

22nd Asian



SHARED SERVICES &
OUTSOURCING WEEK

CENTRE OF EXCELLENCE: SHARED SERVICES VALUE DRIVER

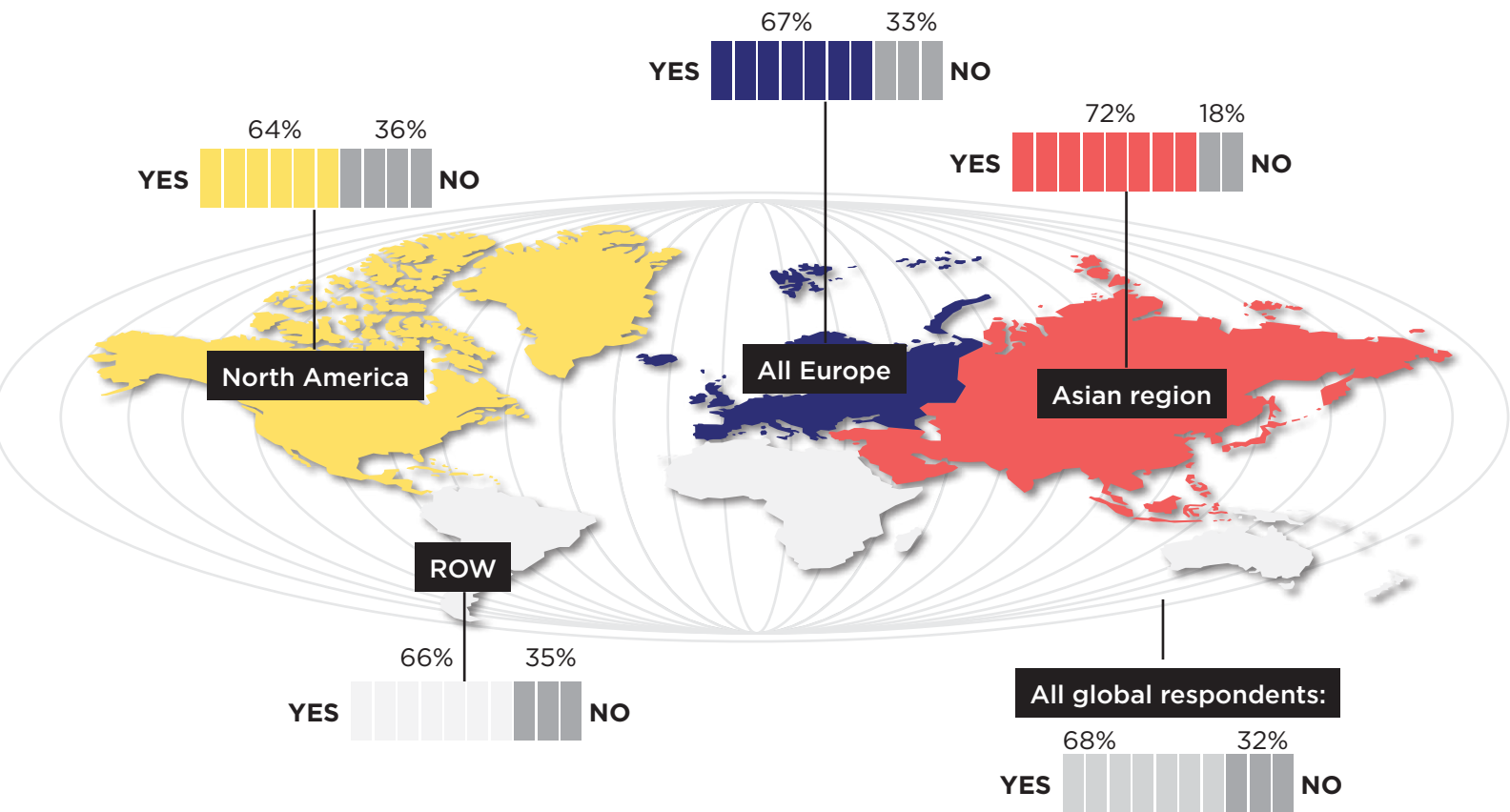
Plus: Should you Build it or Buy it?

The consistent and aggressive commitment to productivity improvement (50% of global Shared Services target >7% improvements according to SSON's 2019 industry survey and report) are keeping Shared Services leaders focused on innovative solutions that drive improvements in effectiveness, efficiency and performance. And while, right now, this is being driven predominantly by data analytics and automation, the medium for doing so is the Centre of Expertise. Indeed, over the past two years this trend has defined Shared Services value add more than any other: the emergence of COEs that provide specialist service delivery is a critical enabler.



Popularity of Centre of Expertise

According to SSON's 2019 industry survey, 68% of global Shared Services operate a COE – however, across Asia the ratio is even higher. In fact, Asia leads all other regions in terms of COE implementations, measured as a percentage of respondents across each region.



This emphasis on COEs marks a critical watershed. It recognises Shared Services' future value proposition in terms of the added value delivered beyond process excellence. No longer is Shared Services primarily about delivering transactional excellence and improvement. What defines the modern SSO are the insights it shares with the business based on a thorough understanding of services delivered, optimised delivery (via automation), business insights via data analytics, and expanding scope.

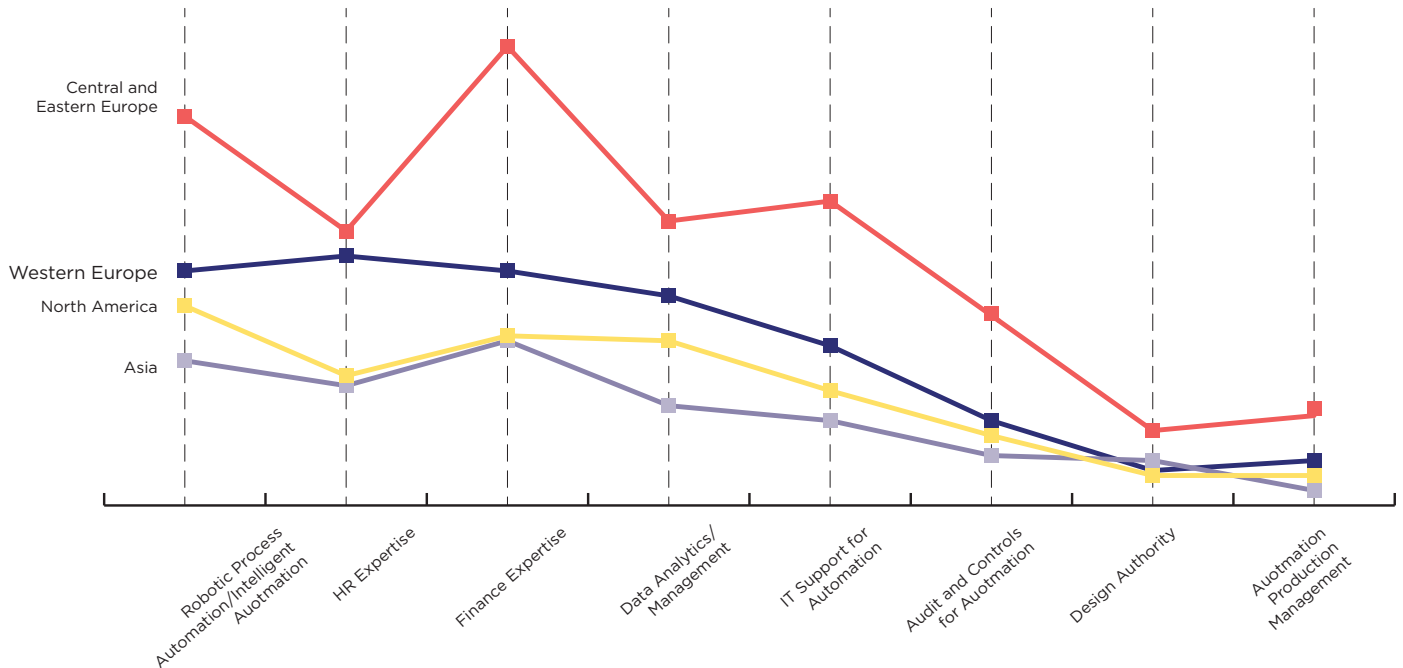
This strong and consistent commitment to COEs is a driving force in modern-day Shared Services. And while 'expertise' takes multiple forms, the focus across Asia today is predominantly on capabilities that drive additional performance. Thus, we see the top three areas of



strongly represented in these centres.

An interesting note is that in comparing regions, Asian COEs lead in Finance and IT services support, and are just behind Central and Eastern Europe in providing RPA support.

Which Services Does Your COE Support?



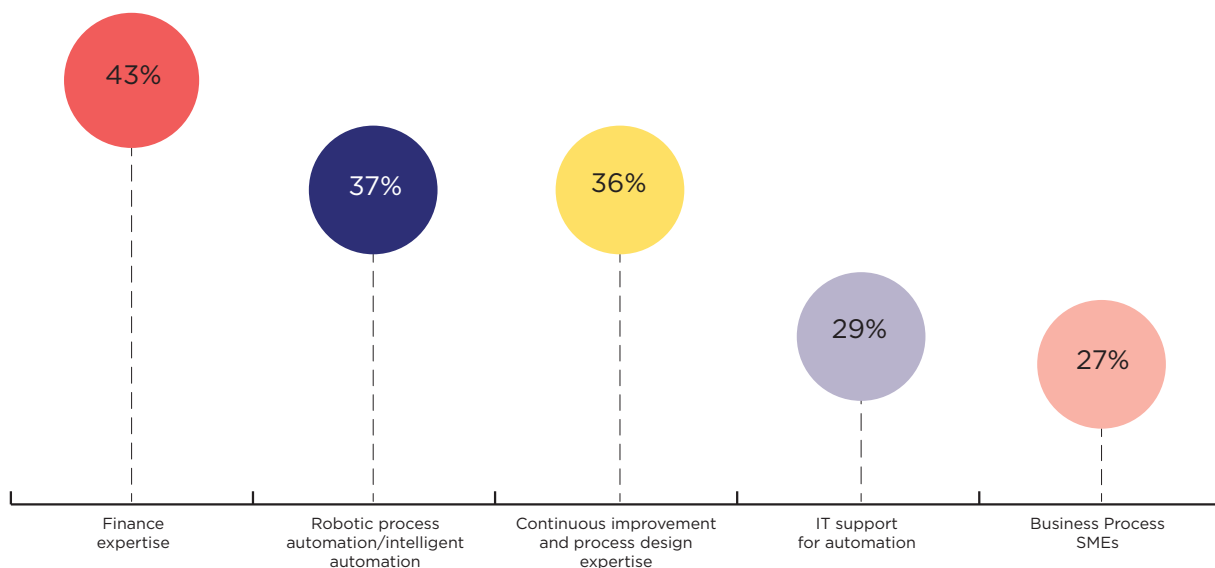
So, why all the interest?

Background

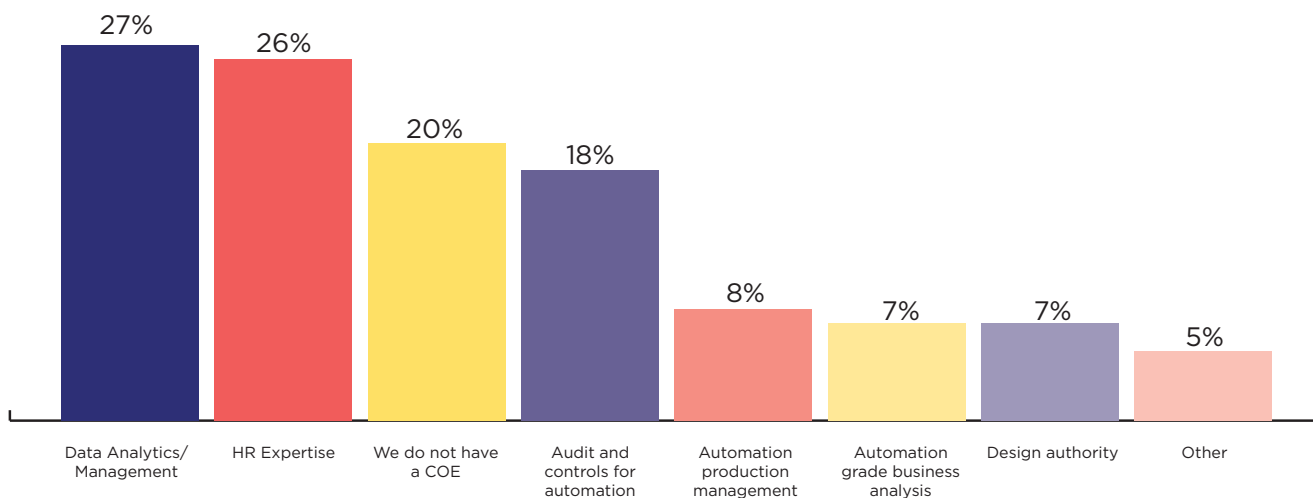
While the centralisation of business services support in Shared Services has yielded tremendous benefits and advantages through standardisation, process ownership, governance, and quality, once these performance levels have been achieved, the natural pressure upwards is driving “value add” services. Many of these relate to problem-solving specific opportunities: additional insights from analysis of Finance processes may drive different decision-making or reengineering of processes; identifying opportunities for automation (e.g., RPA) to improve performance or solve problems; leveraging data analytics to recognise important trends; etc.

Across Asia, here are the capabilities that COEs most commonly support:

If you leverage a COE, which competencies does it support?



SSON's state of the Shared Services & Outstanding Industry Survery 2019



How to determine the best approach to implementing a COE?

Irrespective of which capabilities are being delivered – as that is particular to each organisation's priorities – there are certain aspects that should be considered in order to drive a positive outcome. The key is to understand the difference between Shared Services and COEs, explains Siddhartha Banerjee ("Sid") who is currently spearheading the UI-UX COE at Vodafone Shared Services (part of Vodafone Group), in Pune, India. What differentiates COEs from Shared Services is their value-add in what Sid calls "niche" areas. That, and a completely different mindset, that Sid bases in part on his IDEO-certified Design Thinker experience. The key is to provide creative as well as analytical solutions, he says.

For Sid, the key difference between Shared Services and a Centre of Expertise is that Shared Services result from the desire to centralise output at a reduced cost. To do so, SSOs leverage multiple centres around the world to maximise cost arbitrage while providing services according to SLA expectations. "Shared Services is all about optimising a delivery model and operating as a cost centre. It's the arbitrage opportunity that drives it," he adds.

However, once a Shared Services is optimised, there is still much more value that its employees can deliver. This is where a Centre of Expertise comes in. It ensures the Shared Services doesn't stop at 'optimised delivery' but pushes on with an alternative mindset.

"COEs operate more like an agency [BPO] than a Shared Services," explains Sid. **"They have a creative attitude that combines a cost-cutting modus operandi with a hunger for work that defines third party agencies, or BPOs. That's what drives their value, because they need to pitch for business. It doesn't just come to them the way it comes to Shared Services."**

And while Shared Services are still generally growing, and for now at least, despite automation, that still tends to mean increased headcount – there are, says Sid, specified areas where growth is not the ultimate outcome: **"COEs are more about quality, not headcount."**

Investment in Resources

This quality output requires a higher-level resource, of course, than traditional Shared Services work, he says. "Shared Services generally charge below the market price for standardised work, as that defines the value proposition – "Otherwise, why not outsource?", asks Sid. Centre of Expertise-type jobs, on the other hand, are priced at the market.

The question from customers, says Sid, is often, 'why should I pay a market price for an in-house resource?' The answer is down partly to the specialisation these roles require along with a deeper knowledge base. True, says Sid, you could 'buy' this specialised service from a third-party, but they won't understand the nuances of your brand nor your business. They won't share your vision or your business model. Third parties that serve hundreds of different clients cannot possibly customise or centralise to your business-specific needs, he explains.

A COE delivers significant advantages. "First, there's the brand association and loyalty that a COE inherently brings to the table, as opposed to a third party. It guarantees full transparency. In addition," says Sid, "your internal COE will be brutally honest about what can be done instead of trying to sell an unrealistic outcome to you. And as an internal partner, they will collaborate and help you with problem solving."

The differentiator is not necessarily technical, as Sid explains, but it's all about the attitude.

Opportunities Defined by "Niche"

COEs flourish in specific niche areas only, warns Sid. "It doesn't make sense to apply COEs across the board for functional support. They do particularly well in areas like business intelligence or user experience, where you don't need 200 average people to deliver," he says. The work is not about volume but about insight and understanding – i.e., niche capabilities. "What you need," says Sid, "is a small integrated and cohesive team that plays like an agency but performs like a cost centre."

For these types of services, small is best, he says.



Where should the COE sit? Inside Shared Services or outside?

The location of the COE depends on the organisation of an enterprise. In a highly centralised organisation, for example, the greatest influence remains at the centre so that is where a COE could deliver the most value and impact. On the other hand, a globally distributed or decentralised organisation tends to be better off leveraging the strengths of its local operations for maximum impact.

However, Sid vehemently pushes back against locating a COE at HQ. "You really need to decentralise the channel of work coming your way, and that works best when the COE is situated within the Shared Services itself," he says. "It ensures the COE operates as an independent unit, not reporting to HQ."

In truth, he adds, it really depends on what you want to achieve. "Centralised models offer a lot of control but only limited ability to scale up. The reverse applies in a decentralised scenario. A hybrid model offers the best of both."

What tends to happen, says Sid, is that strong local operations demand the services of a COE because they can see the potential impact on business performance and therefore success. "To some extent local operations can be more authoritative in demanding additional capabilities," explains Sid, "because their market is huge. They can see the value for them." For organisations that want to balance central control with a customer-centric approach, a hybrid model may be the best option, accounting for the requirements of both models.

Summary

SSON termed 2019 "the year of the Centre of Expertise" – based on what we heard from SSO leaders from around the world as well as the results of our survey. COEs are emerging as the differentiator in Shared Services value-add. Transactional and standardised services are optimised via process improvement methodologies and, more recently, automation. But it is down to the specific support provided by COEs that Shared Services can provide a step up in performance.



Note: the comments in this article reflect individuals' personal opinions and experience, and do not represent their corporate employers.

Join us at the regional **Asian Shared Services & Outsourcing Week** where we will focus on solidifying Asian's competitive advantage in the global Shared Services map. Discussions will include value creation, digital transformation and change management with the ultimate goal of driving agile business services and Centres of Excellence (CoE).

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