

Shared Services and Outsourcing

Quarterly Business Update

SEPTEMBER 2012 | ISSUE 1
CONSULTING

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Centre of Excellence: The Next Generation of SSC

Over the past few decades, shared services centres (SSCs) and outsourcing have been widely adopted by over 90 percent of Fortune 500 corporations. These approaches to service delivery have allowed for significant cost savings - achieved through moving work offshore and taking advantage of the labour cost arbitrage - improved productivity and economies of scale.

However, SSCs and outsourcing providers focus largely on the standardisation and automation of low-value, transactional level activities. With increased complexities, also driven by the wage increase, demand for a quest for the capability and capacity to deliver higher value work through both SSC and outsourcing arrangements, knowledge and expertise, SSCs and outsourcing providers now need to look into other ways to improve efficiency and deliver value.

The Centre of Excellence (CoE) concept has been traditionally practiced by many public sector organisations, such as universities, hospitals, and research and

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development centres to facilitate the transfer of best practices from one institution to another. It is now being adopted by global organisations, as it enables the aggregation and leveraging of knowledge and expertise across geographies, by integrating people, processes and technology. A CoE in a multinational organisation take

the best capabilities, business insights and knowledge from different sources from within the organisation, standardises and centralises them in order to optimise their outputs through the development of best practices fostered by frameworks,

processes, tools and templates. It focuses on value creation rather than cost reduction, and targets non-transactional and complex activities such as those that demand deep industry insight, knowledge of competitors, markets and customers, and knowledge of internal processes, capabilities and constraints.

Objectives and Benefits of a Centre of Excellence

The ultimate goal of setting up a CoE is to transform the SSC into the next stage

- Global Business Services (GBS). GBS aims to enhance the effectiveness and efficiency of supporting services across an organisation by applying multiple service delivery models including elements of shared services, outsourcing, off-shoring and IT solutions.

GBS organisations, which have an integrated portfolio of shared services, outsourcing and retained services delivery models, are

implemented globally and span across business units and functions. The relevance of a GBS within an organisation depends on its ability to assemble, and successfully deploy, a variety of capabilities dynamically into a seamless end-to-end process designed to deliver specific business outcomes.

The ultimate goal of setting up a CoE is to transform the SSC into the next stage - Global Business Services.

A highly mature GBS operation will have an integrated services portfolio operating on a standard platform and also a broad integration of internal and external outsourcing service providers via the CoE.

Key Consideration Points

Having outlined the benefits of setting up a CoE and how it increases capability and capacity, there are also some common challenges throughout the setup process. Some of the lessons learned from the past are:

Sponsorship:

A key success factor for any execution of a major transformation programme is the support and backing of the senior stakeholders. This support needs to translate into visibility by the entire organisation and authority for the team to fulfill its responsibilities to the company. There needs to be understanding and buy-in among internal customers about the CoE's mandate, scope and how it can help the business achieve its objectives.

Location and talent:

Unlike the SSC set-up, a low-cost location is not necessarily a pre-requisite for the CoE. Consideration needs to be given to where the pool of knowledge currently resides and where it will be best located in order to bring together the right people with the right competencies to generate value for the business.

Reputation building:

The CoE brand has to be built from within – the title alone does not confer status and authority. A CoE needs to become

recognised and respected across the global business as the central place for expert know-how, innovation and advice.



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Setting the right tone:

A CoE needs to have an entrepreneurial mindset, and encourage ownership and influence on broad decision making. It is important to remember that their mandate is to develop best practices for the organisation rather than follow established policies and procedures.

Feedback:

In a CoE, staff needs to see how their ideas positively impact the business in order to feel empowered and rewarded. Clear, concise and timely feedback will not only help to incentivise and retain staff, but it can also influence learning and development opportunities as well as preserve knowledge within the business.

With the growing trend of taking SSC to the next stage, and also the values realised from the CoE, many organisations are modifying their strategies in order to keep up with this transformation. SSCs are not just to save costs, but to also improve value and create sustainable business benefits for the organisation.

KPMG – Leading the way in Shared Services and Outsourcing

As part of our commitment to the development of the SSOA industry, we will be providing the 'shared services and outsourcing Quarterly Business Update'. If you would like continue to receive these updates or have any questions regarding the information provided above, please contact:



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