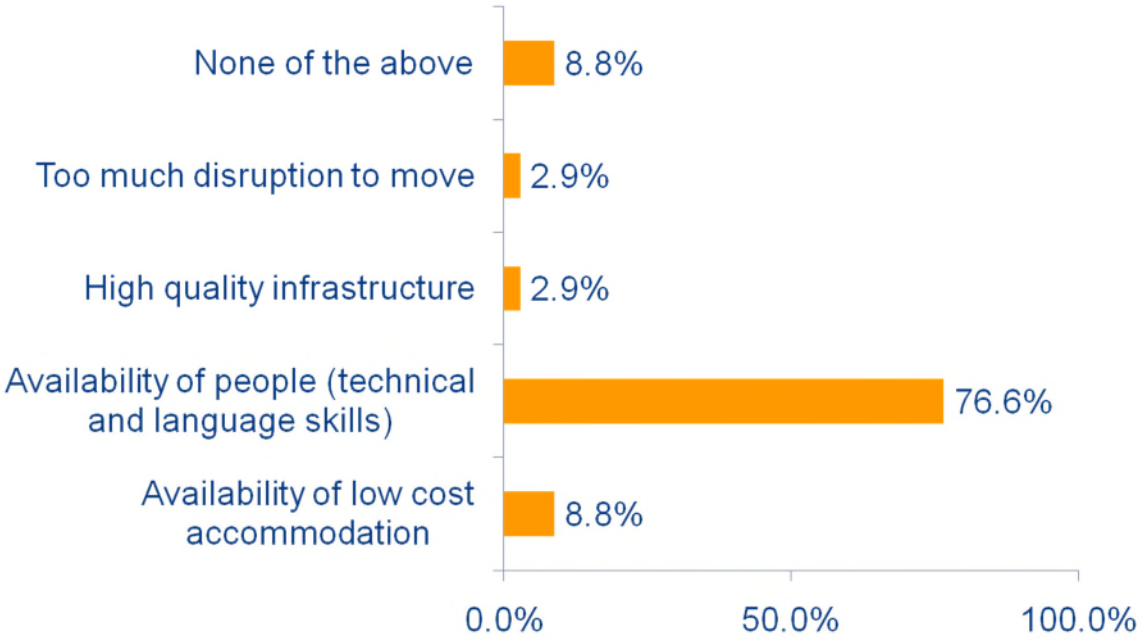

**Sample Size = 34**

**In Shared Services organizations …**



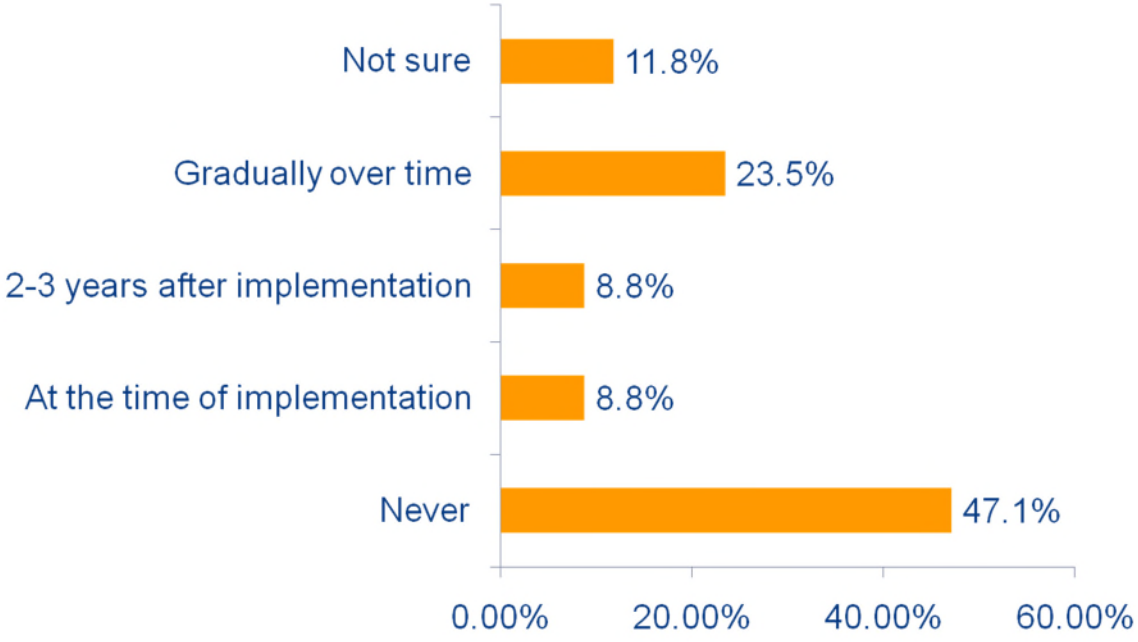

**Sample Size = 34**

**The most important driver of the Shared Services location is: …**



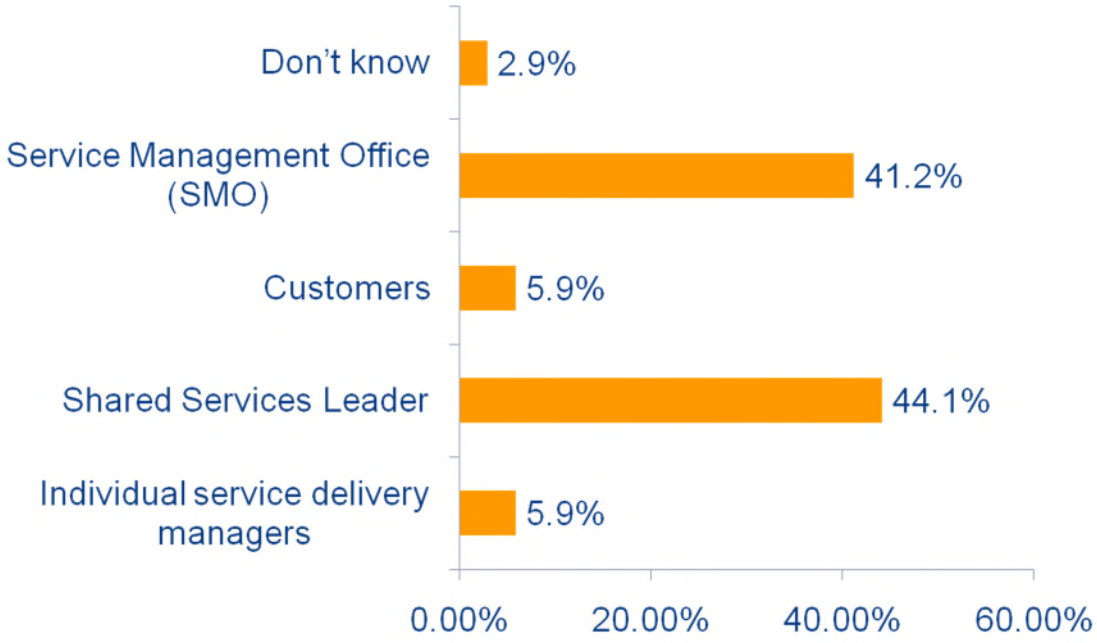

**Sample Size = 34**

**Freedom of choice of service providers should be given to internal customers**




**Sample Size = 34**

**Management practices such as SLAs, Customer Satisfaction Measurement and Charging should be deployed by…**



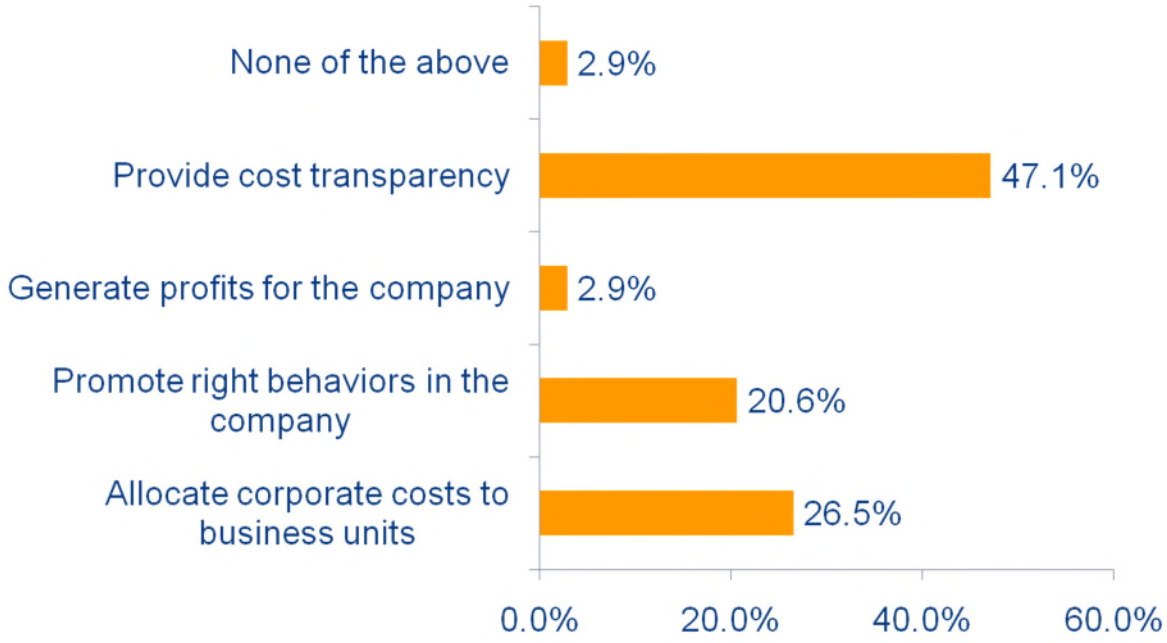

**Sample Size = 34**

**Shared Services governance is the prime responsibility of…**


**Sample Size = 34**

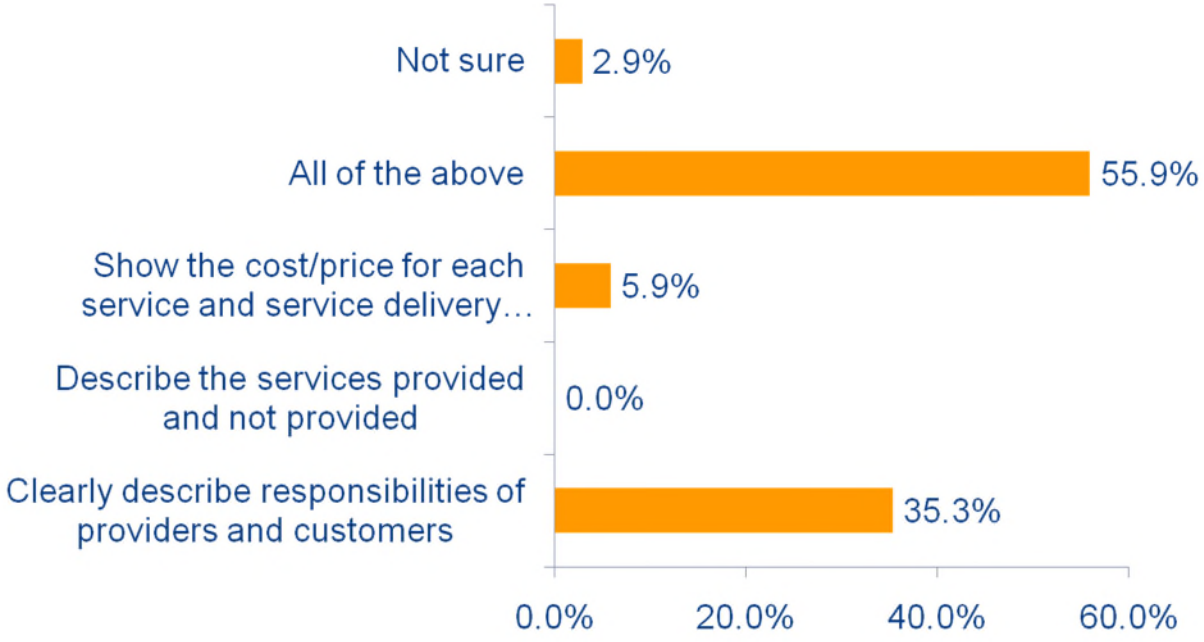
## A 1.4 Service Level Agreements

**Shared Services charging practices are designed to …**



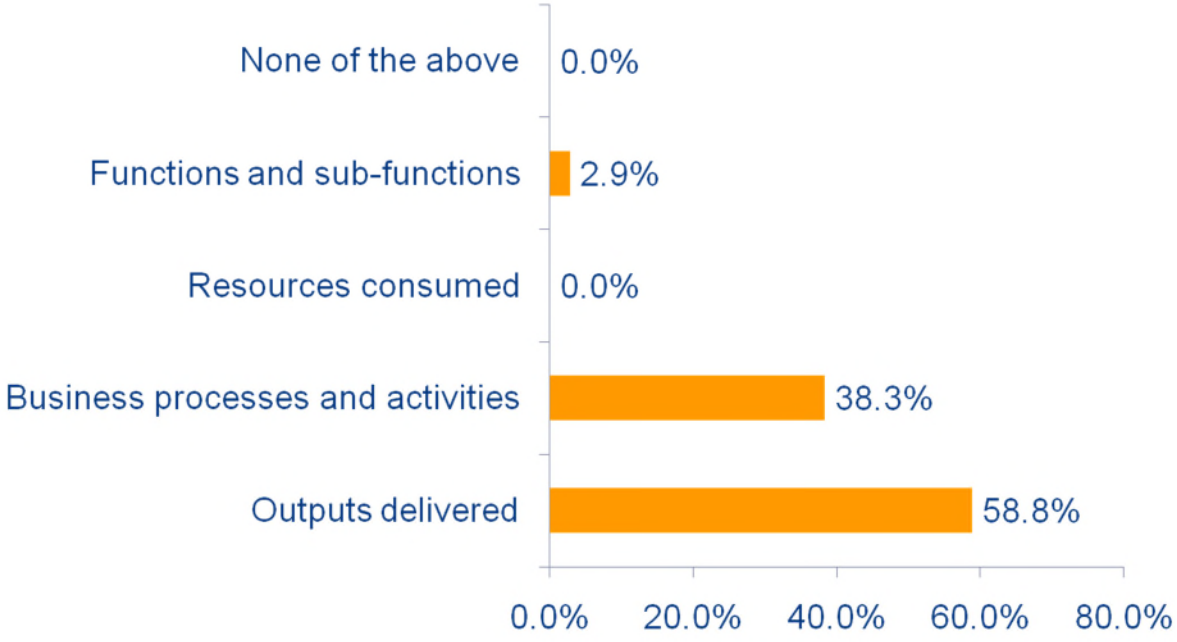

**Sample Size = 34**

**Service Level Agreements should …**




**Sample Size = 34**

**Services should be defined in terms of …**



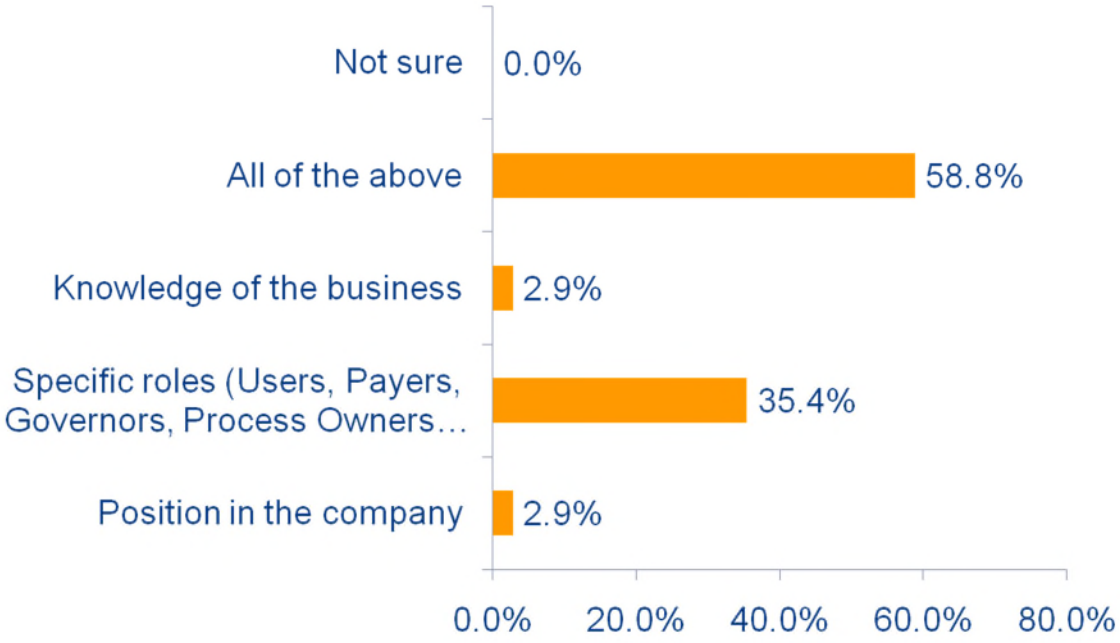

**Sample Size = 34**

## A 1.5 Customer Satisfaction Management

**Customer satisfaction should be assessed and measured by …**

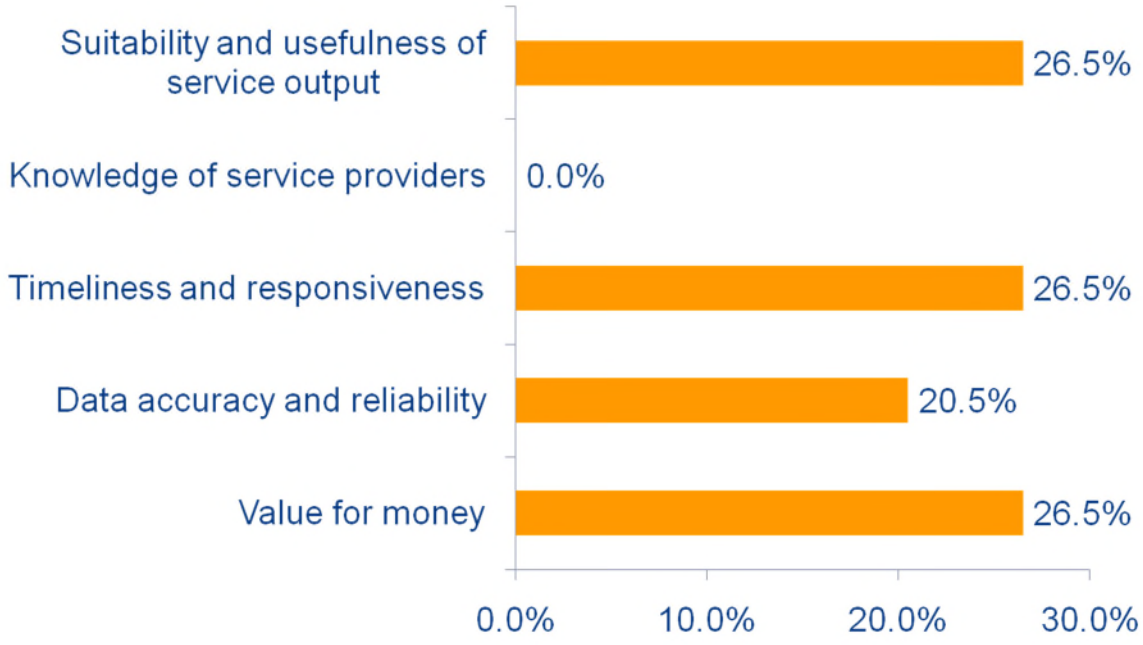

**Sample Size = 34**

**It is important to satisfy requirements of Shared Services customers by understanding their …**




**Sample Size = 34**

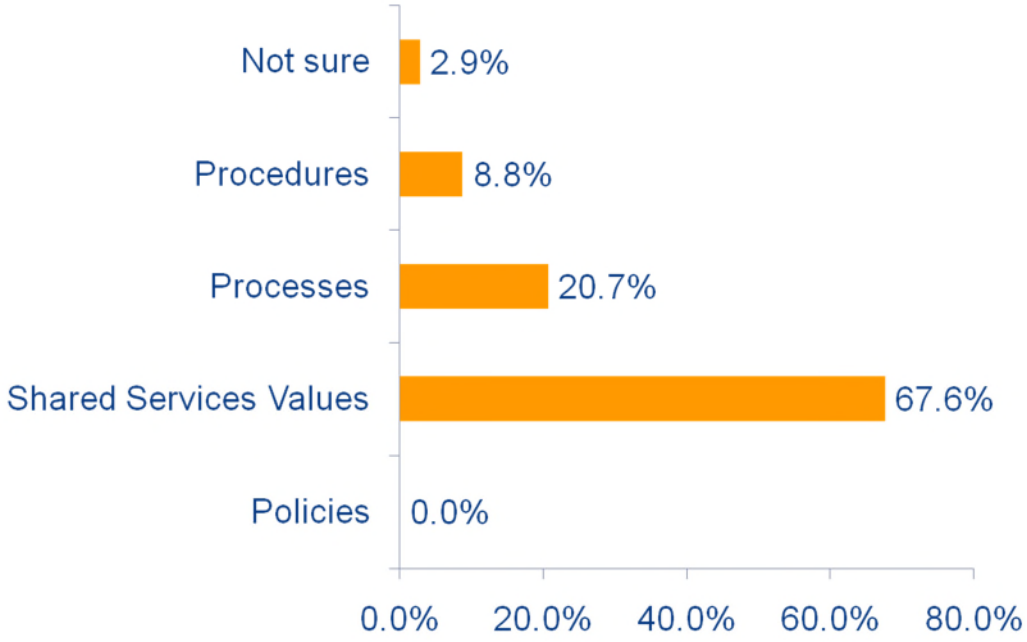
**From the perspective of satisfied customers, the most important measure of customer satisfaction is …**




**Sample Size = 34**

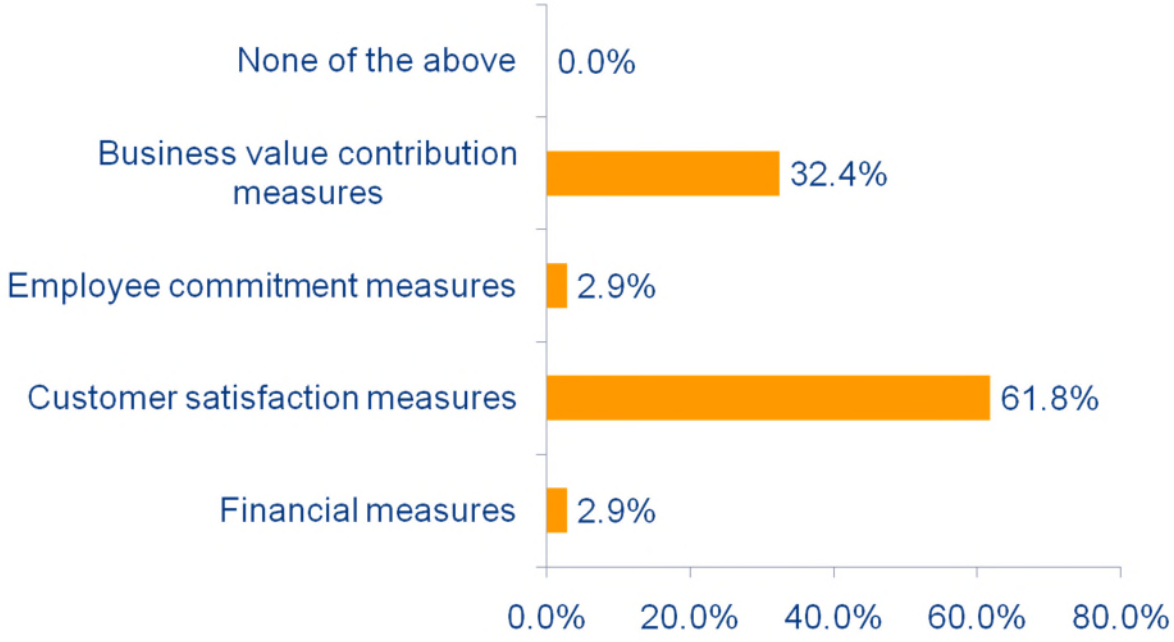
**A 1.6: Employee Motivation Management**

**Customer satisfaction is directly proportional to commitment of Shared Services employees to …**



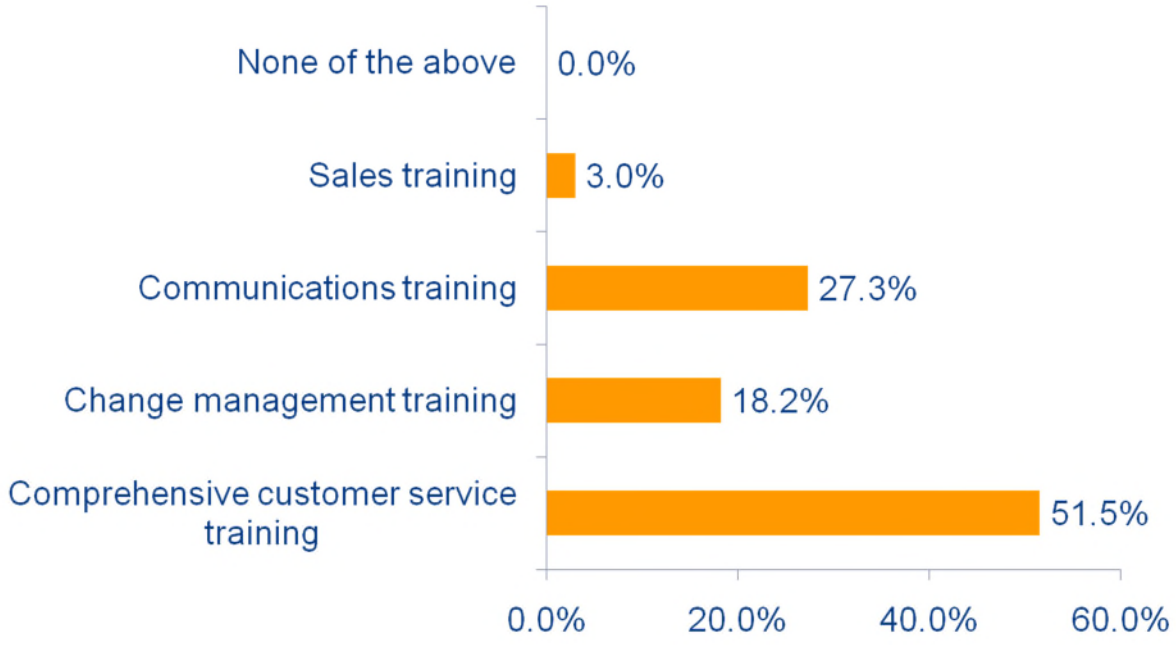

**Sample Size = 34**

**Performance-linked incentives for Shared Services Leaders must include …**




**Sample Size = 34**

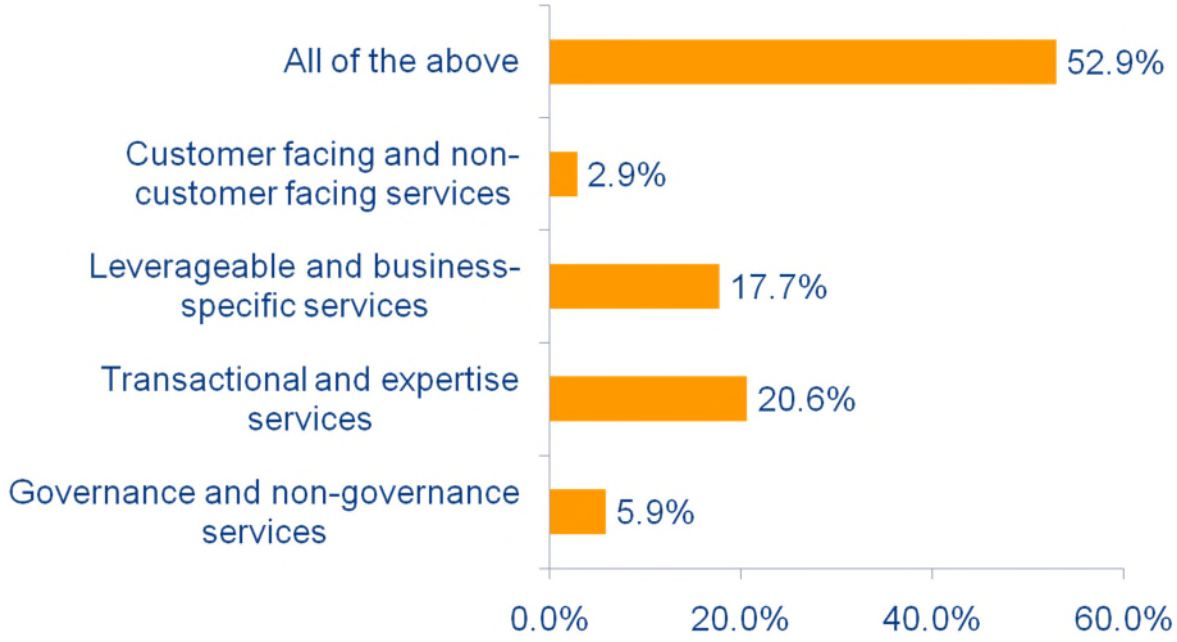
**In addition to job-related training, the training modules for Shared Services employees must include …**




**Sample Size = 34**

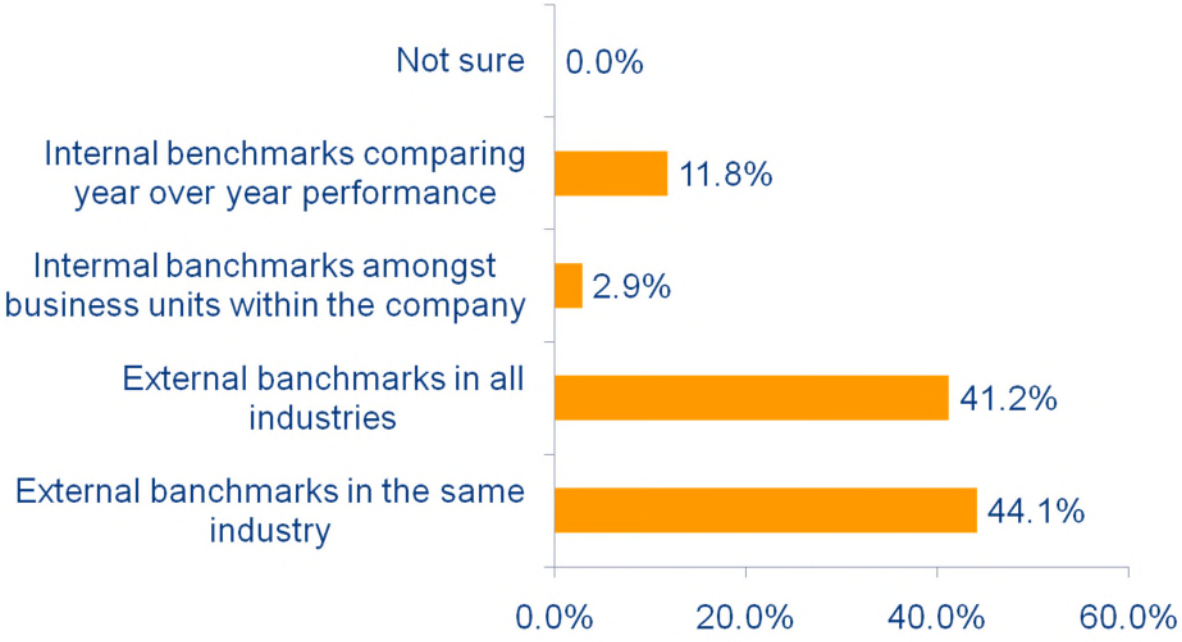
## A 1.7: Creating Value for Business Units

**The value creating potential of Shared Services can be increased by separating…**



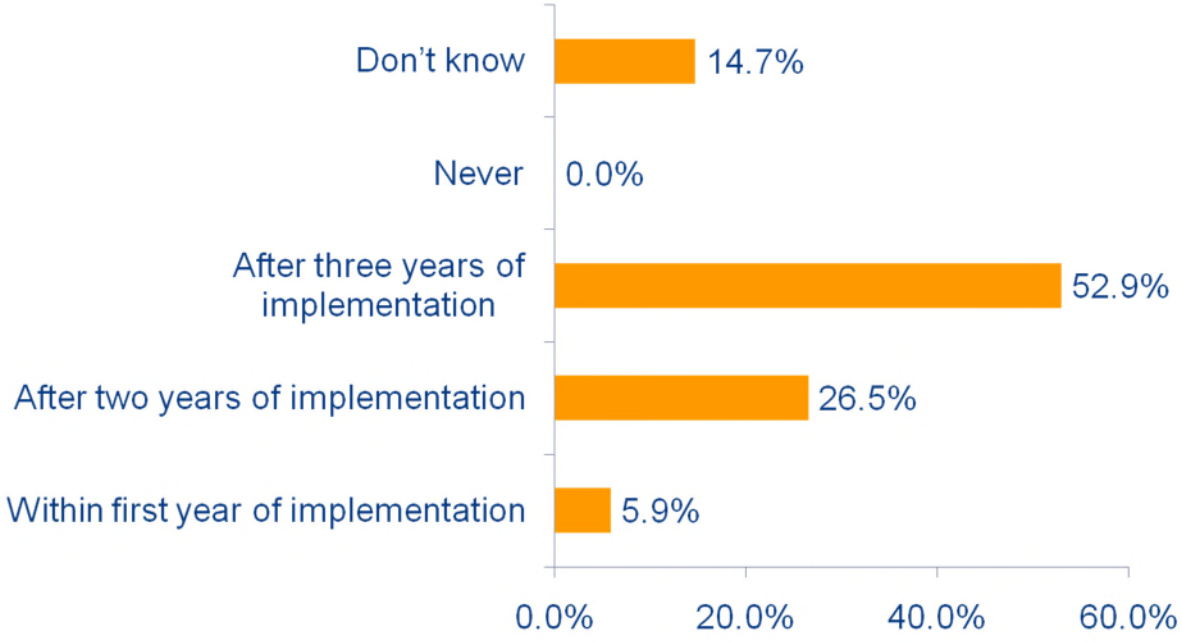

**Sample Size = 34**

**Benchmarking focuses on…**



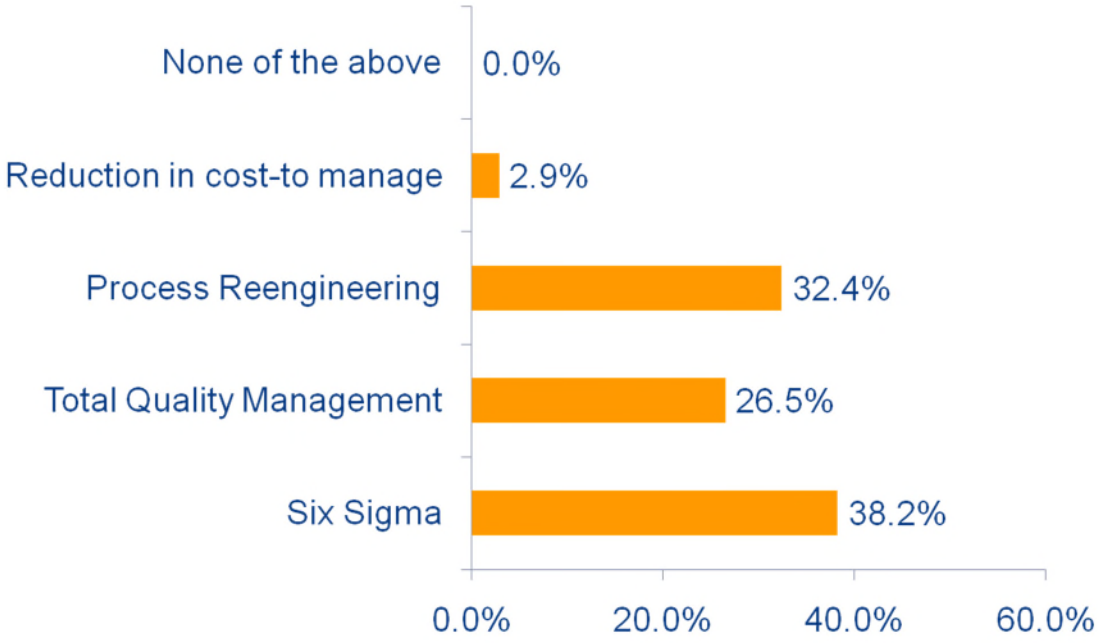

**Sample Size = 34**

**Full Shared Services benefits (35 to 40% cost reduction) can be achieved …**



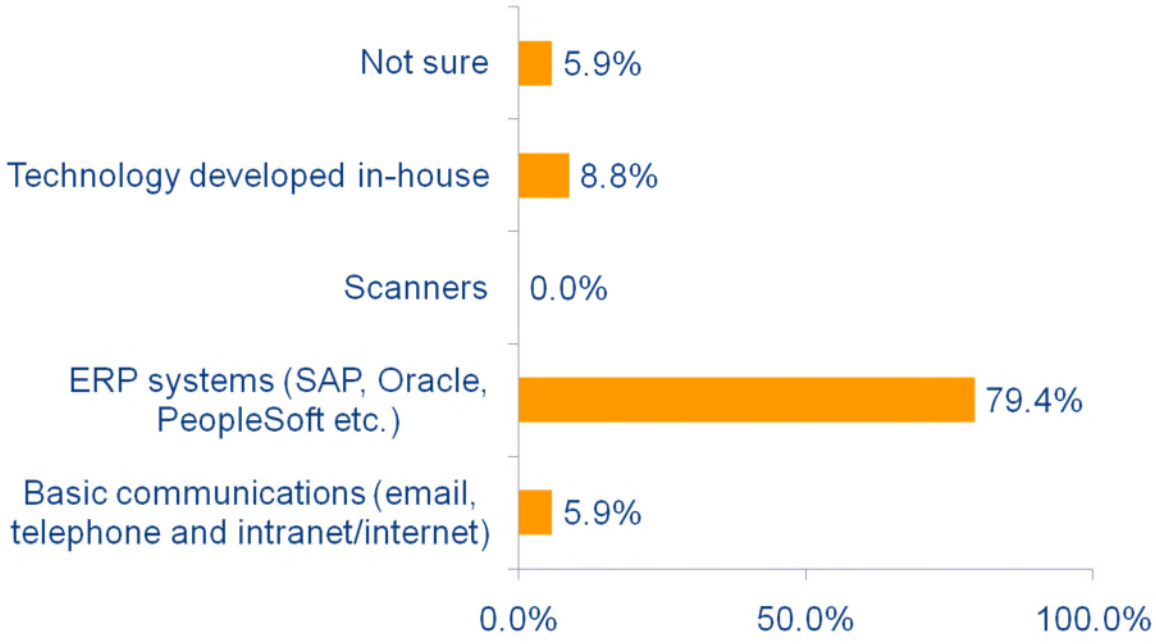

**Sample Size = 34**

**Continuous improvement initiatives for improving the performance of Shared Services operations should include programs such as …**




**Sample Size = 34**

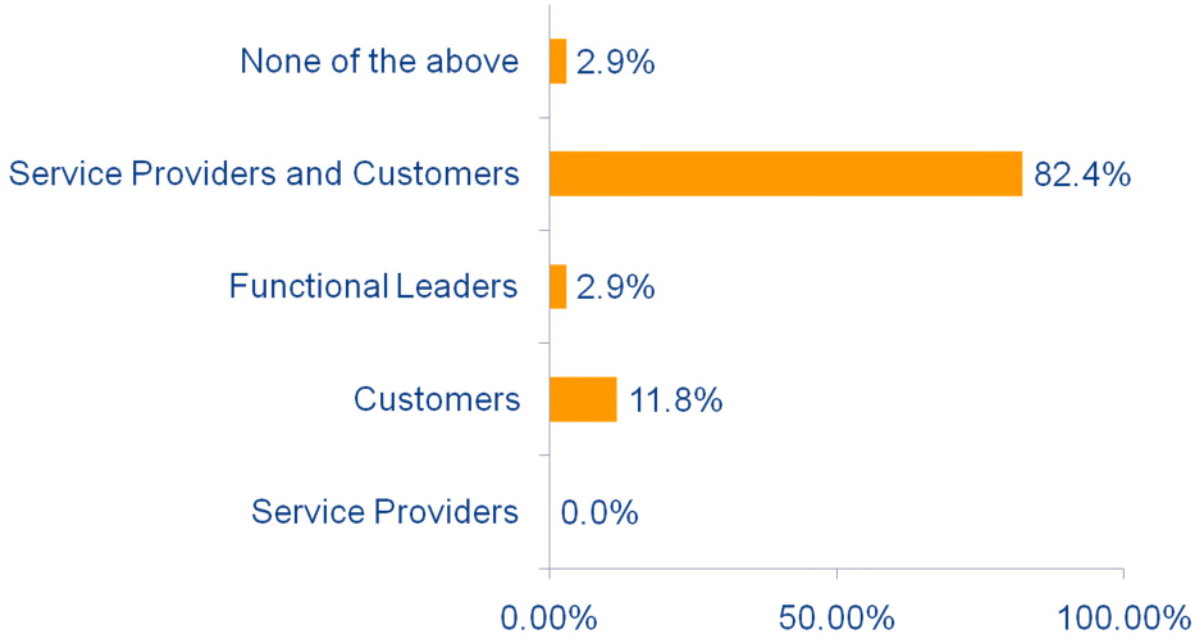
**Most important technology used to increase Shared Services value is …**




**Sample Size = 34**

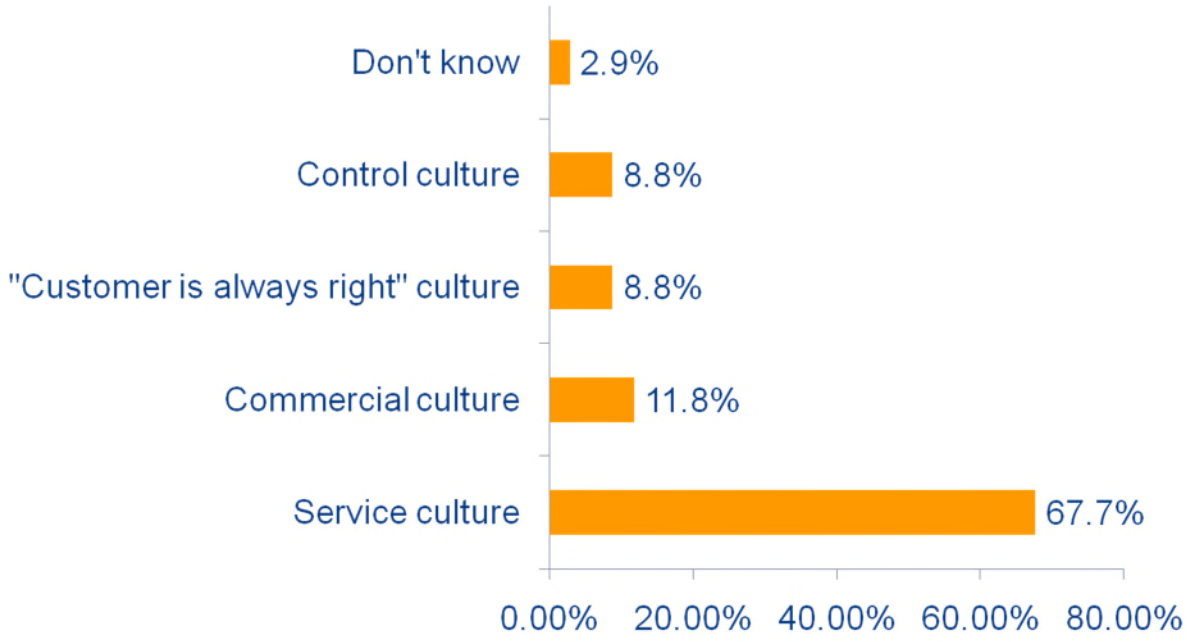
## A 1.8: Communications and Change Management

**Change management programs should primarily focus on …**



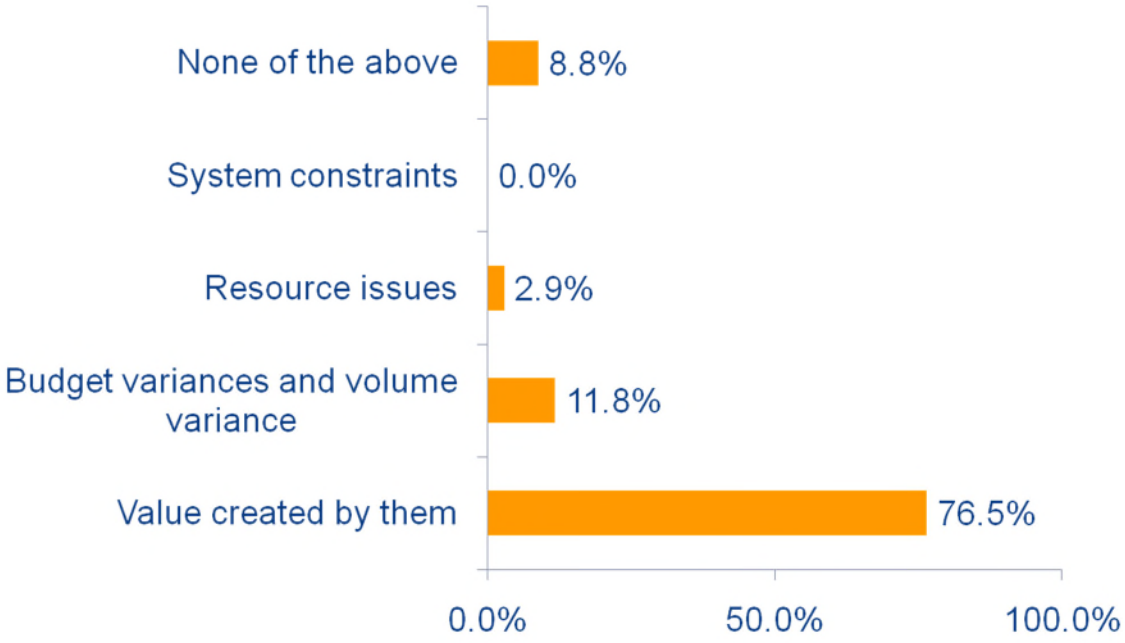

**Sample Size = 34**

**Shared Services culture requires a change to …**



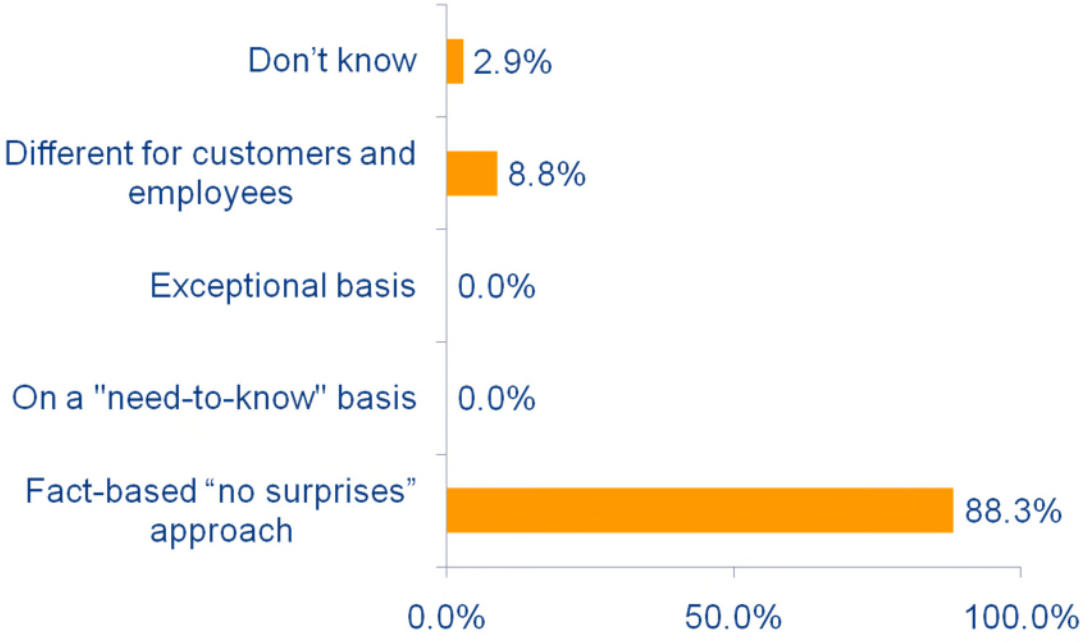

**Sample Size = 34**

**Shared Services providers must communicate with their customers on a regular basis about …**



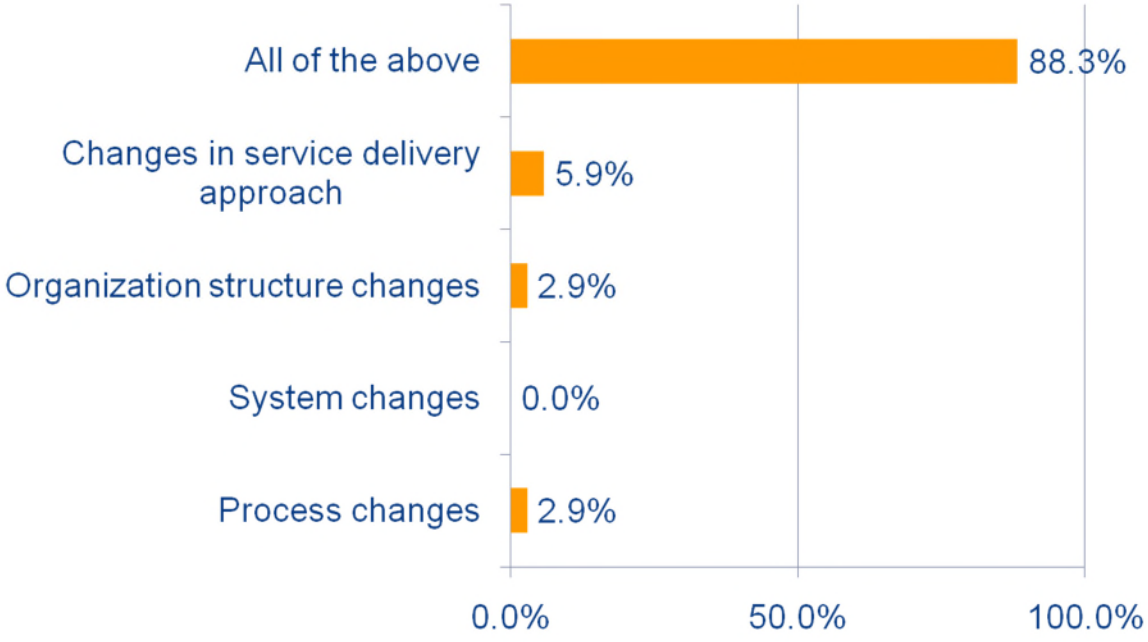

**Sample Size = 34**

**Shared Services communications should be …**




**Sample Size = 34**

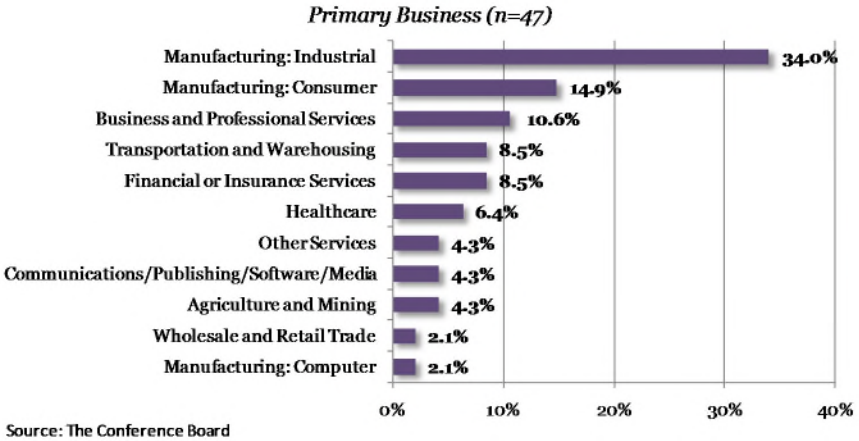
**Change management programs should incorporate …**



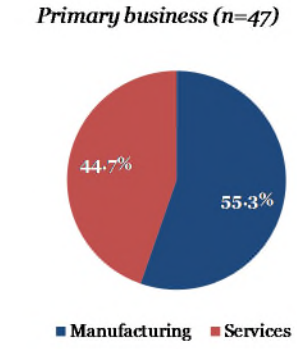

**Sample Size = 34**

# APPENDIX 2: RESPONSES TO METHODOLOGY & TOOLS SURVEY

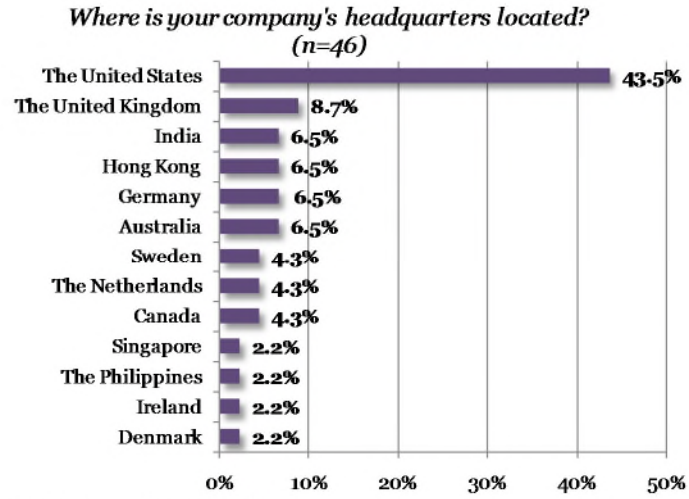
## A 2.1: Demographics of Respondents (47)



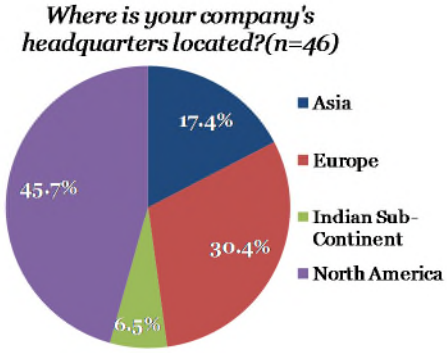

Source: The Conference Board




Source: The Conference Board

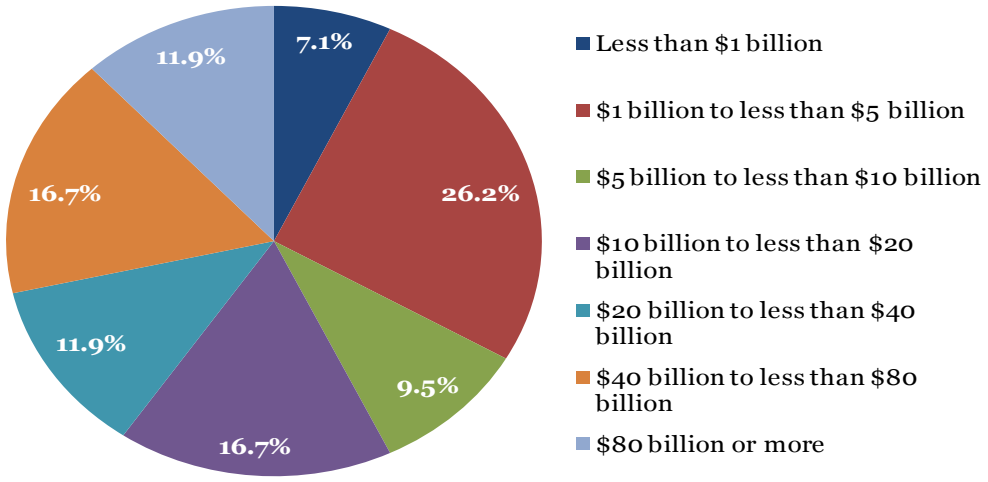



Source: The Conference Board



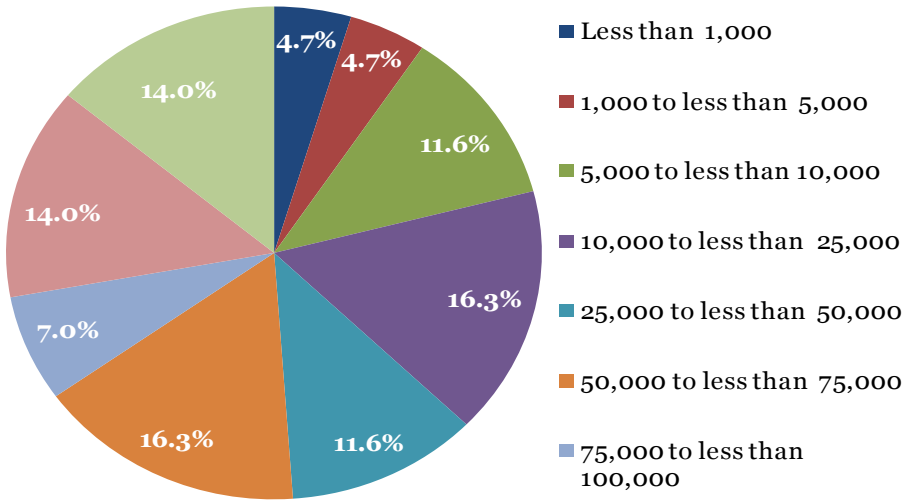

Source: The Conference Board

*Total **worldwide** revenues in U.S. dollars (n= 42)*



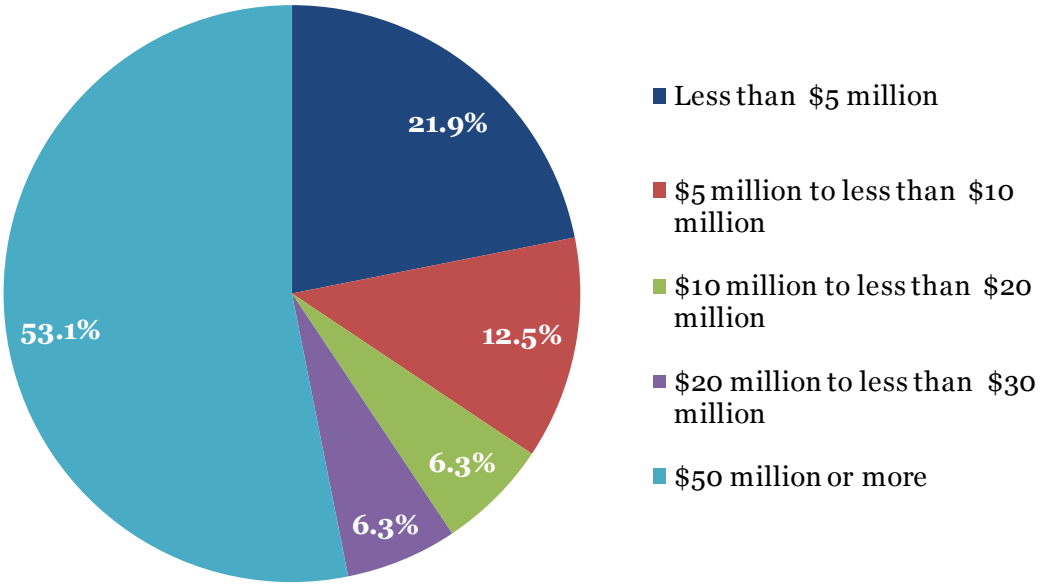

Source: The Conference Board

*Total **worldwide** FTEs (n= 43)*




Source: The Conference Board

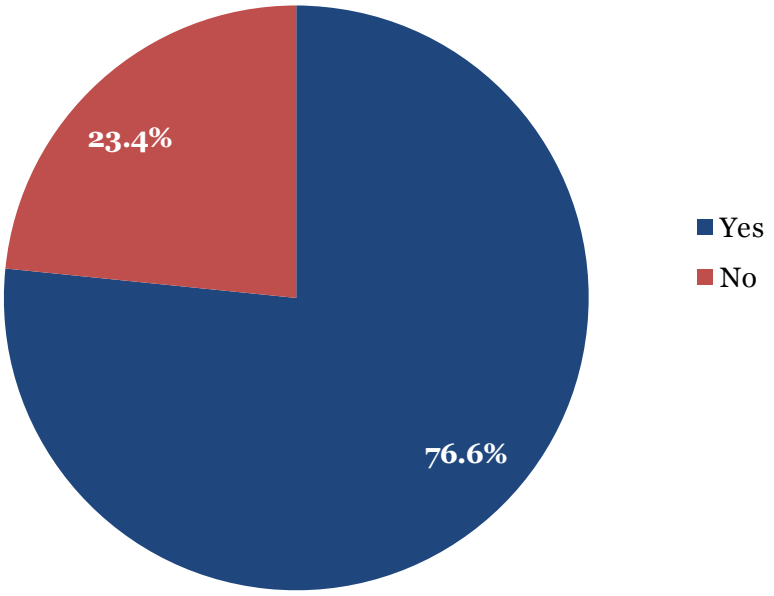
*Annual Functional/Businss Services Cost in U.S. dollars (n= 32)*




Source: The Conference Board

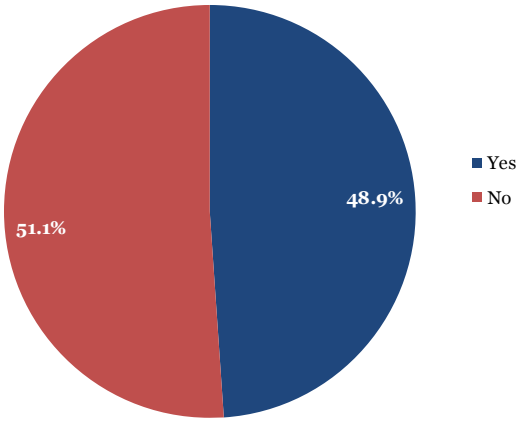
## A 2.2: Methodology Used to Optimize Performance

*1. Did your company use a methodology during the design of your functional and shared services organizations? (n= 47)*

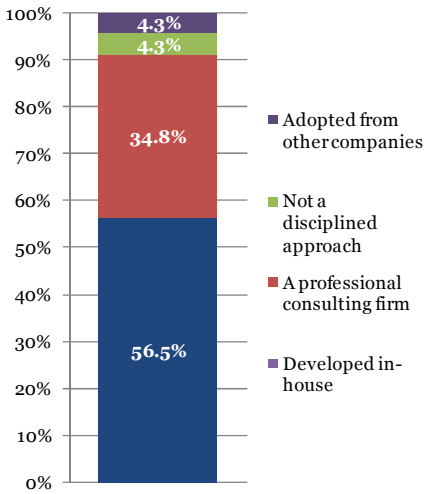



Source: The Conference Board

*2a. My company obtained its methodology during its design phase? (n= 47)*

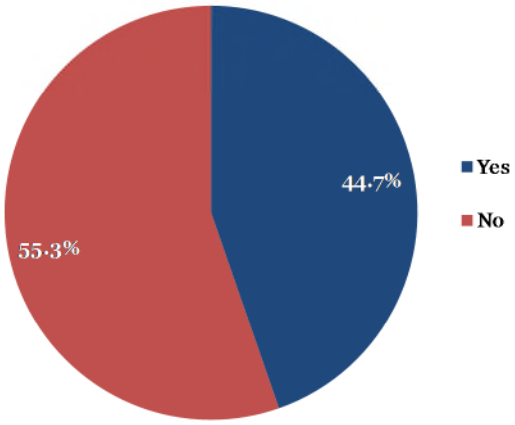



Source: The Conference Board



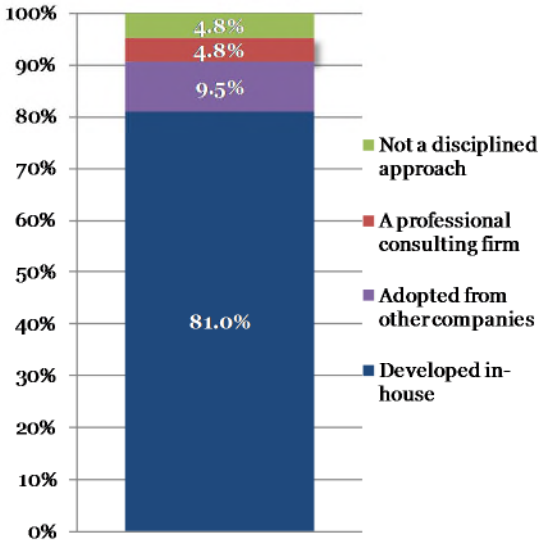

*(n= 23)*

*2b. My company obtained its methodology during its operational phase (current usage) (n= 47)*



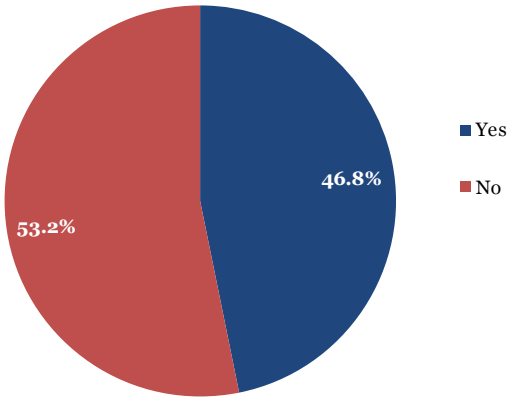

Source: The Conference Board

*Where did you obtain your operational phase methodology? (n= 21)*



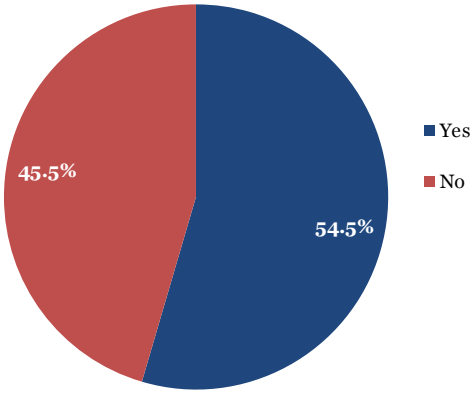

Source: The Conference Board

*Achieved: Reduction in function/service cost phase (n= 47)*



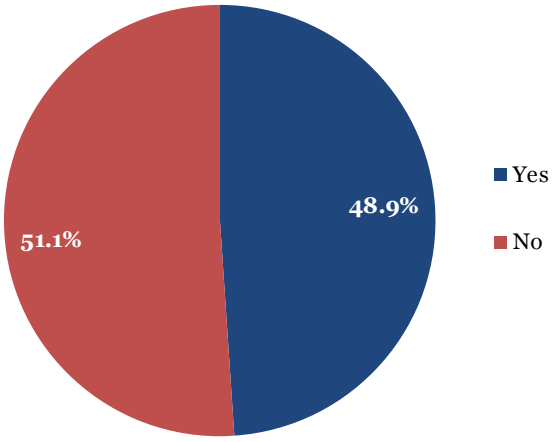

Source: The Conference Board

*Reduction in function/service cost phase is solely attributable to use of mehodology (n= 22)*



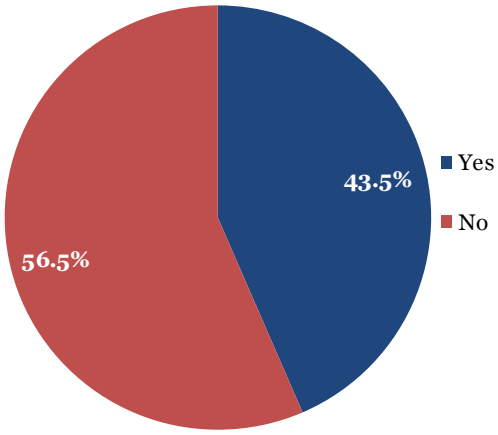

Source: The Conference Board

*Acheived: Increase in service quality (n= 47)*



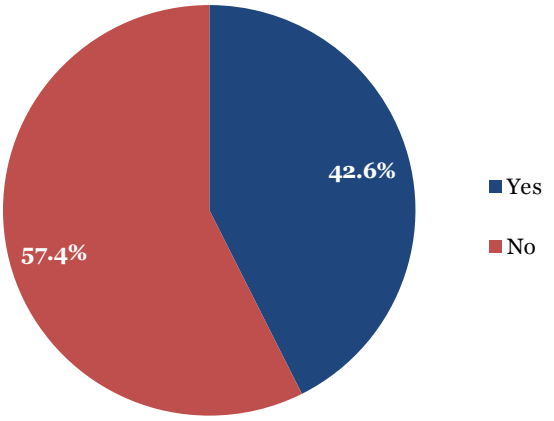

Source: The Conference Board

*Increase in service quality is solely attributable to use of mehodology (n= 23)*



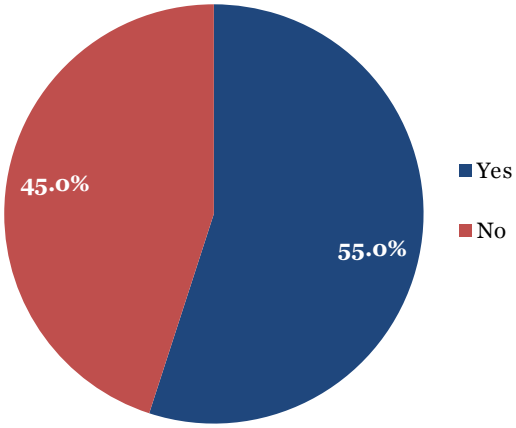

Source: The Conference Board

*Acheived: Increase in customer service (n= 47)*



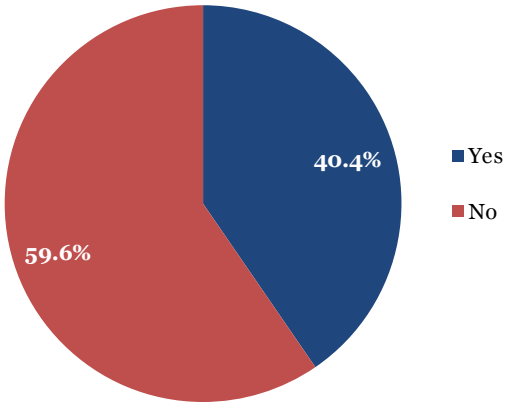

Source: The Conference Board

*Increase in customer service is solely attributable to use of methodology (n= 20)*



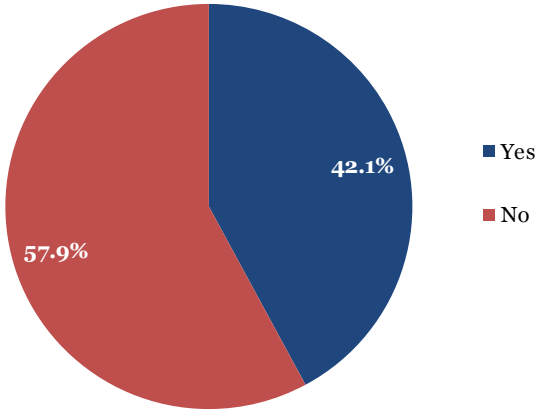

Source: The Conference Board

*Acheived: System standardization (n= 47)*




Source: The Conference Board

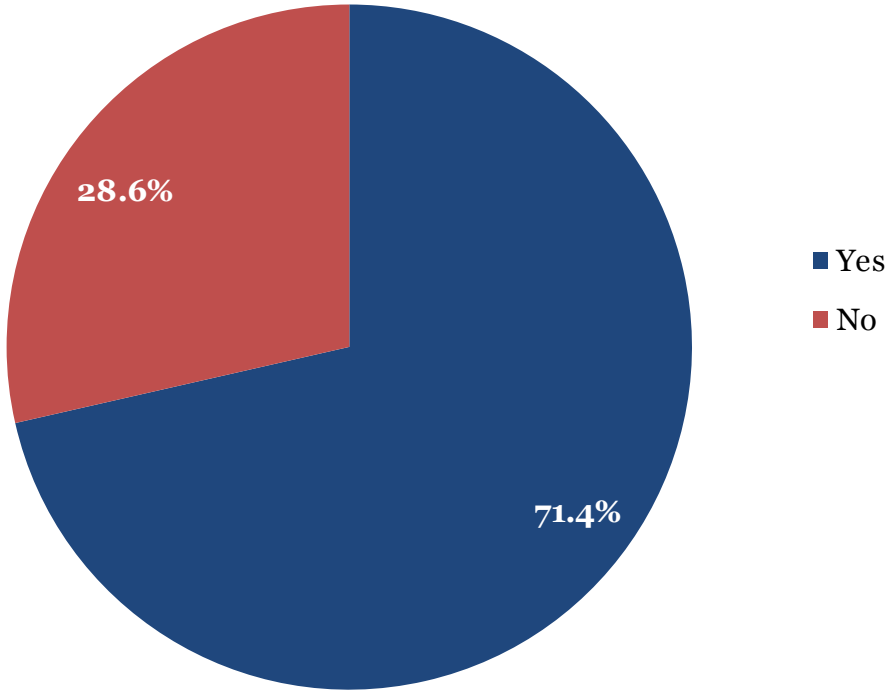
*Increase in system standardization is solely attributable to use of mehodology (n= 22)*




Source: The Conference Board

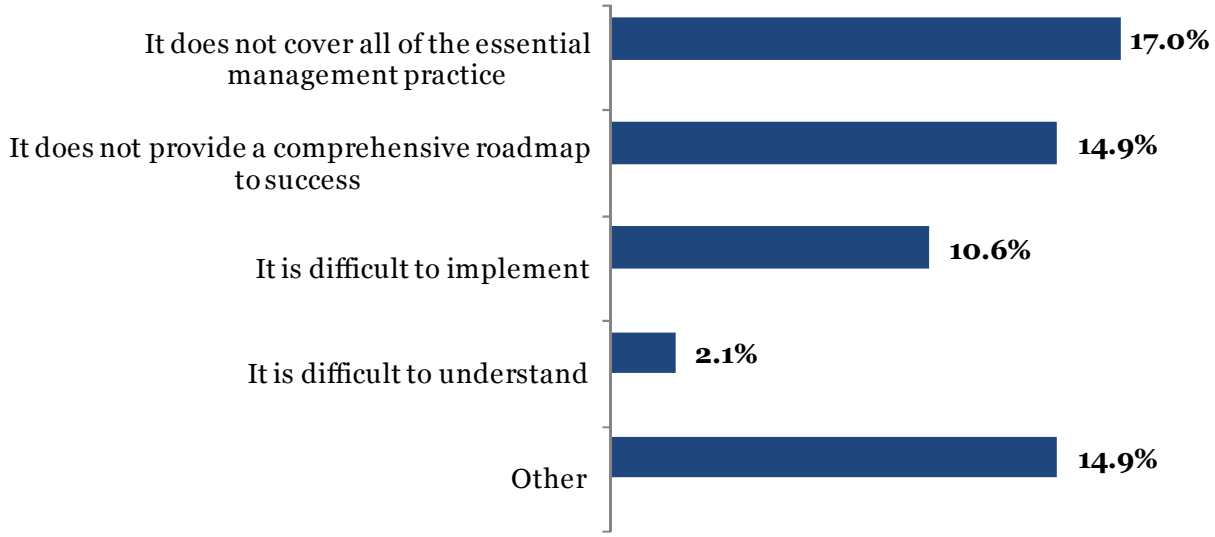
## A 2.3: Limitations of Current Methodology

*4. Are there any limitations/shortcomings of your current methodology? (n= 47)*



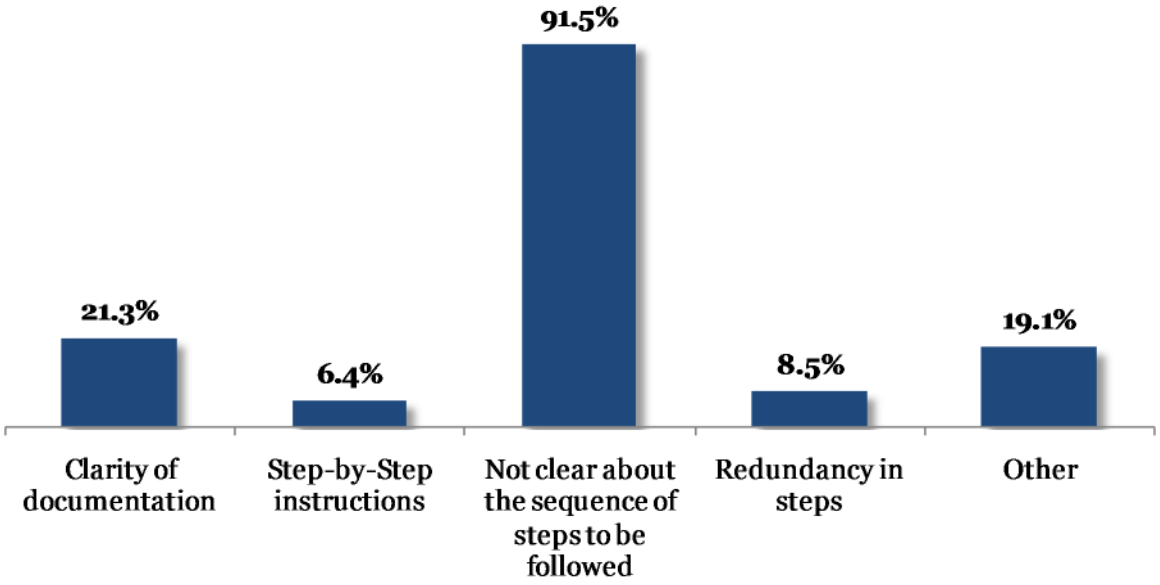

Source: The Conference Board

*5. What are the key shortcomings of your methodology? (n=47)*



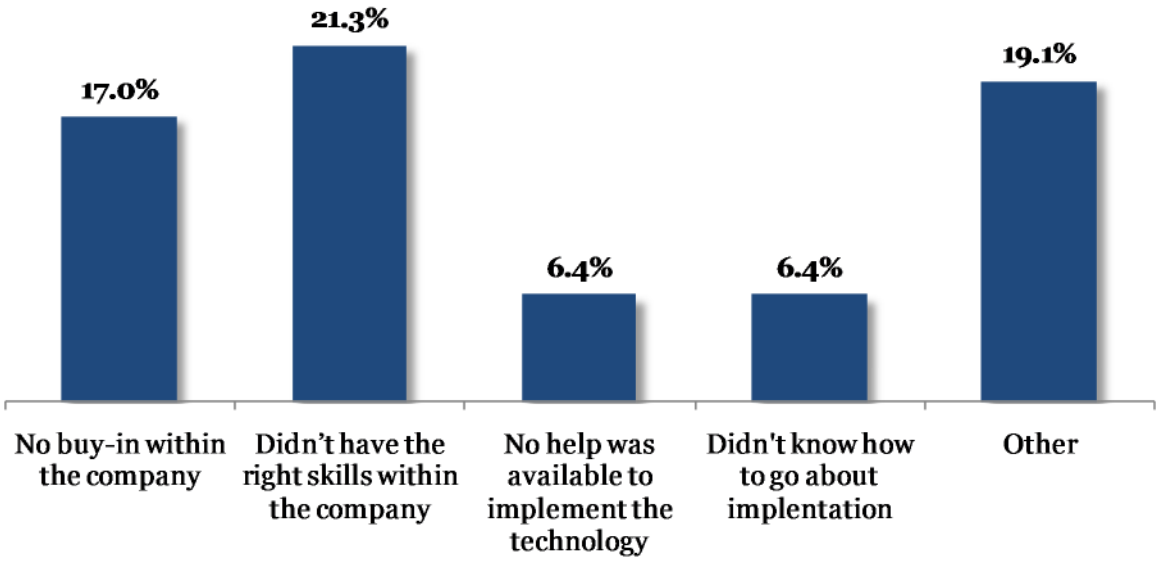

Source: The Conference Board

*6. What part(s) of your methodology is your company having difficulty with? (n=47)*



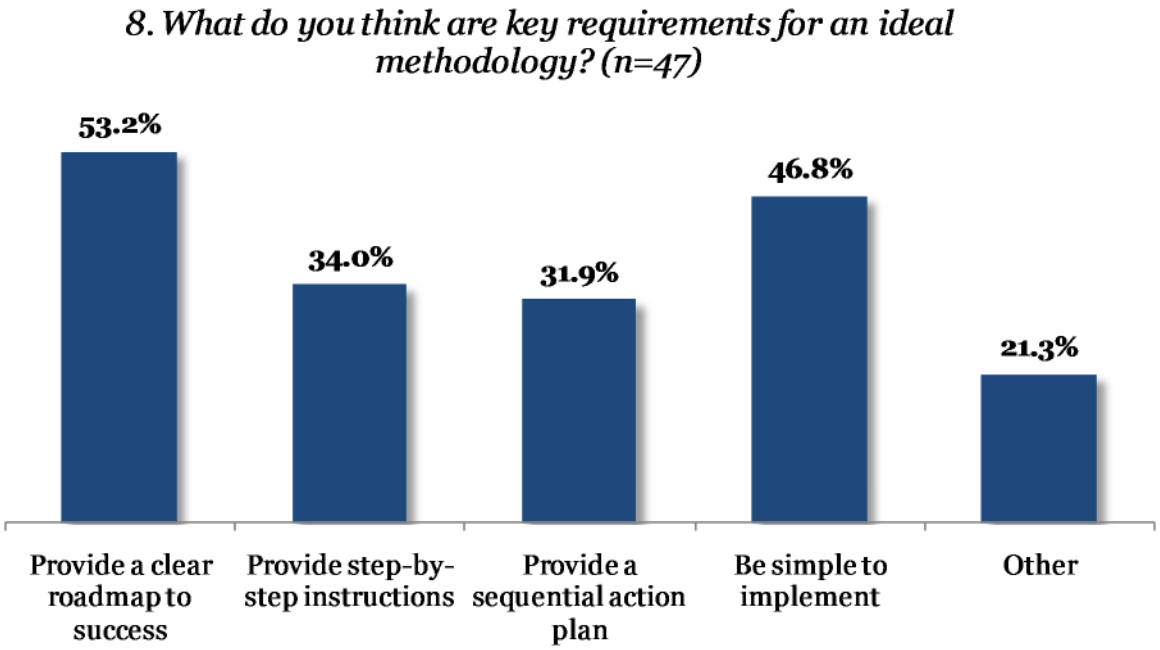

Source: The Conference Board

*7. What problems/issues have you encountered in implementing the methodology?(n=47)*



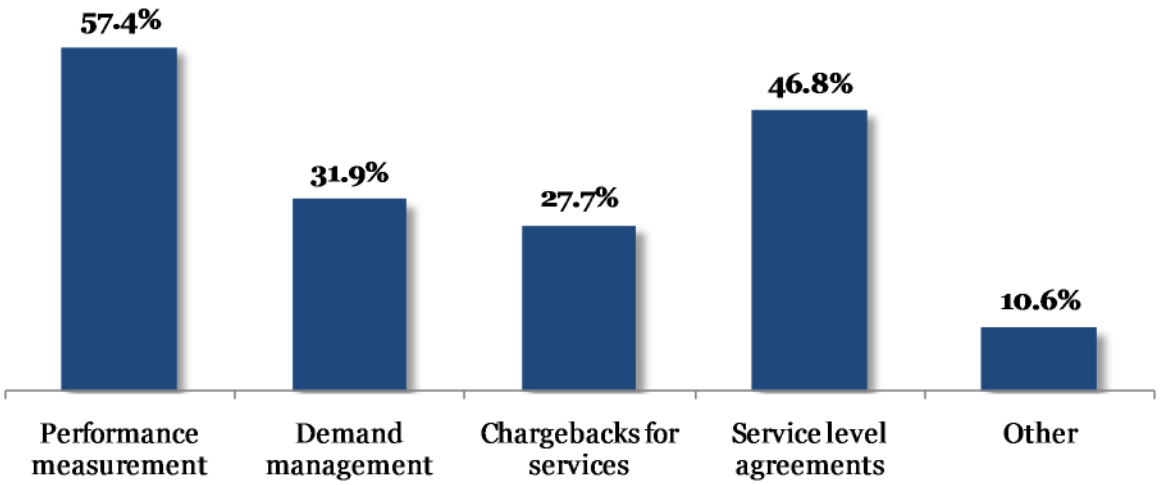

Source: The Conference Board

## A 2.4: Requirements for an Ideal Methodology




Source: The Conference Board

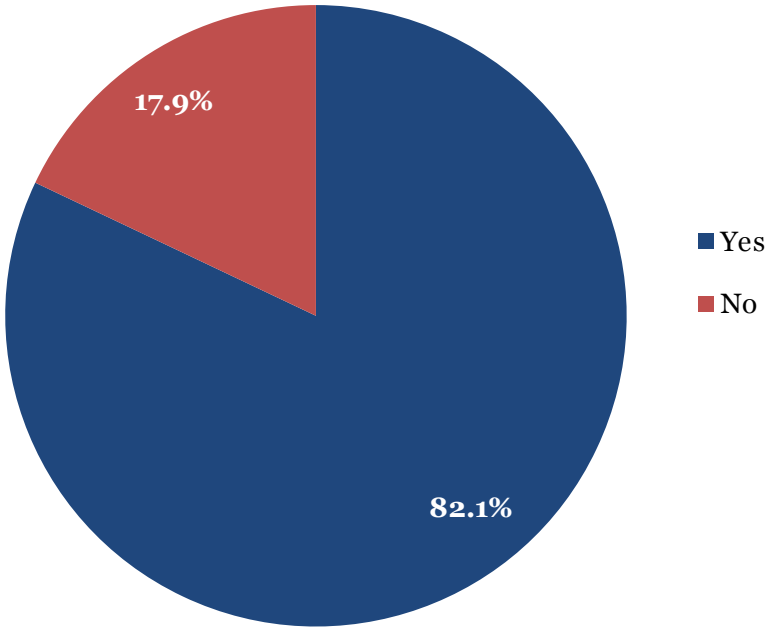
*9. What do you think should be included in the scope of an ideal methodology? (n=47)*




Source: The Conference Board

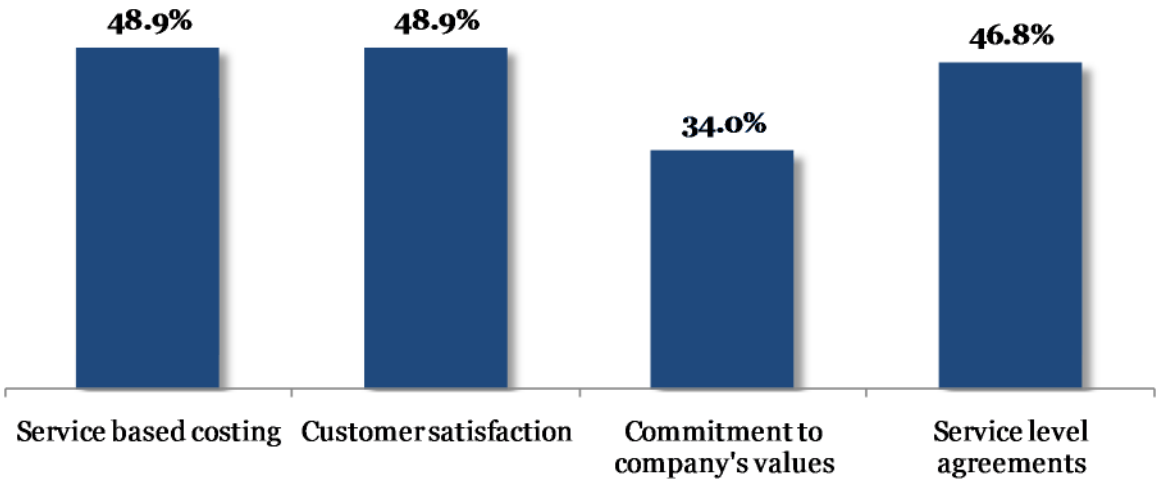
## A 2.5: Tools Used to Optimize Performance

*11. Did your company use tools necessary to design, implement and operate functions and service organizations? (n= 47)*



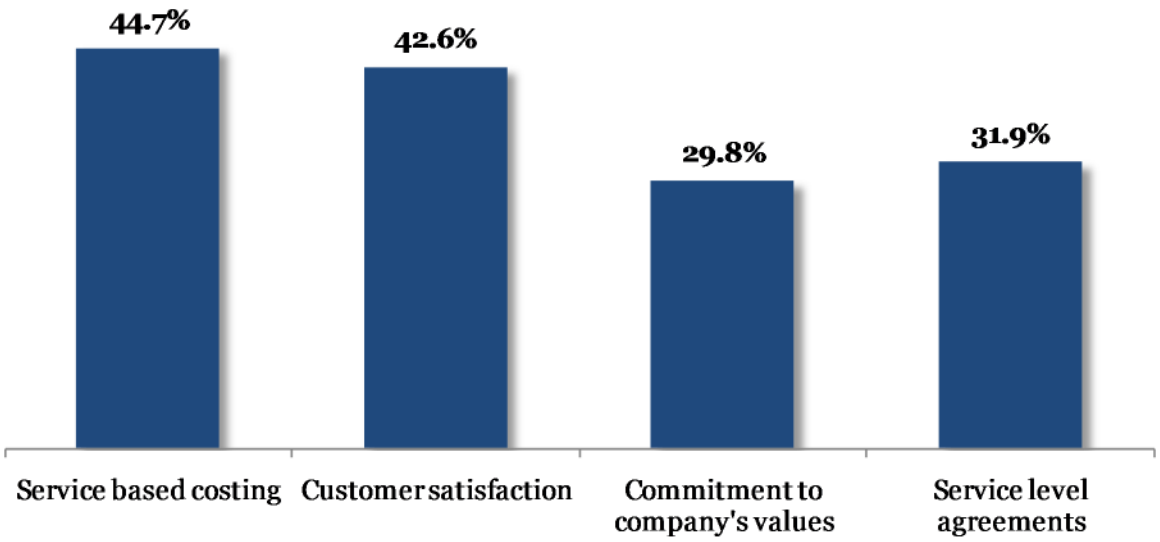

Source: The Conference Board

*12a. Did you have a baseline measure of ... ? (n=47)*



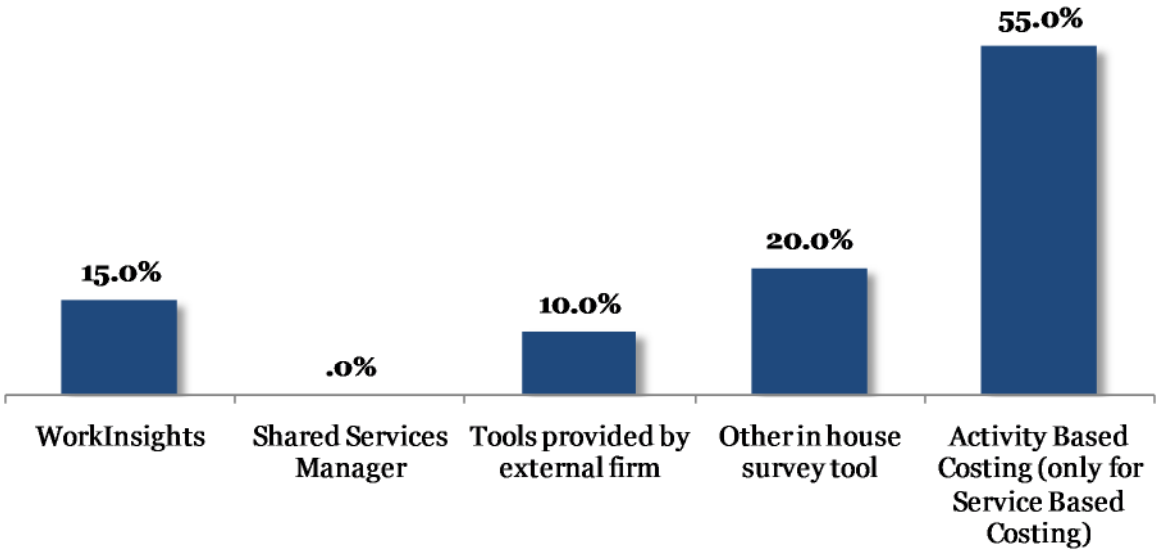

Source: The Conference Board

*12a. Did you use a tool for measurement and development of ...? (n=47)*



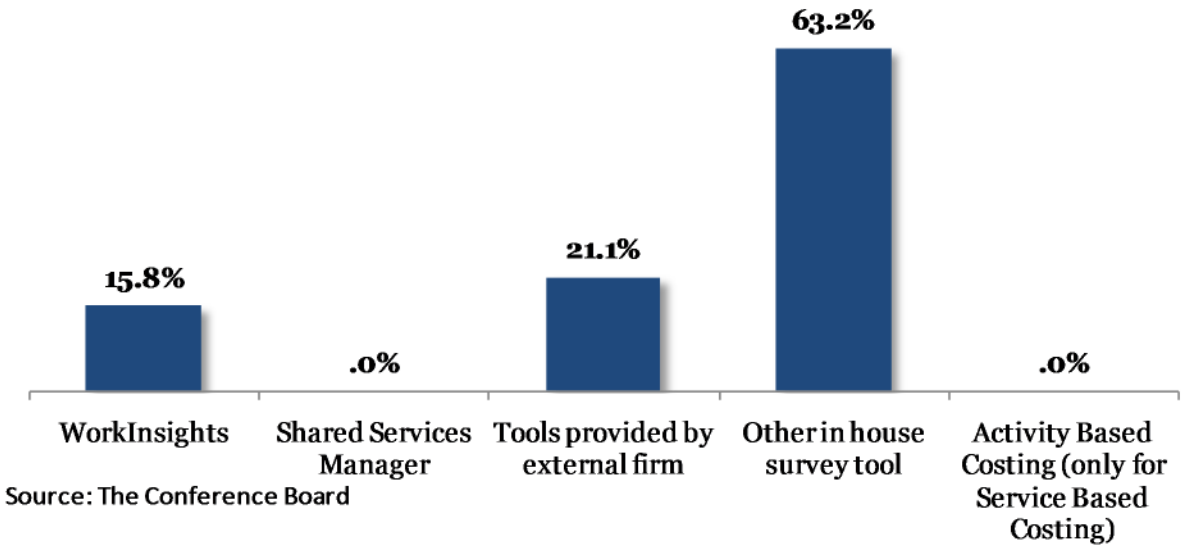

Source: The Conference Board

*12a. Which tools did you use to develop your baseline measure of service based costing? (n=20)*



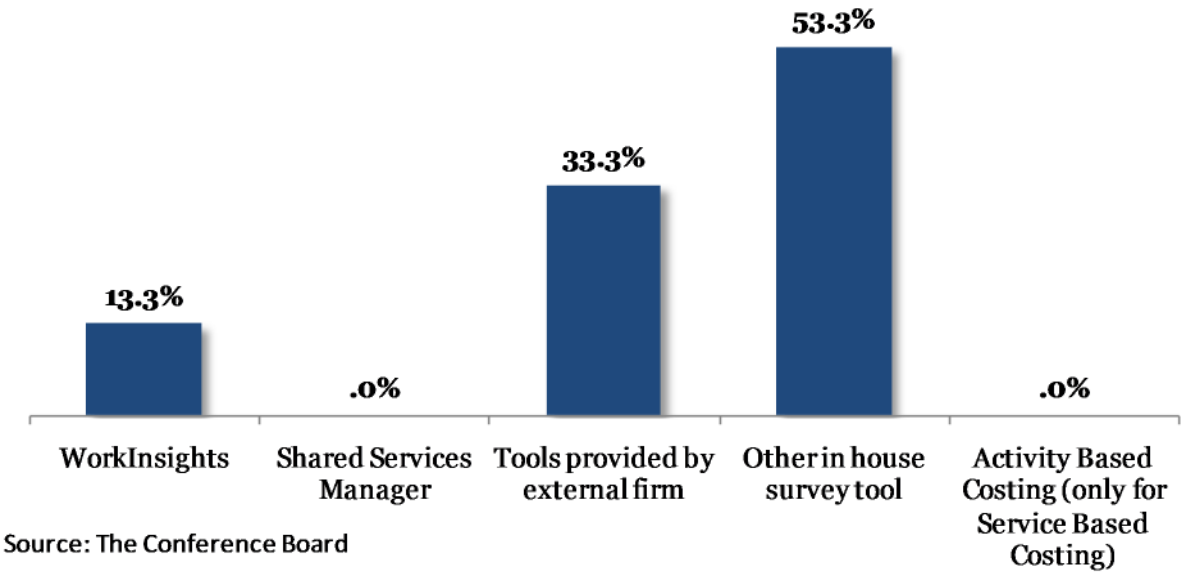

Source: The Conference Board

*12a. Which tools did you use to develop your baseline measure of customer satisfaction? (n=19)*



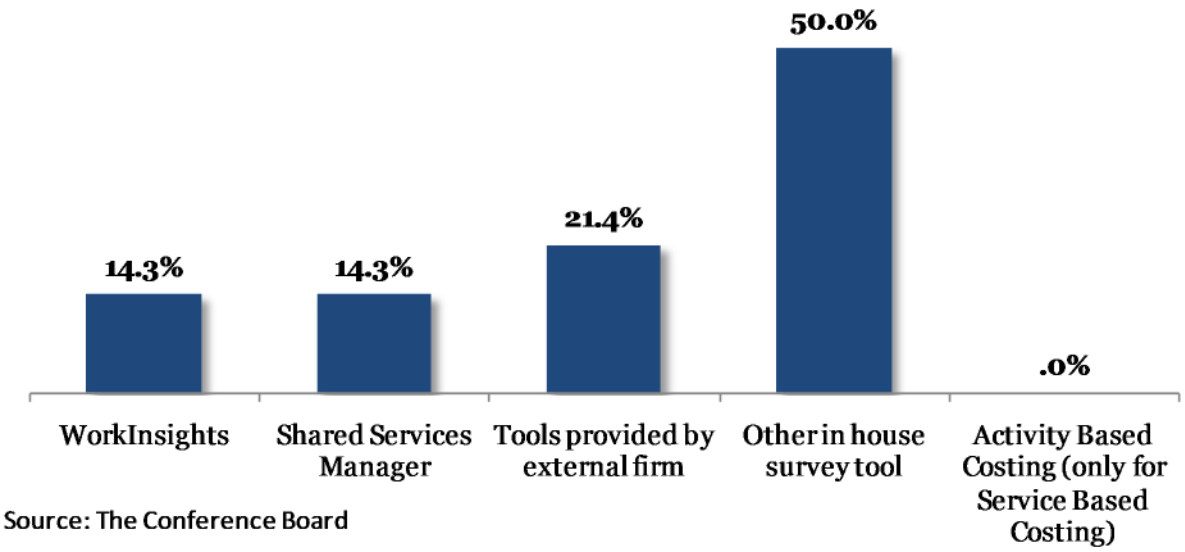

Source: The Conference Board

*12a. Which tools did you use to develop your baseline measure of employee commitment to company's values? (n=15)*



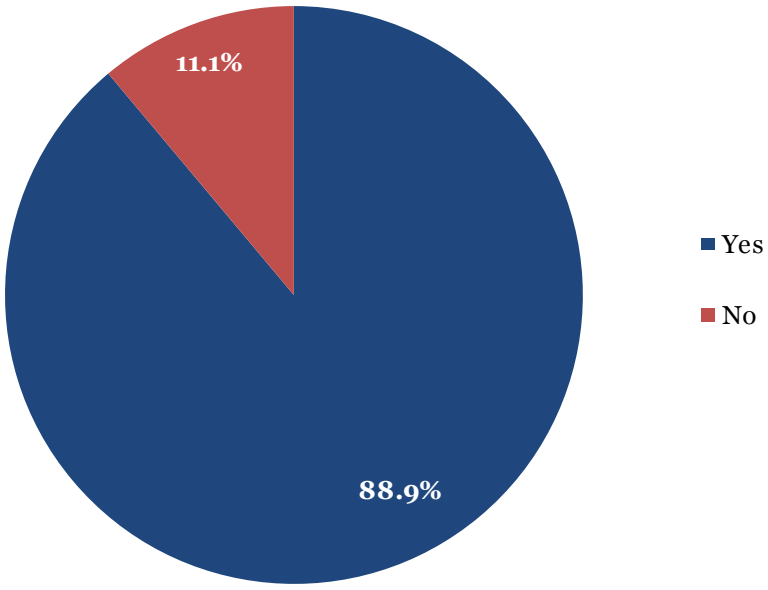

Source: The Conference Board

*12a. Which tools did you use to develop your baseline measure of service level agreementss? (n=14)*



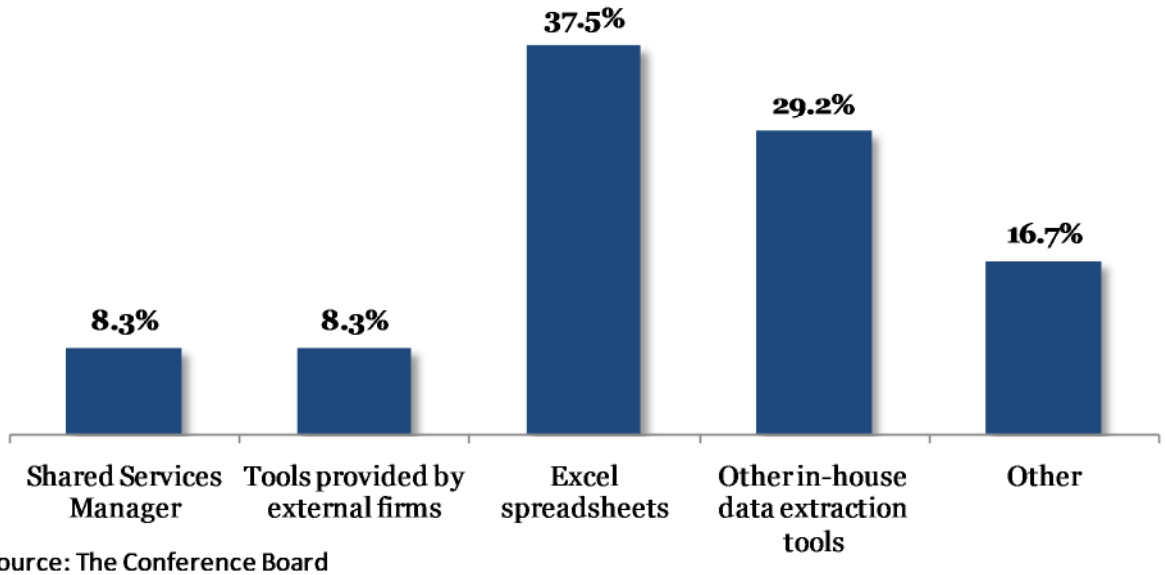

Source: The Conference Board

*13. Did your company develop tools to measure performance? (n= 27)*



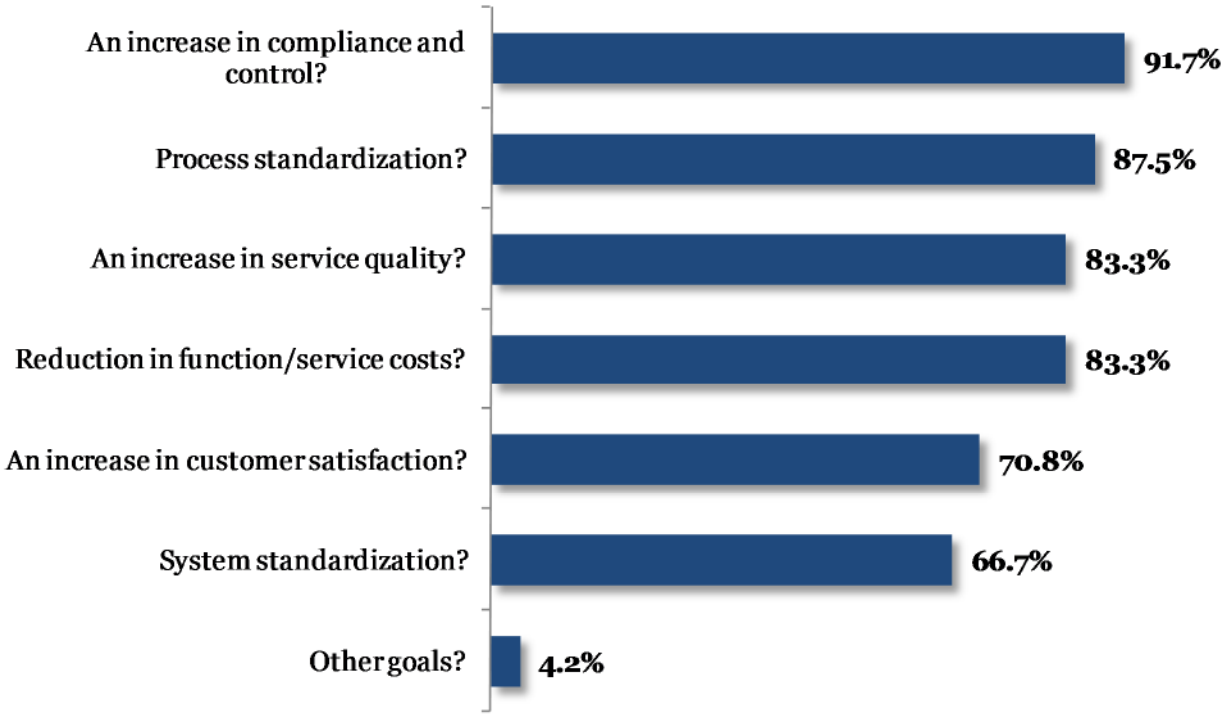

Source: The Conference Board

*13b. Which one of the following tools did your company use to establish performance measures?(n=24)*



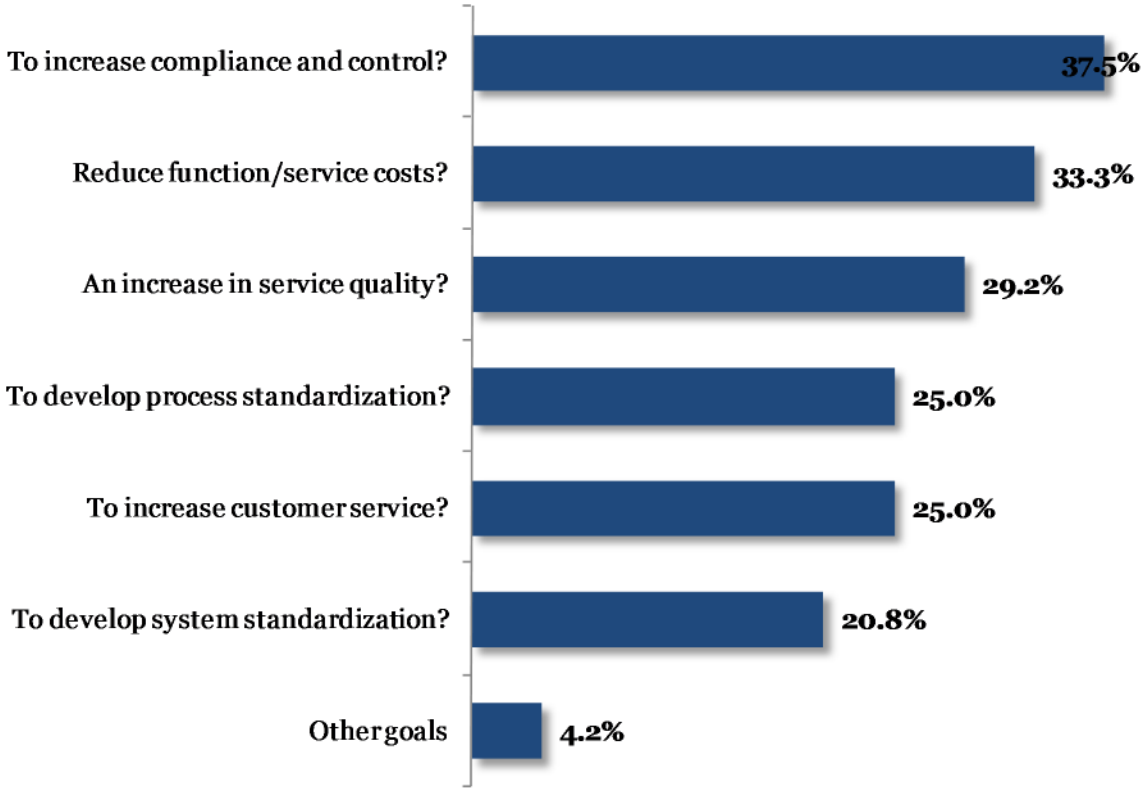

Source: The Conference Board

*14. Did you achieve the following goals/results? (n=47)*




Source: The Conference Board

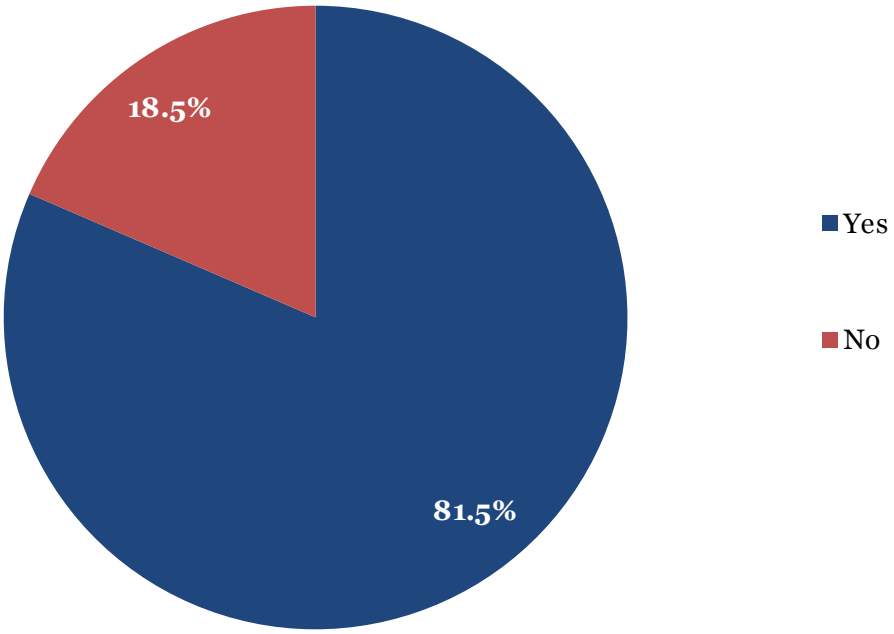
*14. Can the result solely be attributable to ...? (n=47)*




Source: The Conference Board

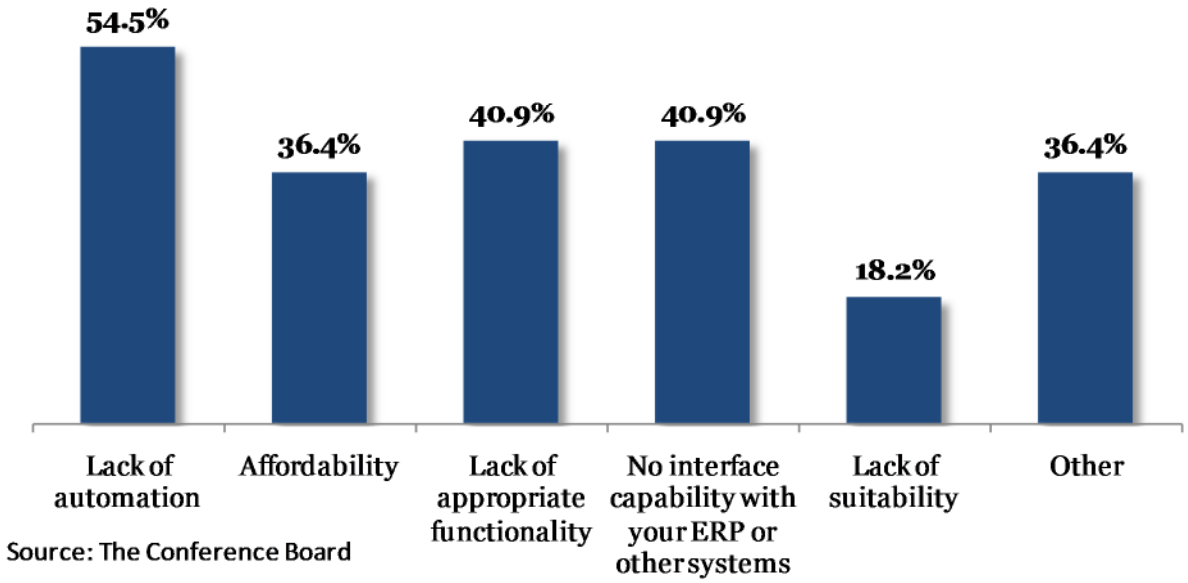
## A 2.6: Limitations in the Tools Used to Optimize Performance

*15. Are there limitations/shortcomings in the tools your company currently uses? (n= 27)*



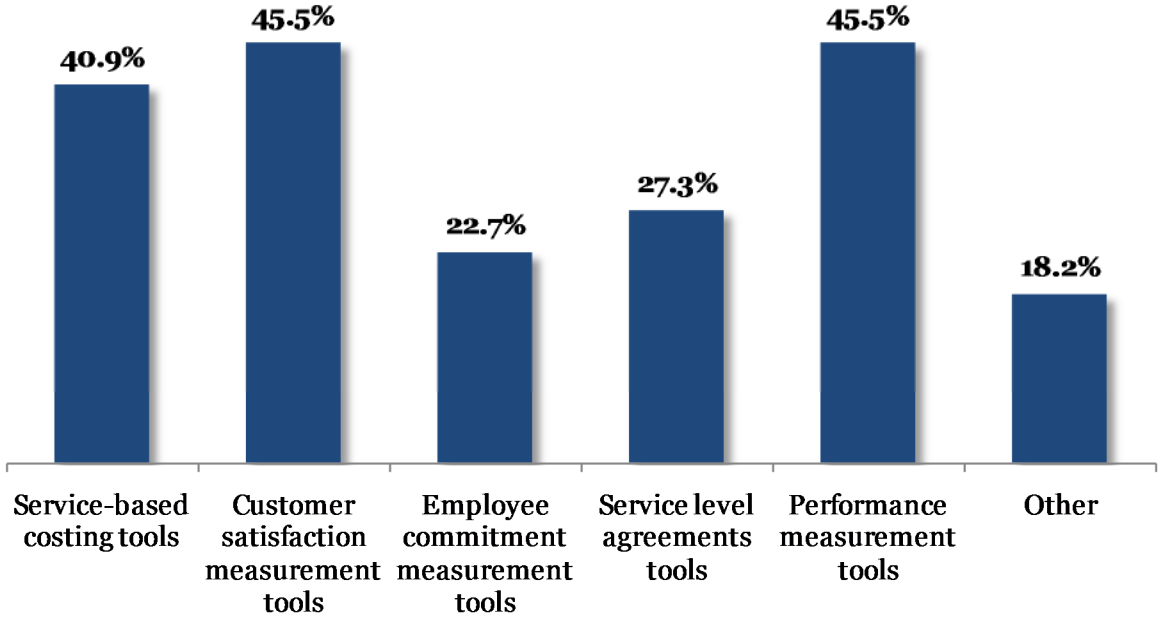

Source: The Conference Board

*16. What are the key shortcomings of the tools? (n=22)*



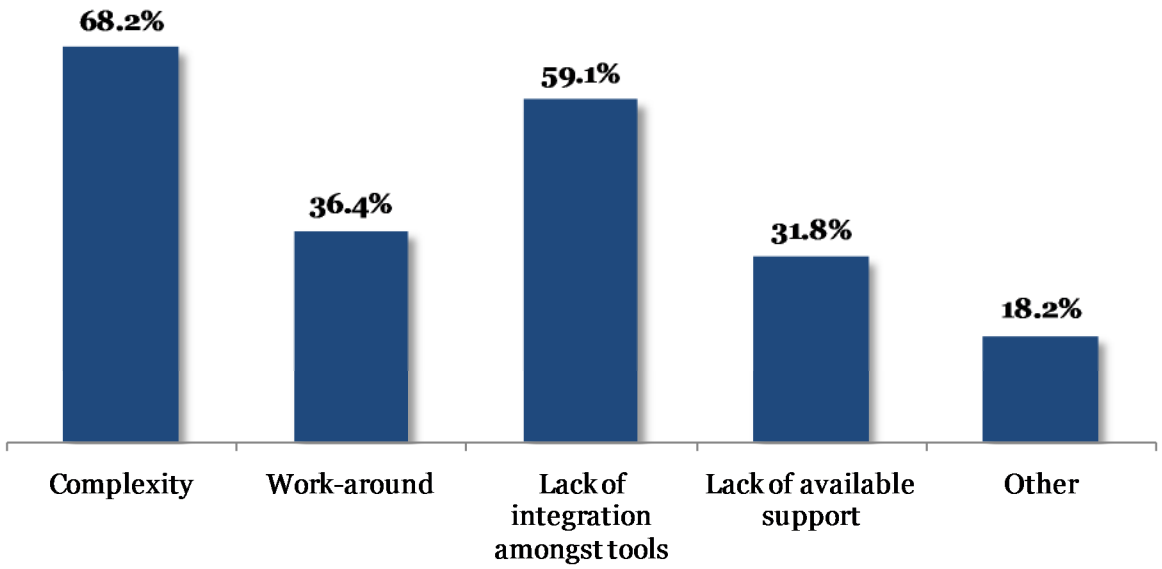

Source: The Conference Board

*17. What tools is your company having difficulty with? (n=22)*



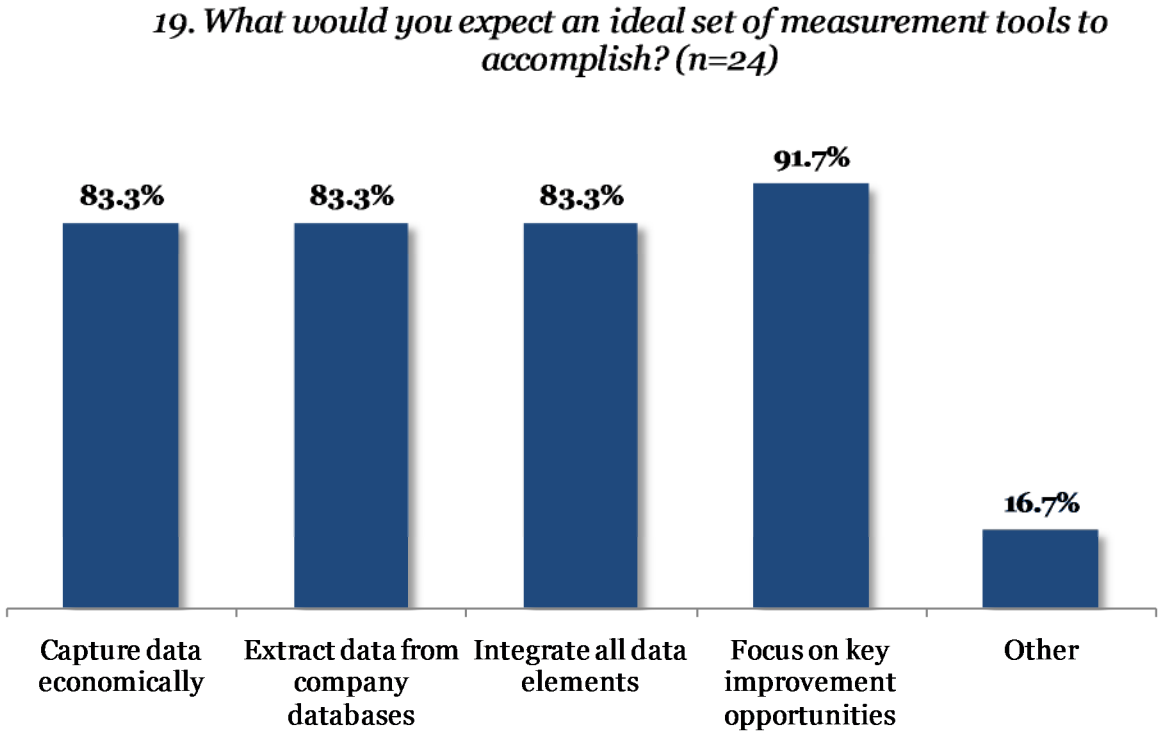

Source: The Conference Board

*18. What problems/issues did you encounter while implementing the tools your company uses? (n=22)*



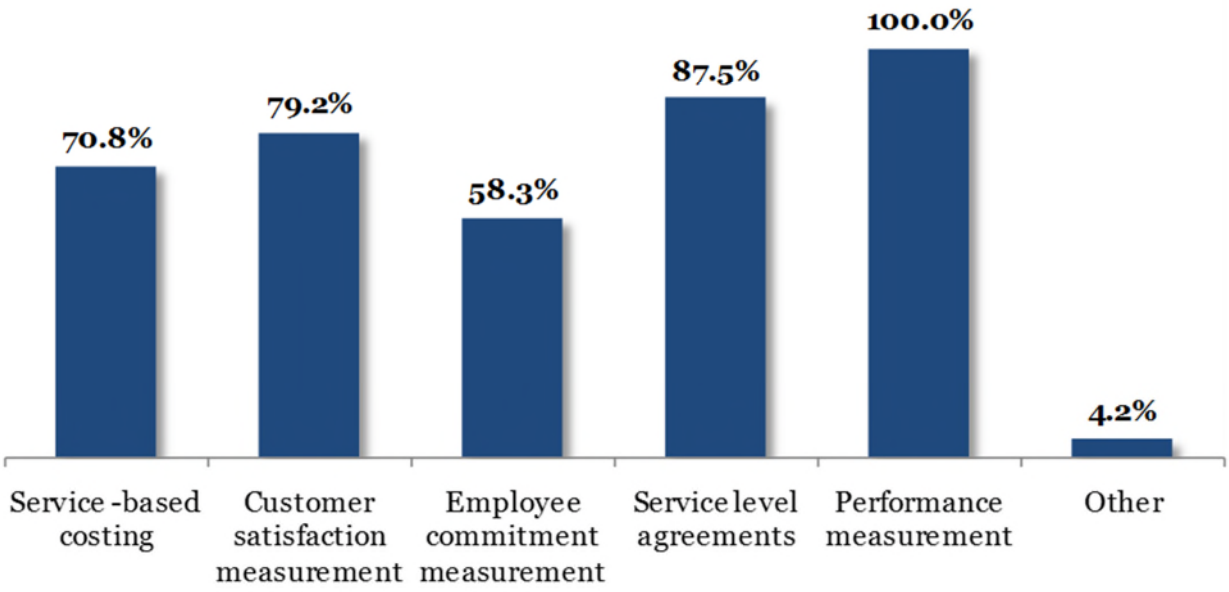

Source: The Conference Board

## A 2.7: Requirements for an Ideal Set of Measurement Tools



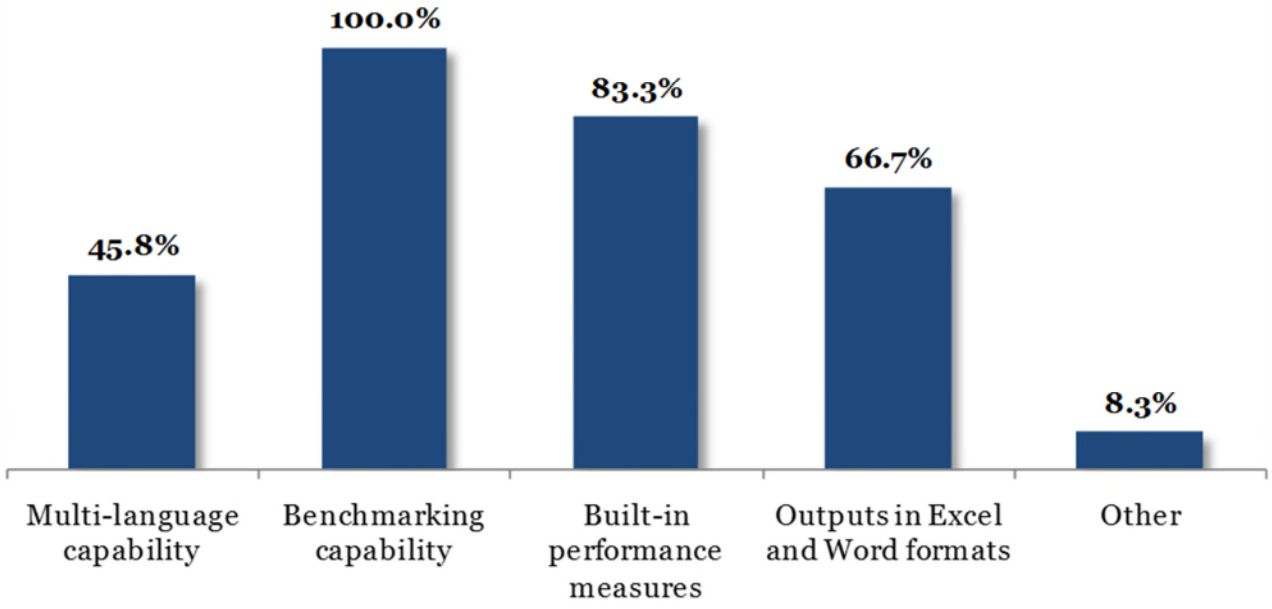

Source: The Conference Board

*20. What do you think are functionality requirements for an ideal set of measurment tools? (n=24)*



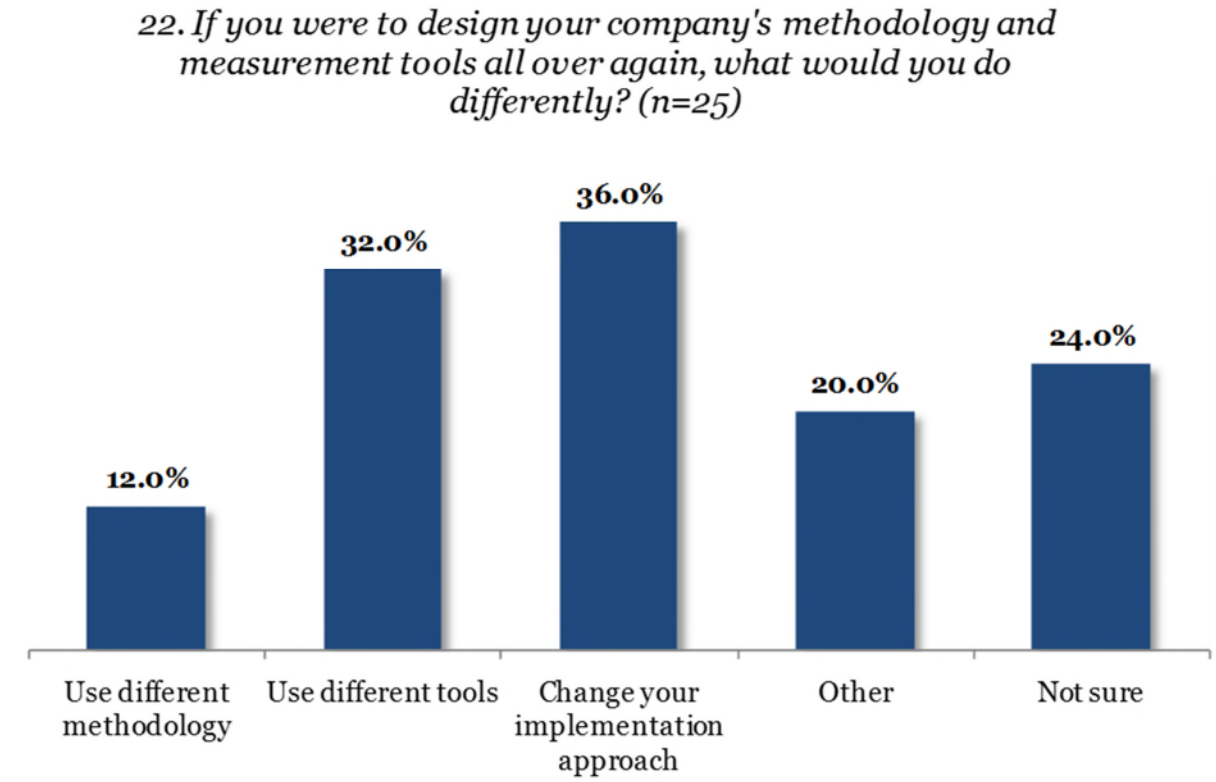

Source: The Conference Board

*21. What do you think are other requrements of an ideal set of tools? (n=24)*



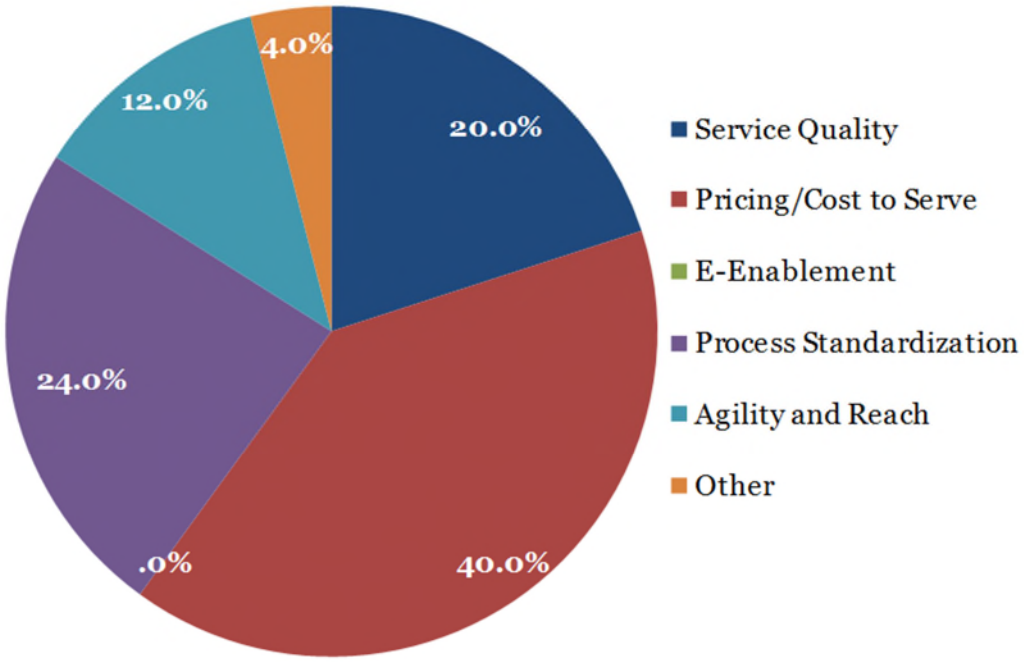

Source: The Conference Board

## A 2.8: Going Forward in Methodologies and Tools to Optimize Performance




Source: The Conference Board

*23. Which one of the following areas is the most important in managing functions and business services? (n= 25)*




Source: The Conference Board

# APPENDIX 3: RESPONSES TO INTERVIEWS AND SURVEY QUESTIONS

## A 3.1 Demographics of Respondents

| No. | Position Title | Location | Industry Sector | Location of Company Headquarters | Annual Revenue (US$ Billions) | Total Number of Employees in the Company | Annual Functional or Shared Business Services Cost of the Company (US$ Millions) | Total Number of Employees in Respondent's Organization |
|---|---|---|---|---|---|---|---|---|
| **1** | VP - Accounts, Quality Leader | Mumbai, India | Oil & Gas, Refining, Petrochemicals | Mumbai, India | $55.18 | 33,500 | $5.35 | 375 |
| **2** | Sr. Ex. VP - HR | Mumbai, India | Oil & Gas, Refining, Petro-chemicals | Mumbai, India | $55.18 | 33,500 | $5.35 | 375 |
| **3** | Ex. HR Manager | Mumbai, India | Oil & Gas, Refining, Petro-chemicals | Mumbai, India | $55.18 | 33,500 | $5.35 | 375 |
| **4** | SVP - Global HR | St. Louis, USA | Mining | St. Louis, USA | $7.00 | 7,300 | $25.00 | 100 |
| **5** | Ex. Manager Shared Services | Adelaide, Australia | Mining & Petroleum (E&P) | Melbourne, Australia | N/A | N/A | N/A | 400 |
| **6** | Chief Financial Officer | Brisbane, Australia | Engineering & Construction | Brisbane, Australia | $0.51 | 2,700 | $60.00 | 400 |
| **7** | Sr. VP HR | Mumbai, India | Financial Services (BFSI) | Mumbai, India | N/A | 2,500 | $0.17 | 7 |
| **8** | Associate Director Services - APFSS | Melbourne, Australia | Pharmaceuticals | New York, USA | $19.50 | 25,000 | N/A | N/A |
| **9** | VP - Sales & Marketing | Mississauga, Canada | Food Producer | Toronto, Canada | $5.00 | 22,000 | N/A | N/A |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **10** | General Manager | Makati City, Philippines | Adhesives, Sealants & Surface Treatments | Dusseldorf, Germany | $21.13 | 47,854 | $7.84 | 579 |
| **11** | General Manager, Shared Business Services | Melbourne, Australia | Mining/ Resources | Melbourne, Australia | $1.50 | 3,000 | $3.00 | 30 |
| **12** | CEO & Managing Director | Connecticut USA | Professional Services | Riverside, USA | N/A | N/A | N/A | N/A |
| **13** | Head of Operations Management, Group Finance | Melbourne, Australia | Financial Services | Melbourne, Australia | $16.60 | 40,000 | $20.00 | 68 |
| **14** | Client Partner | Melbourne, Australia | Professional Services | Melbourne, Australia | N/A | 3 | N/A | 3 |
| **15** | Group Executive - Shared Business Services | Adelaide, Australia | Oil & Gas | Adelaide, Australia | N/A | N/A | N/A | N/A |
| **16** | VP - IT Services | Toronto, Canada | Communications | Toronto, Canada | N/A | N/A | N/A | N/A |
| **17** | Managing Director - Asia Pacific Service Center | Kuala Lumpur, Malaysia | Chemicals | Ludwigshafen, Germany | $89.42 | 95,000 | N/A | N/A |

## A 3.2 Answers to Interview Questions

| Company | Q. 1. What is your role and responsibility? How long have you been with the company? |
|---|---|
| 1 | SSC transformation design and PMO. 7 Years |
| | HR Head - Corporate Services Sector (17 years) – Providing comprehensive HR services to the corporate and Regional Marketing divisions. |
| 2 | Global Head of Human Resources; 10 months |
| 3 | Joined in Feb 2000 and retired Feb 2006; appointed Manager Shared Services Sept 2001. As Manager Shared Services responsible for operations of largest Shared Service Centre (Adelaide) and also responsible for coordinating activities of 3 other Shared Service centers (Houston, Santiago and J'burg) to standardise processes. |
| 4 | Chief Financial Officer covering global finance, tax, treasury, investor relations and strategic investment assessment issues. 6 years. |
| 5 | I headed the HR function of a privately held brokerage in India and was there for one and a half years. |
| 6 | Manage & support the Asia Pacific Financial Shared Services Operations, 27 years |
| 7 | VP - Sales & Marketing, 5 years |
| 8 | General Manager of the Manila SSC of Henkel, Dusseldorf, Germany; 4 years (since June 07) |
| 9 | General Manager, Shared Business Services. Been with Company 16 months |
| 10 | Managing Director. 20 years. |
| 11 | Implementing Business Excellence Foundations and reengineering key processes. I've been with NAB for 24 years. |
| 12 | Change Consultant to Shared Service Clients |
| 13 | Group Executive - Shared Business Services, Santos Ltd, 2001–2009 |
| 14 | VP - IT Services, Corporate Systems, Finance, HR, Middleware, Media IT Systems |
| 15 | Managing Director - Asia Pacific Service Center |
| **Company** | **Q. 2. Please describe your current Functional/Shared Services program. What are you working on? Who are you working with?** |
| 1 | Program is "Shared Services Transformation", working with global consultants (apart from internal resources). |
| | Implementation of the "Commercial Shared Services" plan at the operating level – working on the Group Procurement implementation – Head of Procurement |
| 2 | Hybrid approach of COE & Service Centers; supply chain, IT & HR utilize an approach of functional reporting with a distinction between client services (Business Partnering), transactional processing (Help Desk), and corporate staff (Centers of Excellence); Model is more geographic focused than global (USA, Australia, Asia) |

| | |
|---|---|
| **3** | Prior to retirement worked on future strategy for Shared Services including governance. Other key activities were integrating remaining existing BHPB Australian businesses into Shared Services (only businesses on standard ERP required to utilise Shared Services for transactional services and conversions underway); also integrating recently acquired businesses (ex Western Mining including Melbourne Shared Service Centre). Other major activities included SOX compliance; A2R closing processes (used as a basis for completely re-invigorating improved A2R service); HR especially automation and provision of HR support to businesses including secondments); P2P furthering automation into Services and building stronger IT relationship. |
| **4** | Regional functional groups, with three principal regions. Within each region SS groups provide support to a range of businesses operating within that region. Currently looking to align processes and procedures as part of next stage to align systems. |
| **5** | The company was geographically distributed into regional SBUs headed by a CEO. The HR & employee services in many SBUs were non-standard. Hence these were required to be consolidated & leveraged through technology. This called for closed working between HR, IT & the Chairman & MD (CMD) |
| **6** | . Converting to SAP ERP system in Asia Pacific<br>. Reviewing OTC Shared Services Organisation and distribution functionality<br>. Talent review across total Finance organisation in Asia Pacific for succession planning, staff training and development |
| **7** | N/A |
| **8** | Finance, Purchasing, HR, IT and beginning to speak with the Business Units. |
| **9** | Implementing shared HR, Procurement and Financial Services. Working with each functional process owner |
| **10** | I am working on providing advice to companies on the next phases of their strategic roadmaps and on multi-functional and cross-functional organizational designs |
| **11** | I'm working with the Group Finance teams, who are responsible for the production of the Group's management, financial and regulatory reports, as well as the establishment of Accounting Policies, Governance Frameworks and Assurance reviews. I'm currently implementing Business Excellence Foundations, so as to uplift the capability across the function to become more customer centric and adopt a range of practices that support a shift in the culture to one of continuous improvement. |
| **12** | Working with two top 100 Corporate and one major Government Employer to implement change in leveraging knowledge work across the Health, Safety and Environment functions. |
| **13** | Santos created a Shared Business Services organization which came into effect in mid-2004, and ceased to be in that form by mid-2009. It was created with help from SSI |
| **14** | IT Services - vertically integrated stack from Shared Services perspective. Business Requirement, Design & Development, Application Support |
| **15** | More work coming to SSC. We used Accenture in the beginning and we still use them on and off. |

| Company | Q. 3. How is the Functional/Shared Services Unit organized? Who do you report to? Who manages the Shared Services program? Who makes the decisions related to the Shared Services program? What are the types of decisions made by you? |
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| 1 | SSC is yet completing its Org-Transformation - some of the Service Leaders report to the respective Functional Heads. SSC PMO manages the Program. Typical decisions include Transformation Road-map & Milestones, Design Concept/Principles, Change management key focus, Process Classification, Detailed Process, IT-enablement rqrmts, Bench-marking, KPI design & detailing, SLAs & Cross-functional KPIs (OLAs), KPI Targets, Org Structure, Staffing & Skills RAG, Centralization/Co-location balance, and Review/governance structure. |
| | The overall Services Sector viz. HR and Commercial. Each Service Sector has a Head – overall Service Sector is headed by the Commercial Controller. The Commercial Controller makes the decision. |
| 2 | Functional Reporting to the relevant SVP (HR; IT; Supply Chain); Managers are typically set up regionally with reporting indirect to SVP; decisions involve: services; cost & charge backs; metrics; locations; systems & process |
| 3 | Unit was organised with a manager and 3 Service Delivery Managers (A2R, P2P and H2R) responsible for customer relationships (with functional leaders in business and corporate) plus local managers responsible for IT/infrastructure; control/reporting; and HR/six sigma. Reporting to SDMs were team leaders (generally responsible for innovation/process improvement/change/programs) and reporting to Team Leaders were Process Leads (front line supervisors responsible for day to day processing, team discipline and internal control). Manager reported to chair of Customer Council (representatives of all customer and corporate functional leads). Decisions on major programs generally externally driven (ERP conversions, acquisitions and SOX) or by functional teams with major A2R, P2P or H2R initiatives (often led/coordinated by Shared Services). Role of Shared Services was execution with normally good degree of flex in “how”. Functional changes within the span of control of Shared Services generally determined internally but consult/inform affected groups. Often customer specific programs agreed in consultation with customer. Because governance of ERP modules (e.g. Finance) and E2E processes resided with IT and Functional leads needed to coordinate change with these groups/individuals. |
| 4 | Organised that each regional functional lead reports to a global functional lead. I report to CEO. The light SS jointly managed by global functional leads. Made jointly by global managers. Globally effective decisions and coordination. Local decisions dealt with locally. |
| 5 | There was Corporate HR and location HR at SBUs. The head of HR was accountable to the CMD and the location HR to the SBU head. Location HR did not have functional accountability to Corporate HR. I reported to the CMD. The HR SS program was visualized by me and managed by the Corporate HR team. Related decisions were taken by me in consultation with the CMD. Decisions taken by me related to aggregation and standardization of HR & Employee services |
| 6 | . Global Financial Shared Services - Executive Director<br>. Three Regions - APAC, EMEA, North America<br>. Director GFSS<br>. Regional impact to markets that we support and any process changes or standardisations to global practices |
| | . Director GFSS |

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| **7** | N/A; Under development by CFO |
| **8** | I report to Joachim Jaeckle, Corporate Senior Vice President heading up Henkel's Financial Operations. He has been the driver of the SSCs. Decisions are made at all levels from Henkel Family, Board and below. Location, Migration Process and all Hiring. |
| **9** | I report to the Executive General Manager, Support Services who reports to the CEO. I have recruited 3 respective managers to deliver the strategy who make the short to medium term decisions. My decisions are concerned with +3 years. |
| **10** | Most SSUs are organized functionally and by segment (such as scale and expertise) with the functional head managing the overall and strategic SS program with the SS team leaders supervising the tactical and operational service delivery and projects. |
| **11** | This is not a shared service function, in that Group Finance does not support multiple customers, aside from those interested in the Group's results (i.e. Exec Mgt, the Board, and the Regulators). They don't undertake any transactional work and provide some advice, but are mostly focused on the production of prescribed financial information. |
| **12** | Functional rather than process ownership centric model; Head of Human Resources and Organisational Change; CEO; Specialist advisory support |
| **13** | SBS was in six departments: IT, HR Services, Financial Service, Employee & Office Services, Procurement & Logistics, and Continuous Improvement. Initially the head of SBS reported to the CFO, but that later changed to reporting to VP Corporate & People. I did not make policy decisions for HR and Finance, but I did do so for everything else – in consultation with other stakeholders, naturally |
| **14** | I report to CIO who reports to CFO. Governance Committee and Steering Committee (business Stakeholders) on a project basis e.g. Enterprise data warehouse project. Executive Steering Committee includes CIO, CFO, President of Communication BU, Marketing and VP - IT Services. Types of decisions depend on scope and business impact. |
| **15** | We used a top down approach which has an economic advantage. For start-ups SSC is a crucial decision. |
| **Company** | **Q.4. What are the goals of your Functional and/or Shared Services Organizations? How would you describe the value proposition of your organization to the business units and the corporate groups?** |
| **1** | Goals: 1. Responsive, agile, capable and customer focused Shared Services Organization. 3. People Competence. 4. Process Excellence 5. IT enablement & Automation<br>Value proposition: 1. Smooth, efficient & integrated operations. 2. Timely, cost-effective & quality service |
| | SLAs determine the goals.<br>Faster better and cheaper services (value proposition). |
| **2** | Two primary objectives: Functional Effectiveness & Globalization: Shared services ensure that service delivery is meeting the organization's needs for cost, time & quality; assists in the utilization of metrics to track progress and improvement; for Peabody, shared services also helps to drive/deliver global & regional consistency in policy, process & practice. |

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| **3** | Value proposition was about building around partnerships with business; and with functional change leadership (wherever located); supporting seamless transitions to standard ERP platforms and allied transfer of transactional activity to Shared Services; automation to eliminate errors and reduce cost; leveraging to reduce cost. Defined as creating "positive noise". Other key factor was managing change so that there was no disruption to the business, e.g. managing SOX or other internal external compliance requirements. |
| **4** | Currently seeking to align processes and policies. Value proposition in early stages of getting alignment around these matters. |
| **5** | The HR goals were:<br>To provide uniform HR & employee services with improved TAT and performance alignment.<br>To deliver a daily revenue report to the CMD, SBU & Product heads that gave sales generation per employee per location per product<br><br>The value proposition was that with the improvement initiatives the CMD would have better information for performance review. |
| **6** | . Attain global best practices in Shared Services<br>. To create satellites to enable FSS to be close to customer<br>. To enable efficiency and value add services supported by technology<br>. Develop global standardised process |
| **7** | . G & A Cost out<br>. Implementation cost low for both Shared Services and ERP<br>. Support Matrix business model structure – operating more like a business rather than a function<br>. Standardization |
| **8** | 1) Financial - Primary goal is to be Best in Class (1st quartile) with respect to cost/NES.<br>2) Governance |
| **9** | My goal is to support MMG become a next-generation, global mining company. My value proposition relates to process scalability and automation, which will improve efficiency and eventually reduce costs. |
| **10** | The goals generally are based on cost effectiveness, productivity and quality. The value proposition is lowest cost or world-class as defined by Hackett 1st quartile. |
| **11** | To ensure that 'the numbers are right', through the rigorous review and control processes employed in the consolidation and production of the Group's accounts. The 'value proposition' is the provision of this information in a cost-efficient and timely manner, ensuring the quality and rigour of the information is high, so as to ensure market and regulator confidence in the organisation's results isn't eroded. |
| **12** | Deliver fact based HSE Functional support to Line Managers and Operational Units |
| **13** | The goal was to provide the right services at the right cost – in fact, that was our Mission. The idea was that the customer, by agreeing on our Budget, would thereby set the level of services obtained. In practice this worked well, providing the standard of services was high, and was seen and known to be striving for improvement and excellence. |

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| **14** | Reliability – system reliability for customer experience. Users are internal customers.<br>Solution Delivery (Solutioning) – collaborating with business stakeholders (some technology oriented projects). |
| **15** | We are so ambitious to put everything in one location. Location and language support are big issues - India, China (support for Asian languages such as Korean & Japanese), Malaysia (English speaking center) and Manila. |

| Company | Q.5. Have you been achieving those goals on a sustained basis? |
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| **1** | SSC is yet in transition. Trend of key Transition/Milestones-KPIs is consistently positive. |
| | Yes |
| **2** | Just started the journey 12 months ago; progress is being made very quickly |
| **3** | Yes absolutely; over the final 2 years goals above were achieved; a number of existing and ex WMC businesses moved onto the standard ERP application; this was achieved largely without the issues or pushback that had occurred in earlier rounds. In a number of instances the Shared Services were asked to take on work prior to transfer in order to circumvent possible disruption. Also Shared Services staff were fully involved in the integrated planning for the moves. Further a number of functional initiatives were completed or commenced usually coordinated by Shared Services in cooperation with either corporate, business or IT functional staff. The key pointer was the increase in workload in the centre not only as a result of more customers; instead both existing and new customers were requesting the centre to take on significant additional responsibilities (often expertise based). Automation levels were significantly increased. |
| **4** | Early days, but restructure goals set last year were certainly achieved. |
| **5** | I would say yes because I am in touch with the organisation over the last 2 yrs. that I have left them and it seems what I designed and handed over are still robust and useful. |
| **6** | Yes |
| **7** | . All objectives were achieved (cost)<br>. Operating business model - one company |
| **8** | On the way to Best in Class, even though business model is more complex than other companies in 1st quartile. |
| **9** | We are beginning to see early benefits for simple automation initiatives. |
| **10** | I doubt it given the challenges and issues associated with data collection, measurement and benchmarking. |
| **11** | Mostly, other than the efficiency perspective, which I'm currently investigating. |
| **12** | Some performance gaps in capability, processes and consequent service quality |
| **13** | The best evidence is that the organization existed for five years! – but in addition we measured productivity along several lines (number of accounting transactions per person, number of POs executed per purchasing officer, that sort of thing) and were able to prove that we were getting better. We also did external benchmarking along the same lines. |

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| **14** | Haven't achieved the objective of reliability - reduce overall outage by 10 minutes. |
| **15** | Two tier structure does not work for all functions. Some of the newer methodologies need to be assessed. |
| **Company** | **Q.6. What factors or conditions in context of your situation have either facilitated or caused impediments for attaining your goals?** |
| **1** | Facilitators: 1. Organization's focus. 2. Expert advice. 3. Lean Six Sigma. 4. SAP<br><br>Inhibitors: 1. High cross-functionality of services processes. 2. High complexity & variations in processes. 3. Sub-optimal upstream processes. 4. Defective/delayed inputs. 5. Lack of regular training & skill up-gradation of personnel |
| | Business units apprehensive of changed methodologies – Educating and training of the customers in such circumstances, takes time and consequential delays.<br>Implementation of the Procurement Shared Services took substantial time in educating the manufacturing units and building confidence. |
| **2** | The business context and leadership support has been a tremendous facilitator; the need and organizational mandate is obvious; the lack of integrated systems has been a major impediment but is being addressed. |
| **3** | Merger with Billiton was initially a significant impediment to achieving goals due to completely different business culture but the revised model for Shared Services that resulted (focus on transactional services and only move when adopt standard ERP platform) assisted in longer term. Clarity of having CEO/CFO who wanted problem fixed also assisted. Time and experience gained also helped. Conversely location and lack of experienced personnel in first few months was a huge handicap. Should have been located next to largest customer in Brisbane or split between Perth and Brisbane to leverage off staff knowledge instead of building from scratch. Customer Council as governance assisted more in terms of perceptions (i.e. Shared Services was not part of corporate and increasing perceived as a business partner). |
| **4** | Business alignment across multiple businesses. |
| **5** | The CMD made sure we got the requisite support of the in-house IT team. The IT Head and team gave us a tough time. The location HR resources could not be pooled in hence the Corporate HR team was overloaded. |
| **6** | . Changes to models in Business Units that require review of practices, resources and change management<br>. Global communications with cross culture and time zones |
| **7** | . Implementation structure – clear accountability with IT partners<br>. Company turnaround and SAP Implementation |
| **8** | Facilitated – CEO support<br>Impediments – Cautious decision making process/family approvals needed affecting employees/European statutory requirements |
| **9** | Only impediment is people and resistance to change |
| **10** | Lowest cost is an ideal state that is aspirational at best with no real way to validate. |

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| **11** | Time pressures for the production of increasing amounts of prescribed information, without the level of quality being impacted. |
| **12** | Overly complex HSE procedures, lack of core processes and constant turnover of staff |
| **13** | Any services organization is second class in an operating entity – it is just a fact of life. It can therefore be hard to drive excellence, but it can be done. I think we did it by giving departments a degree of autonomy, but working within a single leadership group which drove issues such as the setting of objectives, individual performance, budget accountability and do on. We also had a mad focus on the use of technology to improve how we did things – this was particularly successful in Procurement & Logistics. |
| **14** | . Under investment in infrastructure<br>. Large replacement billing project<br>. IBM Outsourcing (all infrastructure support services - Data Center) – much larger stabilization period i.e. 17 months in the deal |
| **15** | Accenture has a well-defined methodology (Process-based) but it is mainly for IT function and not relevant for all functions. They use ITIL approach and the missing component is structuring the process for service centre support (IT-based). Accenture didn't bring lot of tools and most of the tools were related to SAP. |
| **Company** | **Q.7. What are key success factors for the Shared Services program? How would you describe the contributions of your organization for the success of the Shared Services program?** |
| **1** | Success Factors: 1. Organization's focus. 2. Leadership. 3. Process expertise. 4. SAP support. 5. Communication & alignment. 6. Committed manpower. 7. Training & up-gradation of skills<br>Contributions: 1. Sustained Focus & Leadership. 2. Swift re-organization. 3. Lean Six Sigma Deployment. 4. Re-design of processes & IT enablement. 5. Cross-functional alignment. 6. Bench-marking, KPIs and Targets |
| | - The SAP platform provided the framework for the SS implementation.<br>- Substantial savings as a consequence of leveraging transactional work.<br>- Provides opportunity to employees to choose transactional/knowledge user.<br>- Clarity among the service providers, expectations and deliverables.<br>- Smooth workflow and tremendous reduction in fragmentation of work. |
| **2** | Key factors are embedded in the functional goals of time, quality and cost; in addition, the development and implementation of global processes, service standards and vendors management are primary objectives. |

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| **3** | Key factors include transparency of cost and performance comparisons (ability to share data across businesses due standard ERP platform and Shared Services enabled significant improvements); automation in particular of P2P process (new businesses able to achieve significant up-front savings as move to standard platform and enabling technology assisted step change to high automation levels); automation of HR (ESS and MSS); significantly improved control environment (reduced errors and achieving planned outcomes). Reduced costs. Ability to manage significant change seamlessly without detrimental impact on business (e.g. acquisition of WMC including Shared Service Centre, integration of more than 10 new businesses in last 2 years, implementation of SOX). Building of partnerships with business and key function personnel. Building change and project management expertise. Adelaide group was a partner in automation initiatives but was largely solely responsible for other initiatives that led to success of Shared Services |
| **4** | Business partnering and alignment. |
| **5** | Leveraging through technology was a CSF. There were no additional hires in the HR or IT teams. We had the CMD's buy in. |
| **6** | . Global common process systems<br>. Standardisation in all areas to remove regional/market variances<br>. Staff talent that is able to move & react quickly to changes regardless of system or market |
| **7** | . Implemented Shared services first before we implemented ERP<br>. CEO was very much behind<br>. Alignment to standardized low cost solution with few if any exceptions |
| **8** | Manila SSC – within certain parameter, flexible in how handle migrations, ability to hire good managers with both ops and project mgmt. experience, attitude/support of 'leaving managers and staff' |
| **9** | Hiring best in class people with future potential; delivering early quick wins; communicating regularly; shaping expectations (e.g. Driver of efficiency first, then cost); and continuously engaging functional process owners to win their trust and endorsement |
| **10** | The key success factors are providing the right service in the best way at the right cost and behaving like a for-profit service business or BPO. Our contributions are in keeping the SS focus on the key success factors and in making the SS program as simple and less complex as possible so that it is easier to understand and it is better positioned for success |
| **11** | As mentioned above, this is not a shared services program. |
| **12** | Improve and Sustain HSE performance; reduce injury management costs; increase risk identification and risk mitigation to avoid cost and deliver cost savings. |
| **13** | See above – but I think the key lies in selecting good leaders and then driving their performance, and getting them to work as a team. This was a success factor for SBS |
| **14** | . Closer we are engaged with our business stakeholders (for better business results)<br>. Jointly accountable<br>. Failure - over budget, take longer |
| **15** | We are interested new methodology and tools and are keen to understand the new methodology. |

| Company | Q.8. What in your view are the most significant contributions made by your organization to your company? Why are these contributions significant? |
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| 1 | Significant Contributions: 1. Process & KPI Orientated operations 2. Standardization. 3. Significant Improvement in Manpower productivity reflecting in reduction of cost of processing. 4. Improvement in upstream processes as a result of SSC cross-functional integration. 5. SSC Initiated organization-wide drive for Master Control & IT enablement |
| | - Better and faster service<br>- Substantial reduction in cost and manpower<br>- Improved service |
| 2 | Talent acquisition; building organization capabilities; Globalizing the business and organizational platforms. |
| 3 | Minimised disruption to businesses due to changes (ERP, plug and play, SOX, managed demand swings); lower cost; higher automation levels; built partnerships; reduced the negativity across the organization and the functional in-fighting; delivered lower costs; built trust; improved transparency to allow clarity and comparisons for benchmarking; significantly reduced/eliminated errors; trained personnel (such that in many instances core expertise was within Shared Services). Contributions are largely self-evident but the initial phase of the Shared Service program was extremely challenging with multiple service failures and BHP as a whole was consumed with the challenge of Shared Services and the concept of change…resolving this issue (in particular managing change without disruption) and moving to a partnership with the businesses was our most significant achievement (though getting there meant ensuring the other objectives were achieved). |
| 4 | Obtaining alignment. Important to ensure act as one business internally and externally. |
| 5 | With the HR SS program, the HR team delivered a headcount ramp up of about 3000 persons across 270+ locations and enabled managers to review performance, cost of performance and identify low performers. |
| 6 | . Manage KPIs & Communication to partners & customers<br>. Strong governance and adherence to policy |
| 7 | Cost reduction |
| 8 | SSC key for Henkel to meet overall Henkel Financial objectives because of market expectations. |
| 9 | Given visibility to inefficient work practices and work-arounds which are evidence of bureaucracy and also poor control environment. Began delivering automation which is improving compliance by “making life easier”. |
| 10 | The most significant contributions we have made are the formulation and dissemination of SS specific intellectual capital that if adopted and applied correctly will enable the sustainability of SS. SS viability is dependent upon its ability to continuously improve performance consistent with the goals and needs of the enterprise and its businesses. |
| 11 | Accuracy, timeliness and consistency of the information provided, enables executive management to make relevant decisions with confidence in the underlying information. |
| 12 | Engage Regulators, Insurers and Workforce on safety and environmental better practices |

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| **13** | Focus on excellence and on budget discipline. |
| **14** | . Number of organization structures have been put in place (all flawed – none is perfect)<br>. Collaboration is the key – one of our strengths |
| **15** | Processed SLA/Master Service Agreement and CSM. |
| **Company** | **Q.9. What are some of the examples of innovations produced by your organization either in the current or in previous programs? How did the innovations come about? What were the enablers? How did the innovations impact business performance?** |
| **1** | Innovations: Innovative IT enablement solutions brought about by team-brainstorming during process re-design enabled by clear organizational mandate & empowerment.<br>Impact : Innovations reflected in smoother operations & improved resource productivity |
| | Interaction between service providers and customers – was a "discovery". Expectation and deliverables – Knowledge of the cost of services provided to the customers (had those services to be outsourced). Started looking at newer and cheaper ways of providing services – "Internal cost of payroll benchmarked with external service providers – provided a challenge in reducing cost and providing improved and prompt services – The SS methodology was an eye opener to the service providers – work processes were remapped. One single source of payroll preparation for the Group. |
| **2** | Use of social media in Talent Acquisition; Employee/Managerial self-service to reduce administration and drive consistency. |
| **3** | Process innovations focused on automation (initially on fully automating P2P process) included automatic upload of scanned manual invoices (developed by local software firm); Service entry worksheets (developed by CSC/IT); MSS and ESS (developed by HR/IT functions and Shared Services); Recman (tool to upload and review all recs…developed by same local software firm). In the main innovations were identified as necessary elements to programs (the best example relates to P2P where a collaborative team was formed with key customer reps, Corporate functional gurus; IT and Shared Services that met regularly to initiate process improvements but also to establish core KPIs and reporting. Much of the work for the team was completed by Shared Services with all parties completing). In order to try and achieve similar improvements in the A2R process we attempted to set up a similar group but it didn't work (Finance folks are different). Instead we took an initiative set by the CFO (improved group reporting) and built a project to drive the improvement (the changes necessary to achieve the improved reporting deadline necessitated other improvements). Many other internal innovations came about by empowering team leaders and SDMs to deliver improved service. |
| **4** | Limited at the moment. |
| **5** | The daily per person P&L is an innovation of this program which came about due to a revamp of the HR system and practices and its systems integration with the other business systems. (There are no ERPS available for the kind of business the company is in). During the 2008 recession the company averted cost of non-performance and redundancy due to the HR & employee services aggregation. |
| **6** | Single SAP ERP system |
| **7** | . Business processes were leading edge<br>. Degree to which we brought in self-service tools – leading edge<br>. Employee & Manager self-serve |

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| **8** | Most major innovations/tools come from Process Owners, in particular, North America e.g. GetPaid, and Salesforce.com. Business cases provide show improved service to the Business Unit along with cost savings. |
| **9** | My favourite innovation was in 2003 which involved giving suppliers web access to check the progress of their own payments. The driver was to reduce A/P calls and was very popular. |
| **10** | Innovations we produced include service segmentation, service based costing and customer satisfaction measurement, strategic leveraging options/continuum, SS principles and management practices. In most part, they were triggered by client issues, project needs and/or open questions. The enablers were that they were practical and implementable and superior to whatever else existed at the time. This necessitated that each innovation stipulate its impact on business performance in terms of cost effectiveness, productivity and cycle time, quality, customer service and employee commitment. |
| **11** | Ongoing process improvements to accommodate increasing amounts of prescribed (by regulators) information disclosure, whilst at the same time reducing the timeframe for their production, without a reduction in the quality and reliability of the information. |
| **12** | Introducing the Delivering Safe Services tm range of processes to simplify and deliver improved performance |
| **13** | Use of productivity measures |
| **14** | . Solutioning process – make sure whenever possible, leverage existing capabilities and technology we have purchased<br>. Reporting & Analytics – single repository (Rogers.com has 40 million web service calls)<br>. Middleware Space – leverage enterprise data warehouse and source for capturing data |
| **15** | N/A |
| **Company** | **Q.10. How do you measure your innovation contributions?** |
| **1** | Innovation contributions are not separately measured. |
| | Employee satisfaction surveys – specific reference to SS implementation and implementation of suggestions received. |
| **2** | N/A |
| **3** | Improvements measured through KPIs; e.g. automation levels across all businesses reported in shared reports with focus on change (MSS and ESS take-up for each business reported with date/% targets). Project under six sigma programs reported accordingly. |
| **4** | Not measured as yet. |
| **5** | I was evaluated for my innovation contribution by the extent to which the CMD's expectations were met. |
| **6** | ROI and business case reviews |
| **7** | . Leading edge<br>. Cost reduction (headcount) |
| **8** | Internal Excellence Awards. |
| **9** | Innovation is measured by improved timeliness, reduced re-work, lower costs, fewer errors, improved retention and unsolicited feedback. |

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| **10** | We do not measure the contribution of our innovations quantitatively but more through a qualitative assessment of their presence, reference, usage in the market place. |
| **11** | As discussed in 9 above…. By being able to meet tighter timeframes with increasing disclosures, without impacting the level of quality or confidence stakeholders have in the information produced. |
| **12** | A variety of Lead indicators (before adverse event e.g. Risk reduction and Prevention) and Lag indicators (after adverse events e.g. damage and loss control) |
| **13** | Hmm – not sure here – but the answer probably lies in whether something gets implemented. For example, we worked hard at doing internet auctions in buying stuff, but it never really took off. However, a focus on advanced use of the ERP system would have paid off in all sorts of ways, and it was a quiet thing. |
| **14** | We are not leading edge. |
| **15** | N/A |
| **Company** | **Q.11. How would you describe the relationship between your organization and the business units? How has this relationship developed over the years?** |
| **1** | Relationship with Business Units (BUs) is characterized by mutual trust, sense of 'dependability', responsiveness and cooperation and a willingness to transfer transactional processes to SSC which has strengthened over the period. |
| | - The discussion on SLAs – was a discovery and an eye opener<br>- Substantial improvement in the quality and cost of services<br>- Over the periods – both the parties have started working at improved ways of doing work. |
| **2** | Strong partnership; Business focused; has shifted from an "Administrative" function to a "Value Add" Business Partner. |
| **3** | At end of tenure would describe as partnership in most instances e.g. during collective bargaining at largest customer Payroll were asked for input by HR in negotiations and union visited Adelaide to work with Payroll to clearly understand impact of likely changes in award. Particularly apparent in ERP conversions (and WMC acquisitions) over final 2 years which were largely seamless and Shared Service was treated as an integral partner. Relationship initially was extremely strained characterized by negativity, white anting and aggressive behaviour on the part of businesses and group functions (senior personnel) and defensiveness on the part of Shared Services. Personally received hundreds if not thousands of negative emails and phone calls and spent time with various senior executives being told to fix things….by focusing on improving the control environment we were able to start to reduce the negative noise and over time built capability so that we moved into a low noise environment. The next stage of moving into the positive noise environment was very challenging (i.e. people could understand reducing errors so as to achieve low noise but could grasp the partnership idea). We persevered and in the end largely achieved. |
| **4** | Good, early days so hard to say. |
| **5** | With the help of technology for HR & employee services, the resultant quality & reduced TAT, internal clients were more satisfied and the HR function earned respect |
| **6** | . Strong, open and transparent |

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| | . Developed various forms of communication to suit customer |
| **7** | . Shared Services was mandated<br>. Relationship was too informal – no SLA<br>. Additional business experience<br>. It is a balance (go get it done – cross every "T" and dot every "I" every few months) |
| **8** | At present, the local or regional has the primary relationship with the Business. |
| **9** | The relationship is about 12 months old and improving each month. People are starting to connect the Shared Business Services model with the company vision. Our CEO often makes the connection publicly in his addresses to staff, which helps considerably. |
| **10** | We have maintained from the start that the key to SS success is a win-win-win philosophy in which one of those wins is for each and every business unit. The commitment to this enables a positive working relationship. |
| **11** | The relationships are more of a partnership, whereby Group Finance needs the business units to provide timely, accurate and consistent information for consolidations purposes. The relationship changes from year to year, depending on the increasing demands for additional disclosure and the ability (or inability) of the B/units to provide it. |
| **12** | Tension between Operational service delivery and Governance , Risk and Compliance requirements |
| **13** | It was always along the lines of "you are here to serve us" and that is natural. However, were we respected as a well led and efficient part of the business, always trying to get better? – Oh, yes. |
| **14** | Collaborative - real focus |
| **15** | We are visited every 2-3 weeks by companies who are trying to set up SSC in Kuala Lumpur. |
| **Company** | **Q.12. What aspects of the relationship you find helpful for your ability to achieve higher performance and what aspects you would like to see changed? Why?** |
| **1** | Helpful aspects : Mutual trust, cooperation, dependability,<br>Constraining aspects : Delays & other organizational roadblocks |
| | (Need to discuss) |
| **2** | N/A |
| **3** | The relationship with business units (generally between functional staff and Shared Services at all levels) was generally positive (remaining negativity occurred where there was a lack of role clarity). This partnership with business was essential in building trust that let the Shared Services manage change. Sometimes relationship with key personnel in corporate functions was negative due conflicting goals. My view was this should have been resolved by having the SDMs as de-facto members of functional leads direct reports. Believe early on it was critical in having a strong hands on manager of Shared Services unit but over time it was more important to have SDMs take on a leadership role not just with business (challenge was for SDMs to not end up being perceived as part of Corporate) |
| **4** | Communication and teamwork |

| | |
|---|---|
| **5** | The ability of stake holders to get the HR vision and provide resourcing was helpful. The location HR could be made functionally accountable to Corporate HR for better results and efficiencies. |
| **6** | . Fully outsourced model - partnership<br>. Changes to managed/captive model<br>. More internal corporation ownership |
| **7** | . Day-to-day basis - degree and frequency of change management (at least once a day with senior executives)<br>. Monthly governance committee<br>. Worked magically - change management approach |
| **8** | Would like to be closer to the business. |
| **9** | We have open communication. My role as General Manager is equal to that of the General Managers who run each of our mining operations, so our contact is always peer to peer. They might be a customer, but they are foremost also a peer which avoids the potential for imbalance. This works for us and there is nothing I would change. |
| **10** | Understanding their requirements and putting their needs and interests first. Avoiding the initial we-they and primary-secondary attitudes that dissipate time and energy to overcome. |
| **11** | The centralisation of the Finance function, such that all B/unit finance teams, together with Group Finance, understand the need to work together to produce the final consolidated outputs . |
| **12** | Knowledge of the business and end users of products enables focus on teamwork and service delivery… need to strengthen retention of key managers and supervisors to reduce staff turnover and 'enable change to land'. |
| **13** | N/A |
| **14** | . Process Discipline - Build Perspective<br>. Adopting SDLC Methodology<br>. Standardized Processes - Solutions and Project Management |
| **15** | We have learnt a lot along the way and are keen to understand the new operations. We are already in planning/design/implementation phase. |
| **Company** | **Q.13. What methodology & tools were used to implement Shared Services within your organization? How well did the methodology & tools help you in achieving your company objectives?** |
| **1** | Methodologies : Transformation & Process re-engineering, Lean Six Sigma,<br>Tools : Design-principles, Stake-holder analysis, Swim-lane-process-maps, IT enablement & mistake proofing, Benchmarking, SLA & KPI dashboards, JD/ WBS & skill-mapping, BSC based PMS and VSM & waste-reduction. |

| | |
|---|---|
| | Extremely structured and systematic approach from concept to implementation. Grasping of the fundamentals of SS helped in achieving the finest SS organization – the following methodology and tools were used to implement SS. 1. Shared Services workshop 2. Change Management Planning 3. Customer Identification 4. Service & Activity Definition 5. Service Segmentation 6. Baselining 7. Customer Satisfaction Measurement 8. Position Activity Questionnaires 9. Activity Based Costing 10. Service Level Agreement Support 11. Management Practices Definition and Implementation Support |
| **2** | Utilized the approach from CLC & Conference Board:<br>1. Assess current state (metrics, budgets, survey of clients)<br>2. Develop future state<br>3. Determine gaps<br>4. Plan for implementation<br>5. Project implementation<br>6. Assess impact |
| **3** | Unsure how to answer this question….you know better than me as I came in later on. |
| **4** | Change management and team alignment tools. |
| **5** | Aggregation and bundling of services were very helpful. Could use them in an adapted fashion |
| **6** | . Top management buy-in<br>. Assessment of volume and risk<br>. Ability to identify high volume and cost activities<br>. What is easily transferable<br>. Change management - clarity and acceptance |
| **7** | . Classic baselining<br>. Took known practices - parts of different methodologies<br>. Set the organization first |
| **8** | No specific. |
| **9** | The methodology was based around an initial baseline assessment of current business processes and resources which informed a business case and implementation strategy. Baseline assessment was conducted by Ernst & Young. Business case and implementation done by me. Both have been important in helping us achieve an effective implementation. |
| **10** | Baseline data collection/measurement/analysis/opportunity identification, service and activity work definition, service segmentation, organization modeling, service redesign, etc. They were most effective in creating a compelling case for change and in illustrating the new world and how it would differ from what is today. |
| **11** | As stated, Group Finance isn't a share service centre |
| **12** | I use the range of Insight Shared Service tools to provide fact based information on what's working and what's not. The use of the tools enables senior managers and project teams to make facts based decisions rather than merely respond to anecdotal or internally politically focused issues |

| | |
|---|---|
| **13** | SSI was the key: I think the idea of measuring the amount of time spent on stuff was very useful, as was the metrics used for determining the chiefs to Indians ratio |
| **14** | . Shared Services and Project Management (project managers sit in application towers), Center of Excellence<br>. Fine tuning SDLC Methodology (being used in pockets)<br>. Agile Methodology - front end solutioning starting to leverage "Agile" E-Commerce Rogers.com (haven't completed the roll out) |
| **15** | We used in-house approaches along with the methodology provided by Accenture. Newer migrations used other firms. The issues are how to deal with scope definition which is different from company to company and how to sell the benefits for the SSC in the region. |

| **Company** | **Q.14. Were there any shortcomings of the methodology and were there any issues with the methodology or did you encounter any difficulties in implementing the methodology i.e. what worked and what didn't work?** |
|---|---|
| **1** | Shortcomings : Precise Work-measurement-based manpower-planning is difficult in services processes (Advanced methodologies/tools like Process Lean, Office-MOST and BPMS software could be used now-onwards for precision), |
| | The adoption of the methodology in its scientific form facilitated in the implementation without any issues. We did not encounter any difficulties in particular. At the initial stages, the SS team needs to clearly understand the concepts of Governance and Expertise functions. |
| **2** | Change management of systems and process was the most difficult; determining what truly "drives value" versus "I am comfortable with" |
| **3** | Confusion between roles and responsibilities of ERP implementation team, ERP development teams and Shared Services implementation teams didn't help with view in Shared Services that they got a product that didn't work and got little support in understanding (and/or fixing). Split between functional led re-engineering and IT led ERP development was incorrect. Should have been an integrated effort. Poor quality of many of staff involved in project. |
| **4** | No |
| **5** | Could not use and implement in a copy book fashion (had to convert the essence in the concepts for practical use) |
| **6** | . Identified tasks and people resources<br>. Were not fully understood across regions/cultures<br>. Differences in acceptance of outcomes |
| **7** | None |
| **8** | N/A |
| **9** | Methodology worked well for us |
| **10** | The principal shortcomings were with change management, risk minimization and functional versus service orientation. Fact-based approaches are not sufficient in and of themselves to engender the necessary support and alignment to implement step change solutions. |

| | |
|---|---|
| **11** | Not applicable. |
| **12** | Prior to implementing the Insights SS tools the organisation was 'flying blind' |
| **13** | We adapted things for Santos, using common sense |
| **14** | . Integrate Agile methodology with waterfall approach<br>. Front end website changes - infrastructure is foundational<br>. Changes as a result of Harmonized Sales Tax (HST) which was mandated by the Government |
| **15** | It is very hard to satisfy the regional requirements and preferred approach is regional centres. |
| **Company** | **Q.15. If you were to do everything all over again, what would you do differently - use different methodology or tools or change your implementation approach?** |
| **1** | 1. Training & process orientation of personnel could have been done to cover 100% personnel as per skills RAG.<br>2. BPMS software could be used for process mapping & modeling-design-planning |
| | Workinsights – will do it again. However, will use the same methodology and tools.<br>No change in the implementation approach. |
| **2** | Go faster; take bigger hits up front; show bigger impact and result earlier; slightly less "consultation" but more "information" |
| **3** | Maybe co-locate with largest business (in Brisbane); decision to have EY run Shared Services then change but retain as project partner needed to be re-thought; either keep as partner (and run Shared Services) or exclude totally from project as EY had insufficient incentive to ensure success of Shared Services (incentive was to the contrary) and incentive was to maximize fees through adding often inexperienced consultants. Needed to ensure businesses contributed staff to project….BHP process of recruitment for project and later Shared Services was wrong (should have focused on secondments of key well regarded staff to build expertise whilst guaranteeing them a role back into business. Example is when I participated in career development meeting for Finance and attempted to put up A2R and Finance re-engineering team members was told not to bother. When I questioned I was told all were second rate and when I was later challenged by the CFO on a lack of progress I referred him to the earlier discussion!!!) Believe the pace of implementation and transfer to a newly constituted Shared Services with the lack of experienced personnel should have been re-thought (secondees would have meant pace could have been retained). Also needed to better integrate various teams. |
| **4** | No, not at this stage. |
| **5** | I wish shared services implementation was facilitated thru a do it yourself software which allows for user definitions of the business, organization structure and reporting needs. |
| **6** | . Plan more – detail more<br>. Knowledge transfer<br>. Selling method vs actual method – make sure<br>. What is promised is delivered |
| **7** | . Finance – went everything as expected |

| | |
|---|---|
| | . HR – under estimated the effect on businesses, stuck to schedule for cost reduction (should have delayed HR implementation)<br>. Slowed it down considerably |
| **8** | N/A |
| **9** | Change management could have been improved, but all organisations have strong vested interests in preserving the status quo. In the end, success depends on leadership and persistence. |
| **10** | I would put more effort and emphasis on the shortcomings defined above by developing methodologies that proved effective in eliminating them. |
| **11** | Not applicable. |
| **12** | Gather baseline data using the tools across other functional interdependencies to enable a more complete picture to accelerate cross-functional change |
| **13** | We did a big bang, and it was the only way to do it! But, it was methodical and careful, and people were kept informed and treated with respect and dignity. |
| **14** | . Introduce more disciplined project management<br>. Earlier solutioning with Business Units<br>. Less excited about organization structure<br>. More thoughtful about transition to IBM outsourcing<br>. Lock down on baseline metrics<br>. Focus on people – manage peaks & valleys, ideal mix sooner, knowledge management |
| **15** | We started on a regional basis (harmonized systems but little opportunity). We need to decide on a Global Centre (virtual) spread around more locations. |

## A 3.3: Summary of Responses to Survey Questions (15 Respondents)

| | Methodology | Total |
|---|---|---|
| 1 | **What are the sources of methodology during design phase of your functional and shared business services organizations?** | |
| | Six Sigma/Lean Six Sigma | **4** |
| | A professional consulting firm | **10** |
| | Developed in-house | **9** |
| | Adopted from other companies | **4** |
| | Not applicable | **0** |
| 2 | **What are the current sources of methodology for operating functions and shared business services in your company?** | |
| | Six Sigma/Lean Six Sigma | **8** |
| | A professional consulting firm | **9** |
| | Developed in-house | **7** |
| | Adopted from other companies | **5** |
| | Not applicable | **1** |
| 3 | **Achievement of which of the following goals <u>can be</u> attributed to the use of your methodology?** | |
| | Reduction in function/service cost | **11** |
| | Increase in service quality | **12** |
| | Increase in customer service | **10** |
| | Increase in compliance & control | **11** |
| | Process standardization | **12** |
| | System standardization | **10** |
| | Other (please specify) | **2** |
| 4 | **Achievement of which of the following goals <u>cannot</u> be attributed to the use of your methodology?** | |
| | Reduction in function/service cost | **0** |
| | Increase in service quality | **0** |
| | Increase in customer service | **2** |
| | Increase in compliance & control | **2** |
| | Process standardization | **2** |
| | System standardization | **4** |
| | Other (please specify) | **0** |

| | Tools | Total |
|---|---|---|
| 5 | **Which of the following tools were used for service-based costing in your company?** | |
| | Activity Based Costing (ABC) | **7** |
| | WorkInsights | **5** |
| | Shared Services Manager | **2** |
| | Six Sigma/Lean Six Sigma tools | **2** |
| | Other tools designed in-house | **5** |
| | Tools provided by external firms | **4** |
| | Not applicable | **1** |
| 6 | **Which of the following tools were used for customer satisfaction measurement in your company?** | |
| | WorkInsights | **6** |
| | Shared Services Manager | **1** |
| | Six Sigma/Lean Six Sigma tools | **2** |
| | Other tools designed in-house | **5** |
| | Tools provided by external firms | **6** |
| | Not applicable | **0** |
| 7 | **Which of the following tools were used for developing service level agreements in your company?** | |
| | Shared Services Manager | **4** |
| | Six Sigma/Lean Six Sigma tools | **2** |
| | Other tools designed in-house | **5** |
| | Tools provided by external firms | **4** |
| | Not applicable | **3** |
| 8 | **Which of the following tools were used for establishing performance measures in your company?** | |
| | Shared Services Manager | **4** |
| | Other in-house data extraction tools | **6** |
| | Tools provided by external firms | **5** |
| | Excel spreadsheets | **7** |
| | Tools provide by the ERP system | **5** |
| | Not applicable | **2** |
| 9 | **Achievement of which of the following goals <u>can be</u> attributed to the use of your tools?** | |
| | Reduction in function/service cost | **8** |
| | Increase in service quality | **10** |
| | Increase in customer service | **9** |

| | | Total |
|---|---|---|
| | Increase in compliance & control | 6 |
| | Process and system standardization | 9 |
| | Other (please specify) | 0 |
| 10 | **Achievement of which one of the following goals <u>can't be</u> attributed to the use of your tools?** | |
| | Reduction in function/service cost | 3 |
| | Increase in service quality | 0 |
| | Increase in customer service | 1 |
| | Increase in compliance & control | 5 |
| | Process and system standardization | 4 |
| | Other (please specify) | 0 |
| | **Shortcomings – Methodology** | |
| 11 | **Are there shortcomings of your current methodology?** | |
| | Yes | 10 |
| | No | 4 |
| 12 | **What are the key shortcomings of your methodology?** | |
| | It does not provide a comprehensive roadmap to success | 6 |
| | It does not cover all of the essential management practices | 3 |
| | It is difficult to understand | 2 |
| | It is difficult to implement | 3 |
| | Other (please specify) | 4 |
| 13 | **Which part of your methodology is your company having the most difficulty with?** | |
| | Clarity of documentation | 6 |
| | Step-by-Step instructions | 5 |
| | Not clear about the sequence of steps to be followed | 5 |
| | Redundancy in steps | 1 |
| | Other (please specify) | 1 |
| 14 | **What issues have your company encountered in implementing the methodology?** | |
| | No buy-in within the company | 3 |
| | Didn't have right skills within the company | 5 |
| | No help was available to implement the methodology | 3 |
| | Didn't know how to go about implementation | 3 |
| | Other (please specify) | 2 |

| | Shortcomings – Tools | Total |
|---|---|---|
| 15 | **Are there shortcomings in your current tools?** | |
| | Yes | **10** |
| | No | **4** |
| 16 | **What are the key shortcomings of the tools?** | |
| | Lack of automation | **10** |
| | Affordability | **1** |
| | Lack of appropriate functionality | **6** |
| | No interface capability with your ERP or other systems | **6** |
| | Lack of suitability | **2** |
| | Other (please specify) | **3** |
| 17 | **Which types of tools are your company having most difficulty with?** | |
| | Service-based costing tools | **5** |
| | Customer satisfaction measurement tools | **1** |
| | Employee commitment measurement tools | **3** |
| | Service level agreements tools | **5** |
| | Performance measurement tools | **9** |
| | Other (please specify) | **1** |
| 18 | **What issues did your company encounter in implementing the tools?** | |
| | Complexity | **7** |
| | Work-around | **6** |
| | Lack of integration amongst tools | **5** |
| | Lack of available support | **4** |
| | Other (please specify) | **2** |
| | **Requirements – Ideal Methodology** | |
| 19 | **What are key requirements of an ideal methodology?** | |
| | Provide a clear roadmap to success | **12** |
| | Provide step-by-step instructions | **6** |
| | Provide a sequential action plan | **9** |
| | Be simple to implement | **9** |
| | Other (please specify) | **3** |
| 20 | **What are scope inclusions for an ideal methodology?** | |
| | Performance measurement | **14** |
| | Demand management | **10** |
| | Chargeback for services | **8** |
| | Service Level Agreements | **8** |

| | | Total |
|---|---|---|
| | Other (please specify) | 5 |
| 21 | **What are other requirements for an effective methodology?** | |
| | A clear strategy for pursuing growth | 3 |
| | An efficient operating model | 10 |
| | A technology strategy to drive efficiency from leveraging the ERP backbone, internet functionality or telephony | 11 |
| | Clear linkages to strategic business units | 8 |
| | Other (please specify) | 1 |
| | **Requirements – Tools** | |
| 22 | **What would you expect a tool to accomplish?** | |
| | Capture data economically | 9 |
| | Extract data from company databases | 9 |
| | Integrate all data elements | 8 |
| | Focus on key improvement opportunities | 10 |
| | Other (please specify) | 3 |
| 23 | **What are your functionality requirements for a tool?** | |
| | Service Level Agreements | 5 |
| | Customer satisfaction measurement | 9 |
| | Service-based costing | 11 |
| | Performance measurement | 12 |
| | Other (please specify) | 1 |
| 24 | **What are your other requirements for an efficient and effective tool?** | |
| | Multi-language capability | 3 |
| | Benchmarking capability | 9 |
| | Built-in performance measures | 10 |
| | Outputs in Excel and Word formats | 7 |
| | Other (please specify) | 1 |
| | **Going Forward** | |
| 25 | **If you were to do everything all over again, what would you do differently?** | |
| | Use different methodology | 1 |
| | Use different tools | 2 |
| | Change your implementation approach | 6 |
| | Use different methodology and tools | 0 |
| | Do nothing different | 3 |
| | Other (please specify) | 6 |

| 26 | Which one of the following areas is most important in managing functions and business services in your company? | Total |
|---|---|---|
| | Service Quality | 11 |
| | Pricing/Cost to Serve | 3 |
| | E-Enablement | 6 |
| | Process Standardization | 7 |
| | Agility and Reach | 4 |
| | Other (please specify) | 2 |

# APPENDIX 4: INDIVIDUAL EVALUATIONS OF THE MODEL AND THE NEW METHODOLOGY BY PRACTITIONERS (8 RESPONDENTS)

1. Dr. D. S. Chowgule, Senior VP - HR, Reliance Industries, India

| MODEL EVALUATION - D. S. CHOWGULE, RELIANCE INDUSTRIES | | | |
|---|---|---|---|
| **Requirements of New Model** | **Evaluation - Does the New Model Meet the Requirements? Please Explain** | **Recommended Changes to the New Model** | **Additional Comments, if any** |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for a single function such as Finance | Yes, the new model meets the requirements.<br>A. Model applicable to all companies - wanting to improve efficiency and effectiveness.<br>B. Provide for measures to control the area of service delivery.<br>C. Integration | None | None- |
| Technology platform integration and service management integration for internal service providers (i.e. Shared Services and Offshoring) for individual functions such as Finance, HR, IT and Procurement | Yes - it is comprehensive, integrated and cross functional. | None | None- |
| End-to-end process integration with technology | For any service delivery model, end to end process integration is important. | None | None- |
| Integration of internal service providers in case of multi-function Shared Services | Yes - provides for integrated organisation structure. Everything is defined. | None | None- |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for various service delivery models in multiple functions | The new model is integrated and takes into consideration the comprehensive aspects of Shared Services in respect of overall service delivery and end to end service delivery. | None | The integrated model/methodology also provides for continuous reinvention. |

| METHODOLOGY EVALUATION - D. S. CHOWGULE, RELIANCE INDUSTRIES | | | | |
|---|---|---|---|---|
| **Limitations of Current Methodologies** | **Requirements of New Methodology** | **Evaluation - Does the New Methodology Address the Limitations and Meet the Requirements? Please Explain** | **Recommended Changes to the New Methodology** | **Additional Comments, if any** |
| Does not provide a comprehensive roadmap to success | The methodology needs to be simple and should provide step-by-step instructions & a comprehensive roadmap for success. | The New Methodology is simple to understand and also provides clear instructions with a road map. | None- | The New Methodology is arrived at based on limitations of the existing methodologies and requirements of new methodology. Defines functional scope. |
| Does not cover all of the essential management practices | The scope of the methodology should include performance management, service level agreements, chargebacks for services and demand management. | The scope is exhaustive and encompasses all the management practices. Defines functional scope. | None | Defines end to end global processes and defines performance and value contribution processes. |
| Difficult to understand | The methodology should include management practices to address processes, systems, cross-functional change management and work measurement. | Defines performance and value contribution measures. | None | Provides enabling IT systems. |
| Difficult to implement | The tools should capture data economically and integrate all required data elements | The new methodology provides simple tools and data integration process (economically and integrate all data elements). | None | None |

| | | | | |
|---|---|---|---|---|
| Difficult to precisely measure workload & manpower | The methodology should be able to quantify cost reduction, customer satisfaction and service quality improvement goals | Defines performance and value contribution measures. | None | Determines base line costs of each service. |
| Difficult to replicate in the absence of a standardised tool | The methodology should provide a sequential action plan | The New Methodology provides for step by step instructions for a sequential action plan. | None | None |
| Lack of change management roadmap | The methodology should provide clear documentation | N/A | None | None |
| Does not address processes and systems sufficiently | The methodology should provide a clear strategy for pursuing growth | Change management and continuous improvement plan. | None | None |
| Does not address the sequence of steps to be followed | The methodology should provide an efficient operating model | N/A | None | None |
| Cross-functional change management, work measurement | The methodology should provide clear linkages to strategic business units | IT infrastructure and architecture for delivery services. | None | None |
| More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementation | The methodology should support the technology strategy to drive efficiency from leveraging the ERP backbone, internet functionality or telephony | The methodology assesses IT, infrastructures and architecting for delivery services and integrate other service providers. | None | None |

| | | | | |
|---|---|---|---|---|
| The principal shortcomings were with change management, risk minimization and functional versus service orientation. | | The new methodology will include management practices to address comprehensive processes, systems, cross functional change management and risk management. | None | None |
| Change management of systems and process was most difficult. | N/A | N/A | None | None |
| Could not use and implement in a copy book fashion (had to convert the essence in the concepts for practical use) | N/A | N/A | None | None |

2. Mr. Andrew Schoenmaekers, Director, Schoenmaekers Pty Ltd, Australia

| MODEL EVALUATION - ANDREW SCHOENMAEKERS, SCHOENMAEKERS PTY LTD | | | |
|---|---|---|---|
| **Requirements of New Model** | **Evaluation - Does the New Model Meet the Requirements? Please Explain** | **Recommended Changes to the New Model** | **Additional Comments, if any** |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for a single function such as Finance | Yes, the model does provide an appropriate integration. | Additional would be to provide flexibility or scaling to the model in relation to the Outsource and even insource to ensure the agreements are not bound by restrictions. | None |

| | | | |
|---|---|---|---|
| Technology platform integration and service management integration for internal service providers (i.e. Shared Services and Offshoring) for individual functions such as Finance, HR, IT and Procurement | Providing either matching technology with outsourced parties or that the model reviews all platforms to enable synergy. | Individual functions should be analysed to remove or consolidate any process that are considered unique. Clear terminology to ensure all is understood across departments. | None |
| End-to-end process integration with technology | Yes, the model does provide an appropriate integration. | Ensuring base is clean and not a transfer of errors or poor data. | None |
| Integration of internal service providers in case of multi-function Shared Services | Yes, the ability for the model to ensure communication and discussions between departments. | The appropriate skill sets is addressed at the Development but this should be in the model process as well. | None |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for various service delivery models in multiple functions | Yes, process mapping and use of Kaizen and or DMAIC or DMEDI as listed. | Would add control step for post implementation. What is result and how is it maintained. | None |

**METHODOLOGY EVALUATION - ANDREW SCHOENMAEKERS, SCHOENMAEKERS PTY LTD**

| Limitations of Current Methodologies | Requirements of New Methodology | Evaluation - Does the New Methodology Address the Limitations and Meet the Requirements? Please Explain | Recommended Changes to the New Methodology | Additional Comments, if any |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Does not provide a comprehensive roadmap to success | The methodology needs to be simple and should provide step-by-step instructions & a comprehensive roadmap for success | Yes, methodology does address limitations. | Would add two steps. At start - define line in sand… 1) what is happening now what are statistics on current performance? 2) Control at end how to measure success and ongoing performance metrics and changes. | Need to define where is business in relation to overall Shared Services… what stage are we at - what is timeline to get to next levels. |
| Does not cover all of the essential management practices | The scope of the methodology should include performance management, service level agreements, chargebacks for services and demand management | Somewhat - addresses leadership & management support with appropriate governance. | In service level agreements - addition of scalability to ensure SLA are not constraining for business change. | In the Timeline curve - identify changes status to fit business as it progresses - risk of failure if model does not change in growth. |
| Difficult to understand | The methodology should include management practices to address processes, systems, cross-functional change management and work measurement | Somewhat - can be clarified more. In particular the change management steps and impacts. | What about escalation and action in event of blocks by systems or people. | Not to over analyse and KPIs that require ambiguous and unsubstantial findings. |
| Difficult to implement | The tools should capture data economically and integrate all required data elements | Yes, methodology does address. | KISS (Keep It Simple Stupid) method | As above |

| | | | | |
|---|---|---|---|---|
| Difficult to precisely measure workload & manpower | The methodology should be able to quantify cost reduction, customer satisfaction and service quality improvement goals | Agree… at various point in cycle | None | None |
| Difficult to replicate in the absence of a standardised tool | The methodology should provide a sequential action plan | Agree -refer to the KAIZEN and or DMAIC models to support. | Add in Control to listed actions | None |
| Lack of change management roadmap | The methodology should provide clear documentation | Addresses as critical aspect - needs to expand with cause and effect and actions. | Additional requirements for communications and the need for open and transparent communications. | None |
| Does not address processes and systems sufficiently | The methodology should provide a clear strategy for pursuing growth | Need to expand. | Use of Model growth of Shared Services over time - where is business at now... Compared to best in class and where do we want to be. | What points does the business need to address further change to ensure success and not a fall as people and systems change. Continuous improvements and efficiency. |
| Does not address the sequence of steps to be followed | The methodology should provide an efficient operating model | Agree - represented in methodology. | None | None |
| Cross-functional change management, work measurement | The methodology should provide clear linkages to strategic business units | Need to expand. | Possible to address where the business size mix and practices are currently. | Where are cross functional barriers identified? What is needed to clear or accept? |

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| More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementation | The methodology should support the technology strategy to drive efficiency from leveraging the ERP backbone, internet functionality or telephony | Address to core of efficiency and reduction of unnecessary tasks. | What is backbone? Use of DMAIC or DMEDI model. | None |
| The principal shortcomings were with change management, risk minimization and functional versus service orientation. | | Agree but expand as business reaches changes through efficiencies or task elimination. | None | None |
| Change management of systems and process was most difficult. | | Agree and address as points to clear or identify - what level of tolerance | None | None |
| Could not use and implement in a copy book fashion (had to convert the essence in the concepts for practical use) | | Needs flexibility - with core model and address to business adaption to suit in local, regional or global and how to manage expansion opportunities. | None | None |

3. Mr. Einar Vikingur, Consulting Advisor, Glencore, Australia

| MODEL EVALUATION - EINAR VIKINGUR, GLENCORE | | | |
|---|---|---|---|
| **Requirements of New Model** | **Evaluation - Does the New Model Meet the Requirements? Please Explain** | **Recommended Changes to the New Model** | **Additional Comments, if any** |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for a single function such as Finance | yes - it is very comprehensive and structured logically | there are two elements which should be considered: cost reduction and productivity improvements (proven by metrics) | Cost reduction is a constant theme in real life, and a service organisation which cannot demonstrate it itself, 'gets it done to it'. Every trick is used by the Company: restrict budgets, impose arbitrary cuts, reduce capital available, and suddenly impose headcount reductions. It is the staple diet of executive life, and a model/methodology surely must encompass that.<br><br>Productivity improvement - there is constant clamour for showing that invoices are dealt with faster, that help desk calls get done quicker and by fewer people, error rates in payroll drop, month end is moved from six days to five, procurement contracts are renegotiated more often and with better results, IT projects get done for less money – the list is endless. One way of countering this |

| | | | |
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| | | | (and it only works to a point!) is to be able to demonstrate productivity increases, with good metrics. It is kind of like a defensive shield. Somewhere in a model/methodology this should be reflected, because it is a reality in every Company. |
| Technology platform integration and service management integration for internal service providers (i.e. Shared Services and Offshoring) for individual functions such as Finance, HR, IT and Procurement | Yes - it is very comprehensive and structured logically | None | None |
| End-to-end process integration with technology | It is good that IT gets a special mention, as it is the backbone of the work | None | None |
| Integration of internal service providers in case of multi-function Shared Services | I think this is a leadership issue more than anything else. | Bring leadership into the discussion very specifically | None |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for various service delivery models in multiple functions | Yes - it is very comprehensive and structured logically | None | None |

| METHODOLOGY EVALUATION - EINAR VIKINGUR, GLENCORE | | | | |
|---|---|---|---|---|
| **Limitations of Current Methodologies** | **Requirements of New Methodology** | **Evaluation - Does the New Methodology Address the Limitations and Meet the Requirements? Please Explain** | **Recommended Changes to the New Methodology** | **Additional Comments, if any** |
| Does not provide a comprehensive roadmap to success | The methodology needs to be simple and should provide step-by-step instructions & a comprehensive roadmap for success | Yes - it is comprehensive, and my remark is the same for all the points below. | Somehow there needs to be a more explicit linking to the 'real' world. | Cost reduction is a constant theme in real life, and a service organisation which cannot demonstrate it itself, 'gets it done to it'. Every trick is used by the Company: restrict budgets, impose arbitrary cuts, reduce capital available, and suddenly impose headcount reductions. It is the staple diet of executive life, and a model/methodology surely must encompass that.<br><br>Productivity improvement - there is constant clamour for showing that invoices are dealt with faster, that help desk calls get done quicker and by fewer people, error rates in payroll drop, month end is moved |

| | | | | |
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| | | | | from six days to five, procurement contracts are renegotiated more often and with better results, IT projects get done for less money – the list is endless. One way of countering this (and it only works to a point!) is to be able to demonstrate productivity increases, with good metrics. It is kind of like a defensive shield. Somewhere in a model/methodology this should be reflected, because it is a reality in every Company. |
| Does not cover all of the essential management practices | The scope of the methodology should include performance management, service level agreements, chargebacks for services and demand management | N/A | None | None |
| Difficult to understand | The methodology should include management practices to address processes, systems, cross-functional change management and work measurement | N/A | None | None |

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| Difficult to implement | The tools should capture data economically and integrate all required data elements | N/A | None | None |
| Difficult to precisely measure workload & manpower | The methodology should be able to quantify cost reduction, customer satisfaction and service quality improvement goals | N/A | None | None |
| Difficult to replicate in the absence of a standardised tool | The methodology should provide a sequential action plan | N/A | None | None |
| Lack of change management roadmap | The methodology should provide clear documentation | N/A | None | None |
| Does not address processes and systems sufficiently | The methodology should provide a clear strategy for pursuing growth | N/A | None | None |
| Does not address the sequence of steps to be followed | The methodology should provide an efficient operating model | N/A | None | None |
| Cross-functional change management, work measurement | The methodology should provide clear linkages to strategic business units | N/A | None | None |

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| More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementation | The methodology should support the technology strategy to drive efficiency from leveraging the ERP backbone, internet functionality or telephony | N/A | None | None |
| The principal shortcomings were with change management, risk minimization and functional versus service orientation. | | N/A | None | None |
| Change management of systems and process was most difficult. | | N/A | None | None |
| Could not use and implement in a copy book fashion (had to convert the essence in the concepts for practical use) | | N/A | None | None |

4. Mr. Greg Hyde, Senior Director, Cognizant Business Consulting, Cognizant Technology Solutions, Australia

| MODEL EVALUATION - GREG HYDE, COGNIZANT TECHNOLOGY SOLUTIONS | | | |
|---|---|---|---|
| **Requirements of New Model** | **Evaluation - Does the New Model Meet the Requirements? Please Explain** | **Recommended Changes to the New Model** | **Additional Comments, if any** |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for a single function such as Finance | Yes - it provides an holistic framework which can be adapted to suit all situations | Whilst change management is included in the model, more reference should be made to establishing a project management capability, so that can be achieve a sustainable outcome. | None |
| Technology platform integration and service management integration for internal service providers (i.e. Shared Services and Offshoring) for individual functions such as Finance, HR, IT and Procurement | No - Whilst referencing the need for such integration, not much mentioned about the approach or characteristics of ensuring a successful integration is achieved. | The model should identify key elements that need to be in place, that will ensure synergistic and scale benefits can be achieved. | The model does provide for the establishment of key components and characteristics within a SSC that will support the progressive improvement and adaptation of its functions, processes and services it delivered. |
| End-to-end process integration with technology | No - As above re. IT platform and service management integration | As above. | As above |
| Integration of internal service providers in case of multi-function Shared Services | No - As above re. IT platform and service management integration | As above. | As above |

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|---|---|---|---|
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for various service delivery models in multiple functions | No - As above re. IT platform and service management integration | As above. | As above |

**METHODOLOGY EVALUATION - GREG HYDE, COGNIZANT TECHNOLOGY SOLUTIONS**

| Limitations of Current Methodologies | Requirements of New Methodology | Evaluation - Does the New Methodology Address the Limitations and Meet the Requirements? Please Explain | Recommended Changes to the New Methodology | Additional Comments, if any |
|---|---|---|---|---|
| Does not provide a comprehensive roadmap to success | The methodology needs to be simple and should provide step-by-step instructions & a comprehensive roadmap for success | No - Whilst the methodology includes a range of sequential steps and instructions, it does not provide a view of the success criteria and target metrics that would enable an organisation to assess whether they have achieved what the methodology sets out to do. | Identify key success criteria, covering areas such as people, processes, customers, systems and financials, and align the steps required to achieve each or all of them. | None |

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|---|---|---|---|---|
| Does not cover all of the essential management practices | The scope of the methodology should include performance management, service level agreements, chargebacks for services and demand management | Yes | Even though the methodology covers a 'back-office' service delivery organisation, it should include a strategic vision that sets the boundaries for the establishment and implementation of the roadmap. | None |
| Difficult to understand | The methodology should include management practices to address processes, systems, cross-functional change management and work measurement | No - These areas are only mentioned in a list, but not supported with information on what each practice should include. | Each of these functions should be described in terms of the extent of capability that should be developed. E.g. Develop required skills & competencies…. Should include a view of what should be delivered / implemented, that would enable the SSC to have the necessary capability to support onboarding, role changes and ongoing staff development. | None |
| Difficult to implement | The tools should capture data economically and integrate all required data elements | No - It doesn't address the sorts of tools or data elements that will be required. Nor does it address how the data should be captured and integrated. | Incorporate an overview of the sorts of tools and key data elements that will support such integration and ensure ongoing integrity, consistency and completeness of data captured. | None |

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| Difficult to precisely measure workload & manpower | The methodology should be able to quantify cost reduction, customer satisfaction and service quality improvement goals | No - Again, while these issues are covered in the methodology, they don't go far enough in terms of the necessary capabilities that would need to be implemented, so as to support the quantification and measurement of these goals. | None | None |
| Difficult to replicate in the absence of a standardised tool | The methodology should provide a sequential action plan | Yes - the sequence is appropriate and aligned to business excellence principles. | None | None |
| Lack of change management roadmap | The methodology should provide clear documentation | No - Change management needs to achieve a 'pull' effect from those being impacted, such that their operational readiness requirements are the focus of a change management / implementation plan. It should not be based on a standardised approach that's 'delivered' to the end users. | Early engagement of end-users of the change should be the starting point for all change initiatives. The focus should be on identifying their key success criteria and measures that will satisfy them that they are ready to 'go live'. The implementation plan should then seek to achieve each of these in an appropriately sequence and timeframe, thereby minimising any downside impacts of operational or system changes. | None |

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|---|---|---|---|---|
| Does not address processes and systems sufficiently | The methodology should provide a clear strategy for pursuing growth | No - Seems to focus on the structural features required to enable growth, but does not include details of a growth strategy, | None | None |
| Does not address the sequence of steps to be followed | The methodology should provide an efficient operating model | Yes - the sequence is appropriate and aligned to business excellence principles. | None | None |
| Cross-functional change management, work measurement | The methodology should provide clear linkages to strategic business units | No - refer change management comments above | None | None |
| More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementation | The methodology should support the technology strategy to drive efficiency from leveraging the ERP backbone, internet functionality or telephony | No - I can't see where this has been covered | None | None |
| The principal shortcomings were with change management, risk minimization and functional versus service orientation. | | No - whilst the methodology includes capabilities that should address each of these shortcomings, it doesn't go far enough to be used as an implementation framework. | None | None |

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|---|---|---|---|---|
| Change management of systems and process was most difficult. | | Refer change management comments above. | None | None |
| Could not use and implement in a copy book fashion (had to convert the essence in the concepts for practical use) | | No - refer various comments above. | None | None |

5. Mr. Charles Reis, General Manager - Strategy, Minerals and Metals Group (MMG) Ltd., Australia:

I have taken the liberty of making the following observations for you to consider:

- I wonder if Contact Centres will vanish. I see stakeholders servicing their own queries through self-serve technology; and issues or problems being 'engineered out'. For example if a contact centre employee is using a keyboard to solve my problem, why can't I have the same access to fix it for myself? If we think of automated airline check-ins or passport e-gates such as we have in Australia, the notion that passengers could self-process was unheard of a few years ago. I don't want to talk to a contact centre any more, I want the technology to empower me to be self-sufficient.
- In the future, I see a world without SLAs. The best consumer service organisations that I deal with, already know what I want without an SLA. Why can't this be the same in the work-place? Every month a new App is released with a fee-based service that I can't live

without that makes my life easier. So I would put it back on the service provider to know his or her customers so well, that SLAs become irrelevant. This may sound like heresy, but I have sometimes wondered whether SLAs actually constrain the achievement of superior service. I am sure this will not be a popular view, so leave it with you!

- Kaizen - I have given this some thought, also. I wonder if the next generation of service improvement will not necessarily come from the conventional methods of the past, of which Kaizen is one of them. But instead, greater user of internal Crowdsourcing. It's being used to raise capital for start-ups. It's being used to solve technical problems in areas such as research. This week, crowd-sourcing has been adapted to help with the analysis of millions of satellite images in the search for the missing Malaysian Airlines passenger jet. Could this be the next generation's approach to continuous improvement?
- I tend to see governance as setting boundaries; or as a code of practice. When I see the word constraint, I think of something that impedes an outcome. Not sure if this is what you intended to mean.
- I thought it was interesting that you chose Caterpillar's model of six sigma, which appears to have been adapted from Motorola and GE. I am probably the only person who would make this connection, but in the shared services world we often argue against adaptation in favour of standardisation. As I recall, Motorola and GE used DMADV instead of DMEDI which became the standard at the time, but that was a while ago and things have probably moved on since then.

6. Mr. Stephen Dowling. Group Manager - Health Safety & Wellness Shared Services, St John of God Health Care, Australia

| MODEL EVALUATION -STEPHEN DOWLING, ST JOHN OF GOD HEALTH CARE | | | |
|---|---|---|---|
| **Requirements of New Model** | **Evaluation - Does the New Model Meet the Requirements? Please Explain** | **Recommended Changes to the New Model** | **Additional Comments, if any** |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for a single function such as Finance | The New Model enables \focus of change management and continuous improvement is to address the people and organizational factors that arise from the introduction and development of Shared Services is a critical success factor of the new delivery methodology for BSS integration. Customer acceptance, end user support, better practice governance and cost sustainability in service delivery are also captured in the new deliver method. | None | None |
| Technology platform integration and service management integration for internal service providers (i.e. Shared Services and Offshoring) for individual functions such as Finance, HR, IT and Procurement | The New Model is both efficient and effective and leverages technology via internal, BPO and outsourced options. | None | None |
| End-to-end process integration with technology | New model is both efficient and effective and leverages technology to deliver sustained benefits | None | None |

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|---|---|---|---|
| Integration of internal service providers in case of multi-function Shared Services | The New Model Multi-function activities are identified, assessed for integration to deliver value | None | None |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for various service delivery models in multiple functions | End-to-end processes are captured within the New Model to identify and action strategic links and drive value for all stakeholders | None | None |

**METHODOLOGY EVALUATION -STEPHEN DOWLING, ST JOHN OF GOD HEALTH CARE**

| Limitations of Current Methodologies | Requirements of New Methodology | Evaluation - Does the New Methodology Address the Limitations and Meet the Requirements? Please Explain | Recommended Changes to the New Methodology | Additional Comments, if any |
|---|---|---|---|---|
| Does not provide a comprehensive roadmap to success | The methodology needs to be simple and should provide step-by-step instructions & a comprehensive roadmap for success | Delivers an easily understood roadmap for design, development, delivery and continuous improvement | None | None |

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|---|---|---|---|---|
| Does not cover all of the essential management practices | The scope of the methodology should include performance management, service level agreements, chargebacks for services and demand management | All aspects of governance and management practices are addressed | None | None |
| Difficult to understand | The methodology should include management practices to address processes, systems, cross-functional change management and work measurement | Simple practical framework easily understood | None | None |
| Difficult to implement | The tools should capture data economically and integrate all required data elements | Tools and metrics are efficient and easily implemented/supported | None | None |
| Difficult to precisely measure workload & manpower | The methodology should be able to quantify cost reduction, customer satisfaction and service quality improvement goals | service quality, metrics and KPIs are quantitative and qualitative | None | None |

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|---|---|---|---|---|
| Difficult to replicate in the absence of a standardised tool | The methodology should provide a sequential action plan | Logical path of actions | None | None |
| Lack of change management roadmap | The methodology should provide clear documentation | Comprehensive change management drives the new model | None | None |
| Does not address processes and systems sufficiently | The methodology should provide a clear strategy for pursuing growth | Growth and inherent continuous improvement is built into the new model | None | None |
| Does not address the sequence of steps to be followed | The methodology should provide an efficient operating model | New model is both efficient and effective | None | None |
| Cross-functional change management, work measurement | The methodology should provide clear linkages to strategic business units | End-to-end processes are captured to identify and action strategic links | None | None |
| More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementation | The methodology should support the technology strategy to drive efficiency from leveraging the ERP backbone, internet functionality or telephony | New model is both efficient and effective and leverages technology to deliver sustained benefits | None | None |

| | | | | |
|---|---|---|---|---|
| The principal shortcomings were with change management, risk minimization and functional versus service orientation. | | The focus of change management and continuous improvement is to address the people and organizational factors that arise from the introduction and development of Shared Services is a critical success factor of the new delivery methodology for BSS integration. Customer acceptance, end user support, better practice governance and cost sustainability in service delivery are also captured in the new delivery method. | None | None |

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|---|---|---|---|---|
| Change management of systems and process was most difficult. | | The focus of change management and continuous improvement is to address the people and organizational factors that arise from the introduction and development of Shared Services is a critical success factor of the new delivery methodology for BSS integration. Customer acceptance, end user support, better practice governance and cost sustainability in service delivery are also captured in the new delivery method. | None | None |
| Could not use and implement in a copy book fashion (had to convert the essence in the concepts for practical use) | | Delivers an easily understood roadmap for design, development, delivery and continuous improvement | None | None |

7. Mr. Craig, Allen, Chief Financial Officer, Ausenco, Australia

| MODEL EVALUATION - CRAIG ALLEN, AUSENCO | | | |
|---|---|---|---|
| **Requirements of New Model** | **Evaluation - Does the New Model Meet the Requirements? Please Explain** | **Recommended Changes to the New Model** | **Additional Comments, if any** |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for a single function such as Finance | Yes, these key elements need to be weighed and modified to suit the particular business requirements. Each are key in their own right and ensuring the right balance between each of them. | None | None |
| Technology platform integration and service management integration for internal service providers (i.e. Shared Services and Offshoring) for individual functions such as Finance, HR, IT and Procurement | Yes, technology has now broken down a lot of the barriers around BSSI and needs to be optimised and exploited as much as possible in any centre roll-out. | None | None |
| End-to-end process integration with technology | Yes, technology has now broken down a lot of the barriers around BSSI and needs to be optimised and exploited as much as possible in any centre roll-out. | None | None |
| Integration of internal service providers in case of multi-function Shared Services | Agreed, all service providers have a role and need to feature heavily in the set-up on ongoing operation of the BSSI. | None | None |

| | | | |
|---|---|---|---|
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for various service delivery models in multiple functions | Yes, these key elements need to be weighed and modified to suit the particular business requirements. Each are key in their own right and ensuring the right balance between each of them. | None | None |

**METHODOLOGY EVALUATION - CRAIG ALLEN, AUSENCO**

| Limitations of Current Methodologies | Requirements of New Methodology | Evaluation - Does the New Methodology Address the Limitations and Meet the Requirements? Please Explain | Recommended Changes to the New Methodology | Additional Comments, if any |
|---|---|---|---|---|
| Does not provide a comprehensive roadmap to success | The methodology needs to be simple and should provide step-by-step instructions & a comprehensive roadmap for success | Yes addresses limitation. Approach is straight forward and comprehensively covers the key high level considerations to be considered. | None | None |
| Does not cover all of the essential management practices | The scope of the methodology should include performance management, service level agreements, chargebacks for services and demand management | Yes the methodology requirements are all essential to success. These are the key building blocks for a successful centre. | None | None |

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| Difficult to understand | The methodology should include management practices to address processes, systems, cross-functional change management and work measurement | Yes, the approach is easy to understand and brings in the key business issues to ensure it operates seamlessly within the business. | None | None |
| Difficult to implement | The tools should capture data economically and integrate all required data elements | Agreed, IT collaboration tools have advanced a long way and should be fully explored to optimise implementation. | None | None |
| Difficult to precisely measure workload & manpower | The methodology should be able to quantify cost reduction, customer satisfaction and service quality improvement goals | Agreed, IT collaboration tools have advanced a long way and should be fully explored to optimise implementation. | None | None |
| Difficult to replicate in the absence of a standardised tool | The methodology should provide a sequential action plan | Agreed, the methodology lays out this action plan quite clearly. | None | None |
| Lack of change management roadmap | The methodology should provide clear documentation | Yes, clear documentation, road tested beforehand is fundamental. | None | None |
| Does not address processes and systems sufficiently | The methodology should provide a clear strategy for pursuing growth | Agreed, capacity for levering growth and optimising resources within the centre are early factors for success. | None | None |

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|---|---|---|---|---|
| Does not address the sequence of steps to be followed | The methodology should provide an efficient operating model | Yes, methodology provides an efficient operating model. | None | None |
| Cross-functional change management, work measurement | The methodology should provide clear linkages to strategic business units | Yes, business buy in to the approach and service levels is key for seamless operation of the centre. | None | None |
| More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementation | The methodology should support the technology strategy to drive efficiency from leveraging the ERP backbone, internet functionality or telephony | Agreed, IT collaboration tools have advanced a long way and should be fully explored to optimise implementation. | None | None |
| The principal shortcomings were with change management, risk minimization and functional versus service orientation. | | Yes | None | None |
| Change management of systems and process was most difficult. | | Yes | None | None |
| Could not use and implement in a copy book fashion (had to convert the essence in the | | Yes | None | None |

| | | | | |
|---|---|---|---|---|
| concepts for practical use) | | | | |

8. Mr. Andrew Slentz, EVP and CHRO, Peabody Energy Corporation, USA

**MODEL EVALUATION - ANDREW SLENTZ, PEABODY ENERGY CORPORATION**

| Requirements of New Model | Evaluation - Does the New Model Meet the Requirements? Please Explain | Recommended Changes to the New Model | Additional Comments, if any |
|---|---|---|---|
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for a single function such as Finance | Yes. Very Comprehensive and a practical approach to the realities of service delivery. I like the explanation of the models versus methodologies as it helps clarify the strategic approach. | None | None |
| Technology platform integration and service management integration for internal service providers (i.e. Shared Services and Offshoring) for individual functions such as Finance, HR, IT and Procurement | I felt the chapter was stronger on the service management integration than on technology; the service management description was spot on with a veritable checklist of critical considerations for consideration and set up. | Provide a more robust description of how technology can be integrated (or disintegrated) depending on the service delivery management decisions. | This is a huge leverage point in terms of cost/benefit analysis. |

| | | | |
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| End-to-end process integration with technology | This is a critical piece of the fundamental service delivery and customer requirements; I thought the chapter could place more emphasis on the importance and tools to use in the process integration (and cross process integration e.g. payroll to finance; HR to payroll) | None | Critical in terms of costs efficiency and seamless service delivery |
| Integration of internal service providers in case of multi-function Shared Services | I did not see this topic spiked out in sharp relief; this is a key consideration as the broader, more cross functional the service delivery model, the more efficient and integrated it can become. | More consideration on the pros and cons of "single functional " vs. "Cross functional" central services | None |
| Integration of internal and external service providers (i.e. Centralization, Shared Services, Offshoring and Outsourcing) for various service delivery models in multiple functions | Captured nicely in the BSSI model description. A realistic view of how the markets are emerging and where the leverage points may be for cost and delivery. | Perhaps a bit more description on the considerations of what is "strategic" and retained in-house versus what can/should be considered for outsourcing. | None |

| METHODOLOGY EVALUATION - ANDREW SLENTZ, PEABODY ENERGY CORPORATION | | | | |
|---|---|---|---|---|
| **Limitations of Current Methodologies** | **Requirements of New Methodology** | **Evaluation - Does the New Methodology Address the Limitations and Meet the Requirements? Please Explain** | **Recommended Changes to the New Methodology** | **Additional Comments, if any** |
| Does not provide a comprehensive roadmap to success | The methodology needs to be simple and should provide step-by-step instructions & a comprehensive roadmap for success | Excellent approach. Clarifies the difference between models and methodologies and the critical elements of the proposed methodology. | None | None |
| Does not cover all of the essential management practices | The scope of the methodology should include performance management, service level agreements, chargebacks for services and demand management | An integrated methodology that provides a simple and easily understood checklist to follow | None | None |

| | | | | |
|---|---|---|---|---|
| Difficult to understand | The methodology should include management practices to address processes, systems, cross-functional change management and work measurement | The methodology does address key considerations of governance, process, practices and measurement quite sufficiently. | Expand more on the cross-functional change management piece as this is critical to implementation. | None |
| Difficult to implement | The tools should capture data economically and integrate all required data elements | Easily understood tools. Integration of accepted improvement tools e.g. six sigma | None | Why the reference to caterpillar six sigma? What is it about their modification of approach that makes it compelling for others? |
| Difficult to precisely measure workload & manpower | The methodology should be able to quantify cost reduction, customer satisfaction and service quality improvement goals | The methodology addresses the customer service, service delivery and service expectation issues quite well. | Expand more on the metric of cost reduction and process efficiency metrics. | None |

| | | | | |
|---|---|---|---|---|
| Difficult to replicate in the absence of a standardized tool | The methodology should provide a sequential action plan | An excellent checklist approach | None | None |
| Lack of change management roadmap | The methodology should provide clear documentation | A very good change management approach integrated with a six sigma process improvement. | There may need to be more consideration in the People topic about resistance to change and their ability to become blockers or catalysts of change. | None |
| Does not address processes and systems sufficiently | The methodology should provide a clear strategy for pursuing growth | The process outlines the ability to size and scale. There is a reference to perhaps externalization of service delivery but it is not a key feature of growth. | None | None |
| Does not address the sequence of steps to be followed | The methodology should provide an efficient operating model | The checklist approach provides sequencing | None | None |
| Cross-functional change management, work measurement | The methodology should provide clear linkages to strategic business units | The methodology does reference the need for business unit and client engagement as expressed in the design, service level agreements and measurement. | More reference to the cross functional integration of service streams | None |

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|---|---|---|---|---|
| More effort and emphasis on methodologies that eliminate shortcomings in an effective manner will result in successful implementation | The methodology should support the technology strategy to drive efficiency from leveraging the ERP backbone, internet functionality or telephony | This did not come across clearly | A specific section to address the technology issues and emergence of self service capabilities. | None |
| The principal shortcomings were with change management, risk minimization and functional versus service orientation. | | I think these issues are addressed but more emphasis could be placed on the practical change management issues as well as the cross functional serviced delivery aspects. | None | None |
| Change management of systems and process was most difficult. | | Clearly noted and a practical reality | None | None |
| Could not use and implement in a copy book fashion (had to convert the essence in the concepts for practical use) | | Did not see this as an issue. I could - with some modification - present this to line and functional mangers and it would be easily understood form a strategic standpoint. | None | None |

## ABOUT THE AUTHOR

Vipin Suri is the shared services expert with SGS Ltd. and the managing director of Shared Services International Inc. As a management consultant in shared business services for over twelve years, he has successfully assisted a number of companies in the Asia-Pacific Region, Europe and North America with their efforts to implement shared services and to review the effectiveness of their Human Resources, Supply Chain Management, Finance, Information Technology and other business support functions. He has also conducted business health checks for several shared services organizations. His areas of expertise include: Finance, Accounting, Human Resources, Supply Chain Management, Real Estate & Facilities Management, Information Technology, Environment, Health & Safety, Strategic Sourcing, Procurement, Warehousing, Logistics, Mergers & Acquisitions, Electricity Distribution, Business Process Re-engineering, Outsourcing, Offshoring, Service Quality, Organizational Change Management, Process Management, Governance Frameworks, Audit, Controllership, Customer Service and Sales.

Prior to becoming a management consultant in 2002, Suri was Vice President - Shared Business Services for BHP Billiton Ltd, one of the world's largest natural resources companies. He successfully achieved the desired outcomes ahead of schedule by leading

efforts for designing and implementing shared services, implementing an ERP system within the company on a global basis, and re-engineering the hire to retire, order to cash, accounting to reporting, procure to pay and maintenance processes. He established three multi-functional shared services centers for the company and outsourced business services for BHP Steel.

Before joining BHP in 2000, Suri worked with Ontario Hydro, one of the largest electric utilities in North America. During his 26 years with the company he worked in several senior positions including General Manager - Mergers & Acquisitions, General Manager - Distribution Network Services and Asset Management, Vice President - Customer Service, Vice President - Corporate Services and Vice President - Shared Services. He designed a model for, and implemented Shared Services within the company, with the establishment of service delivery centers. He analyzed service delivery conditions for each service and outsourced those services which could not be delivered on a competitive basis. He redesigned the supply chain management processes for the company and implemented profitable purchasing strategies by introducing the concepts of supply positioning, commodity management, strategic alliances and life cycle cost management.

Vipin Suri holds a Master's degree in Business Administration (MBA), a Master's degree in Mechanical Engineering (M.Eng.) and a B.Sc. degree in Mechanical Engineering. He is a Professional Engineer (P.Eng.), a Certified Management Accountant (CMA) and a Chartered Professional Accountant (CPA). He is also a member of the Association of Professional Engineers of Ontario, the Society of Management Accountants of Canada and International Who's Who of Professionals.

Vipin Suri is the Program Director of The Conference Board's Emerging Markets Supply Chain Management Council. He is the past Program Director of the Emerging Markets Functional Excellence & Shared Business Services Council, past co-chair of the Asia Pacific Council of Shared Services Executives, a member of the North American Council of Shared Services Executives and a member of the Canadian Council for Operational Excellence. He has also served as a director on the Boards of Canadian Welding Bureau and QUASAR.

Recent assignments undertaken by Vipin Suri include operating at Chief Operating Officer, Chief Financial Officer and Vice-President levels for Canadian companies and assisting Chinese companies to optimize performance of their Finance, HR, IT and Supply Chain Management functions, implement shared services and develop sourcing options such as offshoring and outsourcing.