



# Leveraging Technology for Shared Services Transformation

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## INTRODUCTION

Technology is a strong force in transformation, creating the differentiating value for the end customer with the customer being at the center of transformation. Time has never been more ripe, and opportunity has never been greater for enabling a differentiating value. Creating and delivering differentiating exponential value to the end customers are catalyzed and sometimes made possible with business process-technology integration. Technology revolution is disrupting business models, shared services being no exception—evolving them from their current technology-enabled-services to technology-integrated-services form. About 70% of the world's largest organizations are going through some kind of transformation, yet the rate of success remains dismal, where just one out of five or six

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companies are eventually successful in their transformations (Shared Services Forum, 2018). Be it transformation at organizational level, employee experience level or customer experience level, digital transformation in organizations is being brought about by the simultaneous adoption of exponential technologies and adaption of businesses processes in order to keep up with the pace and scale of unprecedented disruption. One example in this context is the retail sector, where the conventional retail business model was disrupted with the advent of online shopping platform, Amazon. This is a classic example of disruption brought about by the business process-technology integration to create non-linear value for the end customer. Hence, future-ready organizations began to design the differentiated value-add by integrating services to technology as opposed to integrating applications to technology to ensure valuable experience to both employees and customers.

### BUSINESS PROCESS-TECHNOLOGY INTEGRATION

In order to ensure Return on Investment, business sustainability and competitiveness and, most importantly, to deliver value-add, businesses across verticals continue to relook at their processes, practices and systems (including technologies) for continuous improvement. Well-defined business process management (BPM) standardizes processes and optimizes operations boosting efficiencies and workplace productivity in order to attain potential long-term and short-term benefits, and eventually achieving organizational goals in a much more focused and clear manner. On the flip side, failure to do so is likely to result in higher costs, lower revenues, less motivated employees and fewer satisfied customers. Armed with enhanced purchasing power, the new-age informed customers scrutinize availability, accessibility and delivery like never before, making it critical for the businesses to align business processes to meet the end goals of customer delight, loyalty and retention or customer experience, in its entirety. This is where technology can play a pivotal role. Technology has the potential to completely replace repetitive, rule-based, routine yet important tasks with automated routines and also help to implement new processes faster, smoother and efficiently. Technology can also help in making organizations monitor implementation in real time and help them in becoming flexible and quick to adapt to foreseen and unforeseen changes. However, despite the will, budget and wherewithal dedicated for massive transformation, the success rate is not too encouraging in large

companies undergoing disruption through transformation as it pivots on successful transformation at various levels simultaneously including leadership, culture, capabilities and business agility. This opens up a tremendous opportunity for the shared services organizations, SSOs; business service organizations, BSOs; global in-house centers, GICs to have a great role in enabling such transformations to leading such transformations. They are invaluable to parent organizations as they create competitive advantage, operating model flexibility and agility to face the digital world. However, this necessitates SSOs, BSOs and GICs to go through changes of their own.

### DIGITAL DISRUPTION OR SHARED SERVICES TRANSFORMATION?

Given the rationale for the creation of SSCs in large organization and the transactional nature of operations in most cases, SSCs will continue to be viewed as back-office or low-cost capability provider as opposed to being a strategic partner. However, the positioning can be changed in the global organization if value is created for the end customer. For this, the SSCs need to be transformed. It has been widely recognized that digital transformation in shared services has a great potential to achieve operational excellence unlocking avenues to increase organizational revenues and enhance customer value-add. Consequently, the digital strategy that drives the shared services digital transformation assumes utmost significance—a future-proof strategy that is robust and sustainable with multiple goals such as enhanced efficiencies and effectiveness, enhanced employee experiences and superior value-add to the customer on one hand, while achieving business top line and bottom line on the other. Digital disruption introduced to the legacy operations in the form of Robotic Process Automation (RPA), Artificial Intelligence, Robotic Digital Automation (RDA) or cognitive automation has proven to unlock the potential operational excellence to deliver enhanced customer value. RPA, at a fundamental level, is an efficiency enabler, where a software service or a robot is used to carry out certain jobs, transactions or processes that were earlier carried out by humans. Of late, RPA is increasingly seen as the force that underpins shared services transformation from being an efficiency enabler. Automation brings in superior operational excellence in various fronts: reduced or eliminated operating costs of timely and accurate processes, increased capacity

utilization, Service-Level Agreement (SLA) adherence, risk management, empowered employees and finally agile and innovative shared services that provide significant customer value. Success of shared services transformation for value creation is dependent on the following factors:

- The customer-centric design of processes at operational level to avoid quality drop and customer-centric design of organization at strategic level to eliminate value loss
- Innovation can be developed as technology, application, infrastructure, process
- Leveraging company-wide data and talent management strategy hinging on tenets of domain knowledge, customer orientation, and empathy, right from candidate hiring to training to development to retaining to employee progression and technology intervention

The current study focuses on the significance of technology intervention for successful Shares Services transformation.

### THEORETICAL FRAMEWORK

The purpose of theoretical framework is: (a) to position the (hypothesis of the) study in relation to existing literature; (b) to elucidate the theoretical lens under which the research will be framed and, (c) to strike appropriate balance between objective scientific study and practical business relevance.

The review of existing literature on the shared services concept characterizes it as a predominantly practice-oriented phenomenon due to limited research on it as a subject of scientific study. Owing to this, a majority of publications authored by seasoned consultants and experienced practitioners on the subject ought to be seen as scientific papers (Keul, Bachleitner, & Kagelmann, 2000). The shared services approach has by far not been explained in its totality by any single specific theory, concept or model, as the shared services approach and model have been continuously evolving in response to business requirements. However, selected theoretical approaches can be interpreted in the context of shared services and can be summarized as follows:

Resource-based view (RBV) and dynamic capabilities approach (DCA) can both be applied to the concept of shared services when they are seen as described by Janssen and Joha (2006)—as a means to access shared

resources or to realign internal capabilities and competencies to face the challenges posed by dynamic business environment.

In a highly competitive business environment, businesses improve their operations by trying to ‘Structure for Success’ (Johnson, Scholes, & Whittington, 2008). One of such efforts could be shared services where organizations moved a broader range of functions to fewer centralized centers, when the financial crisis triggered recession in many countries. Research has shown that the adoption of shared services model in multinational organizations results in 30% further optimization due to the benefits reaped from the integration of systems, consolidation of operations and standardization of processes (Barrett, 2006; IMA, 2011).

Due to the relative novelty of shared services as an area of academic study, there is limited in-depth research in the public domain that explores the concept, barring a few studies. Keul et al. (2000) and Pérez (2008) explained parts of the shared service concept using theoretical models (Janssen & Joha, 2006, 2007), while Niehaves and Krause (2010) from new institutional economics focus on the principal-agent theory, which specifies how processes should be transferred to the shared service organization. Theories such as the transaction cost theory, resource-based view, property right theory can be used to understand various features of the Shared Services concept. It is widely established in the knowledge economy literature that in developed economies the conception of original scientific knowledge, innovation and technological transformation are major drivers of economic development (Tchamyou, 2017).

Digital technologies bring about significant disruption in business models, often resulting in digital transformation and innovation, and reorientation at the industry level. The survey of related literature upholds broadly the theoretical framework of the study of implications of technology interventions on shared services transformation. In this regard, there are a number of theories that offer a conceptual support that technology has a significant role to play in shared services transformation, which are briefly mentioned in the following text.

The disruptive innovation theory (Christensen, 2006; Christensen, Raynor, & McDonald, 2015) puts forth three considerations for disruptive innovation: enabling technology, business model innovation and an enhanced value network that repositions stakeholders. Similarly, the transformation phase of the ‘four-phase-model for the realization of shared services’ developed by Helmut (2014) consists of three sub-phases, starting with change management followed by finalizing SLAs and the rollout

of the business processes and IT and data migration. In the context of transformation, it has been suggested by Bergeron (2003) that the knowledge of ‘the delivery model maturation path’ by the transformation leaders is critical for effective shared service transformation, as it necessitates various transformations such as personnel pricing and processes and resources. Gordon E. Moore, the co-founder of Intel Corp, echoes ‘Technology intensifies the law of change’ (Bergeron, 2003). Mullins (2007) observes that the introduction of information technology in business has changed the structure and management, raising the bar of operations which was reinforced by Dressler (2007), who stated that the breakthrough in shared services operations has been the advent of ERP systems as the digital transformation enabler. Disruptive technologies improve efficiencies by facilitating standardization and integration of data and processes (Tolboom, Draaisma, & Broeders, 2016).

Theories such as core competencies theory (CCT) (Drejer, 2002; Roos & Roos, 1997) and more recently the digital capability framework (DCF) (Uhl-Bien, Riggio, Lowe, & Carsten, 2014) can offer a conceptual lens and theoretical support for technology intervention for shared services transformation. CCT suggests that employees/enterprise associates work collectively in cooperation in order to enhance their core competence/capability, thereby achieving sustainable competitive advantage (Drejer, 2002; Hamel & Prahalad, 1994). The DCF aims to help companies analyze their transformation potential and to leverage business and technology innovations in building up appropriate transformation and innovation capabilities. To sum-up the above discussion, technology can be viewed as a resource or capability or competence that can be harnessed to bring about effective shared services transformation.

## RESEARCH GAP

Despite being a business space of active innovation and dynamic evolution in practice, surprisingly, there hardly exists any empirically founded, academically documented body of knowledge on the concept and practice of ‘shared services’. The scant evidence-based/empirical work that currently exists is largely contributed or mandated by practitioners, business organizations, research firms or consulting companies and is limited to specific aspects, such as gaining understanding of possible savings from shared services or examining few interrelations of activities or their effect on the success of shared services, among others. Lack of extensive empirical

research based on conceptual framework offered by existing theories is a clear research gap in the shared service area that needs to be addressed. Following this, the current study attempts to contribute to close the gap (albeit marginally) by documenting the empirical findings on the highly underrepresented topic of ‘shared services’ in academic literature. Further, while there are few studies that discuss the collective impact of digital transformation on businesses, there are fewer studies that analyze empirically the effects of technology intervention on shared services transformation. Thus, the study aims to uncover industry practices in leveraging technology for shared services transformation across organizations and across industries.

### RESEARCH QUESTION

The research problem arising from the research gap makes way for the fundamental premise of the study that aims to answer the research question:

‘How technology intervention enables shared services transformation?’  
(With special focus on efficiencies.)

### RESEARCH OBJECTIVES

The research question can be effectively answered by fulfilling the following research objectives:

- a) To understand ‘technology-enabled shared services transformation’, with specific reference to technology-enhanced efficiencies and effectiveness.
- b) To identify what kind of shared services efficiencies can be brought about by technology-enabled transformation.
- c) To understand the effect of digital and disruptive innovation on various business processes and identify what type of technological interventions act as enablers in shared services transformation.

### RESEARCH APPROACH AND METHOD

The research has two parts that have been carried out in two stages:

1. Review of literature to understand ‘technology-enabled shared services transformation’ in its entirety, with specific objective to

understand what efficiencies can be attained by technology intervention in shared services.

2. Empirical research through a survey to determine the influence of technology on shared services transformation, with specific reference to technology-enhanced efficiencies and effectiveness.

### ABOUT THE SURVEY

The online, self-administered questionnaire-based survey was sent out to shared services practitioners across all functions, working for both Indian and international organizations with centers in the south Indian cities of Bengaluru, Chennai and Hyderabad. Of over 100 responses representing over 14 industry segments and covering over 60 SSOs, the business functions of Finance & Accounting (F&A) had the greatest representation, closely followed by manufacturing and IT in that order.

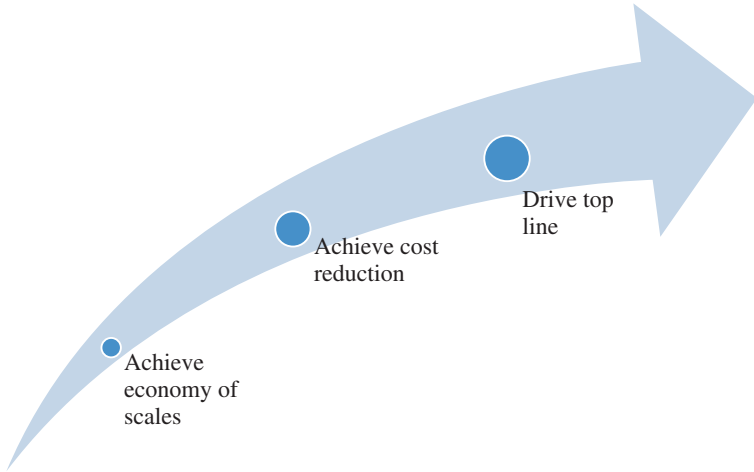
### FINDINGS AND DISCUSSION

The findings of the survey reinforced the fact that the shared service organizations are capitalizing on technology to stay competitive and to meet changing customer needs better. The key findings of the survey are that most respondents felt that the rate of adoption of tools and technology could be better, and in some instances, SSCs continue to use ERPs and other ancillary tools enabled by human labor as their primary mode of operation.

About 60% of the survey respondents are of the opinion that technology is a game changer for shared services and that technological advances may multiply the potential efficiencies beyond cost and time. Close to 50% survey respondents feel that data/metrics availability and accessibility enhance shared services efficiencies. It was interesting to note that fewer than 50% respondents felt that technology helps in scaling up of the services. Close to 65% were of the opinion that digital migration-related risks can be mitigated. Close to 60% of the respondents felt that technology adoption makes shared services more agile and innovative in the dynamic business landscape.

It has been widely accepted that digital transformation in shared services has a great potential to achieve operational excellence unlocking avenues to increase organizational revenues and enhance customer value-add. Attaining operational excellences necessitates attainment of efficiencies,





**Fig. 3.1** Organizational efficiency curve (Source: Author(s))

the three stages of which (i.e., efficiency realization in the life cycle of SSC) can be depicted by means of an ‘Efficiency curve’ (see Fig. 3.1) as follows:

- Stage 1: Achieving economy of scales through operational optimization by centralizing services and processes
- Stage 2: Achieving cost reduction through elimination of unnecessary process steps or automation of process steps which reduces the processing time and improves the bottom line
- Stage 3: Driving top-line impacting functions like marketing/sales using latest technology to predict and enhance customer journeys, thus enabling seamless customer experience

For each of the above stages to succeed, a robust technological framework and environment that supports adoption of digital tools is imperative for any shared services organization—quality of the same dictates the success or failure of the operation. As data and processes are shared across lines of businesses (LOBs), how data is captured and updated becomes paramount. In this context, the following areas are of specific importance

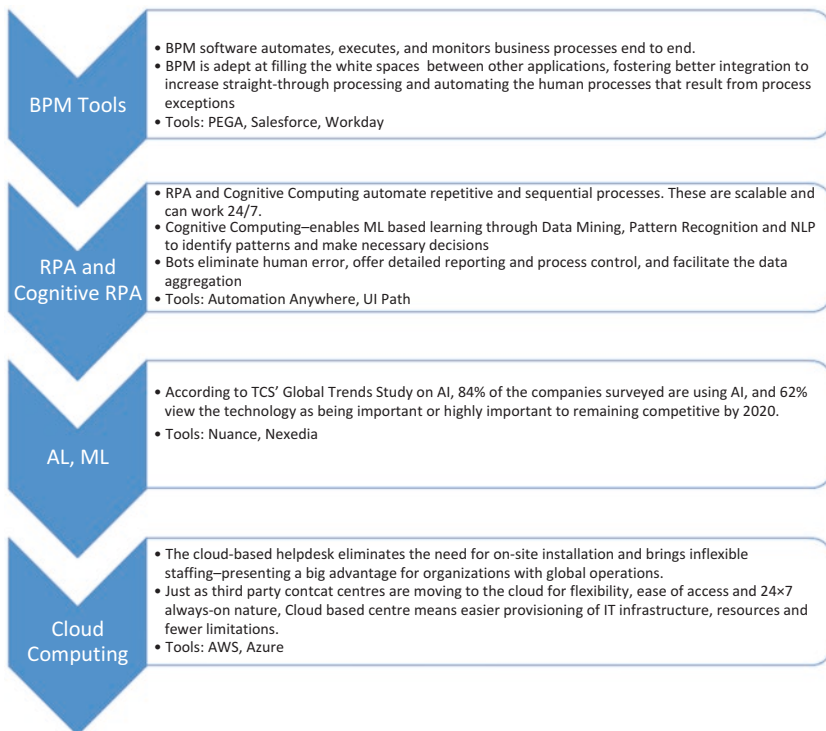
- Data entry:
  - Singular point of data entry keeps the work flow simple and effective throughout

- Data validation and integrity of shared data:
  - Data captured at source and validated at source
- Effective audit trails of who captured/validated/accessed:
  - Data integration across various processes
- Single system of record:
  - Accurate and near-real-time data updating to avoid out-of-sync conditions
- Effective and accurate MIS to provide stakeholders key and accurate information:
  - Canned and on-demand reports to be available to enable accurate and timely decision making
- Reporting capability for fraud detection:
  - Effective data protection
- To safeguard data that is being saved and shared from both internal and external threats:
  - Implement ‘principle of least privilege’
  - Data deletion and retention policies

In order to address the above, selection of enabling technology and tools which are compatible and scalable is highly important. The associated challenges/costs include the propositions make vs. buy, licensing cost and support infrastructure. The availability of various tools and technology in the market enables the organizations to address the requirements diligently. Technology intervention can take various forms such as BPM tools, RPA and cognitive automation, AI, ML and cloud computing (see Fig. 3.2).

## CONCLUSION

Fear the unknown or prepare for the unknown. Perish or flourish. Disruptive technologies that facilitate digital transformation enhance shared services performance, in terms of delivering differentiating value alongside lowering costs, improving quality and efficiencies. Business models can be strengthened cost-effectively and disruptive innovation models enabled. It is noteworthy that a lot of interest and hype about the value-add brought in by intelligent automation technologies at work notwithstanding, businesses worldwide are adopting a guarded approach when it comes to the actual adoption of automation at work.



**Fig. 3.2** Technology intervention in shared services (Source: Author(s))

While tactical application of robotics is common, strategic enterprise-wide deployments of cognitive automation and RPA remain to pick up steam. The dark (unstructured) data is deciphered by AI models such as the Machine-Learning-enhanced-cognitive IQ bots.

It is strongly believed that technology in the form of digital workforce is here to stay in shared services organizations, transforming them from cost center to an active strategic center for the benefit of all stakeholders. Consequently, the HR department has an important role to play in drawing up and delivering re-skilling programs for the employees with the skills of the future. In this context, six essential future skills listed by Blueprism—RPA pioneer and popular provider of RPA and allied technology—are visual perception, knowledge and insight, learning, problem solving, planning and

sequencing and finally collaboration. The seven significant elements or considerations for successful strategic RPA adoption, according to Blueprism include the following determinants:

- Vision (aligning strategy to expected outcomes)
- Organizational design (to enable the best delivery of RPA capability)
- Governance and pipeline (process identification for automation and associated benefits)
- Delivery methodology
- Service model (customer-engagement model, complete with reporting and referral handling processes)
- People (recruiting, training, mentoring)
- Technical environment (economical and scalable)

## IMPLICATIONS

Business process management efforts globally point to the fact that digital capabilities are essential to the transformation of shared services. Emerging technologies such as cognitive automation, RPA, RDA, block-chain, cloud computing and Big Data Analytics create an opportunity to revamp business functions and processes. More specifically, these technologies bring efficiency and insights that drive business agility and yield an interconnected, intelligent enterprise. With applications across enterprises, from F&A to field operations, digital technologies make faster and smarter decisions possible with a direct impact to the top-line growth. For instance, early adopters of digital technology recommend that finance shared service organizations could redesign/revamp their finance processes using block-chain framework technology and simplify financial records with triple-entry bookkeeping. Similarly, investment in process automation using RPA or cognitive automation powered or complemented by AI by organizations with operations related SSCs could augment efficiencies. Harnessing Machine Learning (ML) and Artificial Intelligence (AI) driven analytics coupled by demand-based cloud computing would result in manifold benefits such as improved insights into customer-buying behavior patterns that could in turn help the company to set the market trends or react to changing patterns with greater speed and intelligence. The corporate symbiotic measures such as established businesses looking out for active collaboration with start-up companies aid in keeping the technology investment and adoption

costs minimal or completely off the balance sheet of the established companies. Similarly, the experience and expertise of established organizations in terms of business process expertise and compliance/regulatory knowledge can be leveraged by start-ups to boost digital disruption in a secure way.

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