

Towards an Integrated Methodology for Implementing Shared Services

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Abstract. Setting-up hybrid shared services is not a straightforward and requires methodology support. To learn more about current practices and experiences with shared services delivery models and methodologies to setup shared services we conduct survey research among companies that deploy shared service centres. In this research paper we report on the findings of our research. Based on the results we outline initial requirements and present building blocks for an integrated methodology to effectively support implementing shared services.

Keywords: Business support services · Shared services · Service delivery models

1 Introduction

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 [1].

Service delivery models for Shared Services can be seen as strategic instruments which are dependent on organizational business objectives. The most common models are Centralized, Shared Services (Insourced), Outsourced, Offshored, Collaborative and Decentralized. More recently, a hybrid model called “global business services” has emerged in industry. This model uses a combination of internal shared services and external service providers. It aims to allow companies to operate with greater efficiency and enables business growth, as well as supporting global standards and compliance. The goal of this model is to optimize service delivery and drive process improvement across the entire company.

1.1 Implementing Global Business Services

While this model holds high promises for shared service delivery, setting-up hybrid shared services is not straightforward and requires methodology support. To provide

seamless services to the business units, the various service delivery models need to be integrated.

To implement a service delivery model successfully, companies must decide how to select strategically among various service management strategies. Most companies have been experimenting with various service delivery models, such as, decentralization or centralization of services, shared services, offshoring and outsourcing of services, etc. through which they manage their business support services. These models have been changing significantly over the past decade. A number of methodologies have been used to implement a combination of these models but a lack of adequate integration has resulted in varying degrees of success of their implementation and acceptance.

The implementations of shared services are usually linear processes. Although linear and sequential, there is often a need to revisit previous steps taken to make corrections and to revisit decisions when more information becomes available. While there is little research available into success of shared service implementations, several sources report that implementing shared services has often not been successful [1]. Typically, reasons for limited success reported point at a lack of effective methodology support for the design and implementation of shared services. Thus, there is a need to study in more detail what methodologies are being used to support shared service implementation, what current issues with implementation of shared services are, and to what extent these are effective.

1.2 Research Questions and Method

Using a combination of literature study, focus group discussions with practitioners, surveys and in-depth interviews we address the following 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
4. What are requirements and building blocks of a comprehensive methodology for shared services design and implementation

The paper is organized in following sections: Sect. 2 is a brief review of selected literature related to business support services. Section 3 presents data collection methods. Section 4 provides findings and conclusions of data collected and Sect. 5 discusses requirements of the new methodology and presents the building blocks and the roadmap for integrated methodology for shared services. Section 6 outlines the conclusions and future research.

2 Brief Literature Review

2.1 Shared Service Delivery Models

Welke [2] defines a service as 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 [2]. Organizations increasingly establish Shared Service Centres, 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 [3]. 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 on the intersection of supplier, client and end-user resources and on their co-creation activities [4].

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, Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO). 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 [5]. After the emergence of shared service centres, 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 [6].

2.2 Inter-organizational Shared Services

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 [7].

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; 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 [8]. 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 [9].

Building a mature, value-producing Global Business Services (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 [10].

2.3 Shared Services Implementation Challenges

Organizations can encounter a number of diverse technological, managerial and organizational challenges while developing shared services [11]. The technological challenge of complex and diverse processes and IT systems refers to processes and IT systems that are difficult to analyze, improve, standardize and harmonize. The managerial challenge of alienation refers to a distant relationship between shared services and end-users, a loss of face-to-face contact and depersonalization with formalized procedures. The organizational challenge of ownership and responsibility refers to a lack of clarity of or different views on ownership of problems and responsibility when operating shared services across organizational boundaries which can result in employees feeling that a clear structure, of who to turn to with problems, has faded after shared services is established.

A methodology 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 [12].

3 Data Collection

The first research question stated in the introduction was 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. A list of companies who have implemented shared services was compiled and 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. 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 1 shows that in addition to the focus group session, three sets of data were collected and analysed:

1. Shared Services Value Potential Survey (2009)
2. Methodology & Tools Survey (2009)
3. In-depth Interviews and Methodology & Tools Survey (2011)

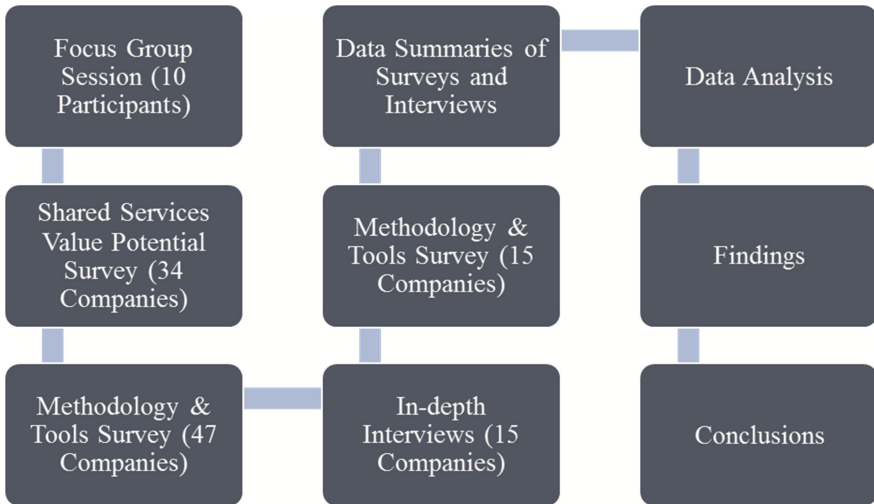


Fig. 1. Data collection and Analysis

4 Findings

Here we present the key results related to the practitioner's part of our first research question: (1) what are benefits and issues in implementing shared services delivery models from an academic and practitioner perspective?

4.1 Findings of the Shared Services Value Potential Survey

Key findings of the Shared Services Value Potential Survey include that shared services is viewed as 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 respondents 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.
- Areas which are important in managing functions and business support services include pricing/cost to serve, process standardization and service quality

The survey further reveals 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, Shared Services Organizations (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 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.

Next, we present the results of the Methodology and Tools Surveys that address our second research question - What are current methodologies and tools in use by service delivery organizations during the planning, design, implementation and operation

phases and the third research question - What are the shortcomings of the methodologies and tools that are/were used?

4.2 Findings of the Methodology and Tools Surveys and In-Depth Interviews

During the data collection process, over 70% of the respondents indicated that there were limitations and shortcomings in the methodologies used by their companies. These methodologies were identified as those acquired from professional consulting firms, developed in-house or adopted from other companies. The key shortcomings of these 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.

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. The key shortcomings of the tools in use are lack of automation, lack of appropriate functionality and no interface capability with ERP and other systems. Moreover, the companies are having difficulties with the following type of tools performance measurement tools, customer satisfaction measurement tools, service-based costing tools and service level agreements tools.

The surveys conducted, using a different sample of companies, further reveal that a disciplined approach is critical for optimizing the performance of functional and service organizations. Current methodologies used by companies have limitations and are not providing clear instructions. The Shared Services Methodology & Tools Survey and follow up in-depth interviews resulted in a number of experiences and recommendations that we grouped below in (1) Implementation Considerations, (2) Roles and Responsibilities (3) Communication and Change Management and (4) Change Management:

4.3 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 and BPMS software should be considered to increase the precision of implementation. An ideal methodology

needs to be simple and provide step-by-step instructions and a clear roadmap for success. The scope of an ideal methodology should include performance management, service level agreements and demand management. Currently, most of the organizations do not use a service management to design and operate their service strategy. Methodologies used by companies do not assist them effectively in simultaneously achieving all of the following performance optimization goals:

- Reduction in function/service cost
- Increase in service quality
- Increase in customer service
- Increase in compliance and control
- Process standardization
- System standardization

The current methodologies have many operational limitations and do not provide clear instructions for implementation and change management.

4.4 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 to split between functional-led re-engineering and IT-led ERP development.

4.5 Communication, Change Management and Governance

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. Internal control should be present in the implementation environment.

5 Requirements and a Proposal for a Shared Services Methodology

Based on these results, in our discussion below we present initial requirements for an enhanced methodology for implementing shared services. To address recent developments in hybrid models, 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 should provide criteria for integration of internal and external services providers. The methodology should also be able to measure customer satisfaction and identify service quality improvement goals. It should provide the most effective sourcing mix for the service delivery operations. Furthermore, it needs to provide a resolution of issues that arise in integrating and managing in-house and third-party services and provide criteria for identifying opportunities for outsourcing.

The requirements for a new methodology for integrated delivery of business support services have been developed 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 and experience of the authors. These requirements are:

- 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 models) utilizing both in-house service delivery and third-party delivery are appropriate for optimizing an organization's service delivery operations.
- The new 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.
- It should 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.

In particular, a shared services design and implementation methodology should cover the:

- Role of the service organization in supporting companies in achieving their business objectives
- Initiatives that organizations will be taking in future years to enhance their service operations
- Drivers & inhibitors and benefits achieved from incorporating third-party business process outsourcing services within an organization's service delivery model
- Criteria that service organizations need to use for identifying appropriate areas for use of outsourced services
- Success criteria for integrating internal and external services within the service delivery model
- Key governance mechanisms for managing combinations of internal and outsourced services within the service delivery model.

Based on the identified requirements, the building blocks and the roadmap for the new methodology are shown in Fig. 2:

- *Define (D)* - Governance Model, Functional Scope, Work in terms of Services & Activities, End-to-End Global Processes, Service Strategy, Success Criteria and Performance Metrics
- *Measure (M)* - Baseline Costs and Performance Metrics, Criteria for Outsourcing, List of Services to be Insourced or Outsourced, Internal Customer Requirements, Internal Customer Satisfaction Baseline, Outsourced Service Providers and service catalogue

- *Explore (E)* - Feasibility Study and Business Case for Change, IT infrastructure and Architecture, Change Readiness and Barriers to Change
- *Develop (D)* - Change Management and Continuous Improvement Plan, Organization Structure and Roles & Responsibilities Integrating Multiple Service Delivery Providers, Service Management Office Structure, Enabling IT Systems Ensuring Integration with Processes, Required Skills and Competencies for each Position, Talent Pool, reward & Recognition System, Career Progression Paths, Training Programs, Performance Metrics and Regular Performance Reports
- *Implement (I)* - Locations for Insourced Service Delivery Centers, Workplace Requirements, People to Identified Roles, Customer Account Managers, Customer Help desk, Self Service Technology, Contracts with Outsourced Service Providers, Service Level Agreements, Control Plan and Validation Plan Post-Implementation

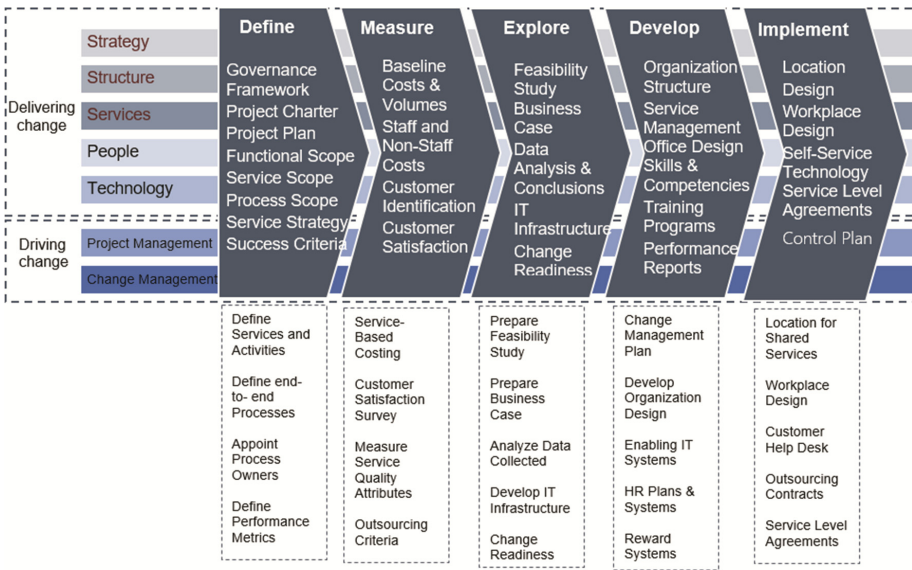


Fig. 2. Building blocks of the methodology

6 Conclusions and Future Research

Clearly, 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 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.

Implementing shared services is not straightforward and current methodology and tool support has several limitations. They do not provide clear steps, lack elaborate

practices and metrics and can be highly complex. Tools lack functionality and are often poorly integrated with the enterprise systems landscape.

Based on our empirical results, we outlined requirements and presented a proposal for a disciplined approach to establish shared services implementation methodology. In our current research efforts this methodology is being further developed and 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.

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