Shared Services Maturity Model
Reinventing your Shared Services Center into Value Creation Center

The increasing pressures on enterprises, amidst disruptive competitive forces with newer disruptive business models and inherently ‘digital’ business DNA, are forcing them to look beyond status quo on an urgent basis. Shared Services Centers, which traditionally looked at cost efficiencies and value chain enablement, need to reinvent themselves into “Value Creation Centers”.

How can organizations benchmark the maturity of their shared services? How do they navigate this transformation path?
How Mature is your service centre?

If you are reading this, your organization has decided to embark on a Shared Services Center (SSC) model and you have transitioned from the incubation stage to some level of maturity. And it’s equally possible that when you started you had a rough cut model which is now getting redefined. Through each stage you probably asked yourself - What next? Am I in the right direction? Is there something I am missing?

Over the years, the expectations from shared services have shifted from cost reduction to larger scale operations and direct value chain impact. In the process, organizations have also exercised various models (Off-shore v/s On-shore v/s Near-shore, or Outsource v/s Captive). They have also realized that for various process categories and maturity levels, the approach toward shared services has to adapt. Many organizations earlier on started with objectives to outsource the non-core functions and with an intent to automate or centralize for cost reduction or economies of scale. Similarly, many organizations have a multi-process shared services set-up.

While it goes without saying that the technologies such as Business Process Management, Enterprise Content Management, Case Management and systems integration are critical for the success of shared services, the areas of leverage of these technologies also vary depending on the maturity of the set up and the priorities of the organization.

Through our experience with several customers across geographies and varying contexts and verticals, we have found that a benchmark framework is needed as a dip stick check to understand the underlying patterns and then apply as best practice for better success in their Shares Services initiatives, and especially to transform them into a Value Creation Center.
Here is a framework that we use (as well as advise our customers to use), to understand where they are in Shared Services Maturity, in order to establish immediate priorities, roadmap, and execution plan.

The four stages (namely Automation, Centralization, Standardisation, and Continuous Process Innovation) are not necessarily in sequential order but a broad guidance for transforming a Shared Services Center into a Value Creation Center. As the center matures, operations become not only simpler, centralized and automated but at the same time scalable to benefit the enterprise.

There isn’t necessarily a science about determining which stage an SSC is at. And the ROI cannot always be clearly determined. In fact, we have seen that ROI at lower levels of maturity is more tangible and easier to measure, and as the shared services mature, the number of factors contributing to the ROI increase simultaneously.
Based on our experience, the stages of automation and centralization can be considered as foundational blocks which really help “establish” a shared services center thereby fulfilling the business mandate of a low cost model. A robust foundation can then complement the next stages - standardization and continuous improvement - to really contribute in business growth.

**Stage I - Automation**

**Well begun is half done!**

Automation is where it all begins. The idea of a Shared Services Center (SSC) in any enterprise is generally operationalized through small, incremental steps rather than through a big bang approach. Earlier on in the SSC Lifecycle, organizations transition into an automated ecosystem (specifically at regional levels) to initiate, process and deliver services.

ROI at this stage is relatively simpler and more straightforward to measure - a change in workforce structure is visible and data can be calculated to show savings versus Opex and Capex expenditures. ROI figures show a payback of two years. Executive Management, at this point may think that the Shared Service Center has been setup and successfully so. However, for the COO or the Shared Service leadership, the journey has just begun and the real effort to ensure the SSC is a Value Creation Center is still ahead.

At the foundational stage (Automation), an SSC must have some key characteristics -

- Automation over a single, Agile Platform
- Performance & Service Management Framework
- Human Resource & Talent Management

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4 of 12
A platform that is configurable, where business users can configure changes to workflows, business rules or TAT / other SLA metrics.

A performance & service management framework including dashboards that report on performance levels.

The ability to assign work not only to individuals but also to teams in a flexible & dynamic manner.

And last but not the least, the ability to modify processes without having to undergo coding and software lifecycle - more power to the SSC Manager.

A good example to consider is an Accounts Payable process serviced independently through regional platforms and workforce with minimal focus on performance management. During Automation stage the enterprise would automate silo-ed setups by establishing their own performance and service management, as well as focus on human resource management practices. Multiple technological setups – workflows, enterprise applications and document management within the system would get consolidated to form a single and agile platform for workforce to process transactions.

Stage II - Centralization

A mad dash or a systematic approach?

If you are a Global organization, and your Shared Services Center was setup successfully, then do expect requests for other services from around the world to become a part of your SSC. This may include new processes and services or may simply be the same service in a different geography. Centralization stage, the second foundational stage, helps the organization centralize their operations in one (or few) SSC center(s), thus providing economies of scale and reducing operational, maintenance, and labor costs.
Once the SSC has completed the Automation stage, there is a general belief that as more and more business units are supported by the SSC, the savings will multiply. Temporarily, yes! However, this mad dash can often result in a large number of custom business processes for each business unit that may, in the future, not provide the desired scalability.

Centralization must cater to the following business needs:

- Distributed initiation - a service can be initiated at any global location
- Centralized processing - eventually all backend processes are either centralized or at least report to a central location
- Economies of scale - a belief that the SSC should be able to rapidly support expansion to new business areas or geographies
- Single window of orchestration - shared services are available to the enterprise via a uniform friendly interface

As the Centralization stage matures, and more processes are brought under the purview of the SSC, either there are common systems that are configurable for multiple processes, businesses and geographies, or there are a plethora of systems with little in common. In both cases, there would be strong economic benefits and good ROIs; however, in the first the SSC can move towards a long term value creation, while in the latter, the long term value creation steadily diminishes.

Stage III - Standardization

A boon or a bane?

Standardization as a term is simple enough, however, in an SSC it can apply at several different levels. At its simplest level, just having an SLA is an example of Standardization.
At a less complex level, an SLA or a measure can apply to a department or a team or a location. At its most complex level, having the same eco-system within all business units - be it team structure, IT infrastructure or business process - is also an example of Standardization. For instance, measuring invoice turnaround time can be a simple example. A less complex example would be measuring invoice turnaround time for all business units. And at its most complex level, having the same accounting system with the same processes globally is also Standardization.

The key point here is that SSCs provide any organization the capability to scale rapidly and save costs by standardizing globally.

In these situations a Shared Services Center can be a boon. However, it can be a bane if the standardized method of a Shared Services Center becomes a yard stick for success. It becomes a bane if it becomes a way for the business to operate and does not allow people to flexibly adapt to the change. It bears the risk of becoming a bureaucratic mess if it becomes a raison d’etre by itself.

A lot also depends on the nature of the business. An industry such as the Pharma industry, which has complex regulatory requirements and stringent quality guidelines, may be more amenable to standardization - versus banking, which is at one level standardized - the core banking functions and at another, it needs to offer localized offerings in every country or region it operates in.

To Standardize is a great opportunity. However, it has to be done wisely.

Importantly, Standardization helps build up common measures for service across the organization with the associated benefits of institutionalization. One team in Prague may be processing 5000 invoices per month, but another team in Bangalore may be processing 7500 invoices per month - Standardization helps benchmark,
compare and improve. Standardization brings other benefits as well - it centralizes knowledge and eases training time to get staff up the learning curve.

Stage IV - Continuous Process Improvement

A journey towards excellence

The Shared Services Center is a thankless job at its zenith.

The zenith of any service is when it is transparent and does not (seem to) exist. The HR team is the best in class when managers have the systems and tools and nobody knows where the HR department is. The Admin team is good when you don’t have to call them. The truth is, the point of ultimate success is also the point of oblivion.

Continuous Process Improvement in an SSC is more than a well-defined stage; it is ‘a thinking’ and more importantly a journey, a journey towards “Excellence”.

Continuous Process Improvement, thus, is a necessity. But how do you know if your SSC is there? Have you done the right things to reach this stage and are you doing the right things during the journey?

**Beyond Automation, Centralization and Standardization**

- Automation and centralization stages form a core foundation for SSCs. Standardization stage leverages the foundational capabilities to scale at enterprise level by extending operations across multiple processes and lines of business.

- Multi-geography support with diverse regulatory and compliance requirements pose a different set of challenges. Furthermore, disparate technology solutions to support business across locations is a constant for most large organizations. Shared service centers therefore provide an opportunity to rationalize the IT infrastructure and applications to provide a standard way to providing service. However, only a systematic approach will get you closer to a Value Creation Center.

**Continuous Process Improvement**

- Flexible and Module Process Architecture
- Value Driven Process Management
- Workflows and Rules based Change Management
At the core of the journey is the “culture of Continuous Improvement”, a culture that always listens to the business, listens to the teams, and has a mechanism to quickly take decisions by vetting new ideas, piloting and rolling out changes periodically.

This should result in building and establishing underlying tools and infrastructure into your business processes through right practices, be it the rules engine or the process definitions or the document workflows or the approval process or the notifications. Every one of these need to be built to be easily changeable, flexible, modular, so that change is easier. The trick lies in building for the future while solving the problems of today.

**Continuous Process Improvement - Towards Value Creation Center**

Dashboards and KPI, standardization & automation, redesign of processes and innovation are the tools and levers to propel an SSC forward. A continuous improvement culture provides a platform to apply these levers to create higher business value through process management.

The fruits of the Value Creation Center reflect in the business value, providing the organization with the required Agility, Transparency and Responsiveness.

- **Strategic Agility**: Continuous improvement means that the SSC helps the business become responsive and agile. And you have to reinvent your workplace to do it.

- **Level of Differentiation for new launches and existing offerings**: Overall, organizations can take advantage of continuous improvement to increase the level of differentiation for new launches and be profitable in various business areas and segments.

- **Transparency & Collaboration**: Collaboration among multiple functions plays a vital role in delivering the
intended outcomes through processes. An SSC that strives for transparency and collaboration adds tremendous business value.

However, before that, it might be the time for you to assess the maturity of your SSC today. Knowing where you are is the first step to get to the Value Creation Center.

**When do you know you are a Value Creation Center?**

The journey involves navigating through the maturity levels. But how do you know if you are there yet? Here are some sign posts:

**Strategic Agility**

The SSC at this point is making the business more responsive and the ROI at this point is the hardest to
measure. The fact that earlier a new loan product took months to configure and can now be done in 30 minutes, is something that is not a cost saving or an SLA metric – which is how an SSC is typically measured. It is actually helping you design new services, delight customers and to act with speed. There is no way to calculate this ROI – your SSC is invaluable. Your SSC could be qualified as one that “provides strategic agility” and contributes towards business and financial health.

Differentiated Offering

If the CFO wants to set a new SLA for accounts receivable, she doesn’t need to consult the SSC to see if it can be supported; or, if a bank needs to offer a new loan product, they know that there is no need to consult the SSC to see if it is possible. The transparency and flexibility allows the leadership to make decisions that the SSC can execute with speed. The organization can take advantage of continuous improvement to increase the level of differentiation for offering in the market, and be competitive and profitable.

And, the Proof of the pudding!

Your ultimate real measure of excellence is that the SSC is taken for granted. The proof of great services is that they are invisible. If your organization has started to ignore you and you feel taken for granted, well, then you are almost there.

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About Newgen

Newgen Software is a leading global provider of Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM) and Case Management, with a global footprint of 1300+ installations in more than 61 countries with large, mission-critical solutions deployed at the world’s leading Banks, Insurance firms, BPO’s, Healthcare Organizations, Government, Telecom Companies & Shared Service Centers.


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