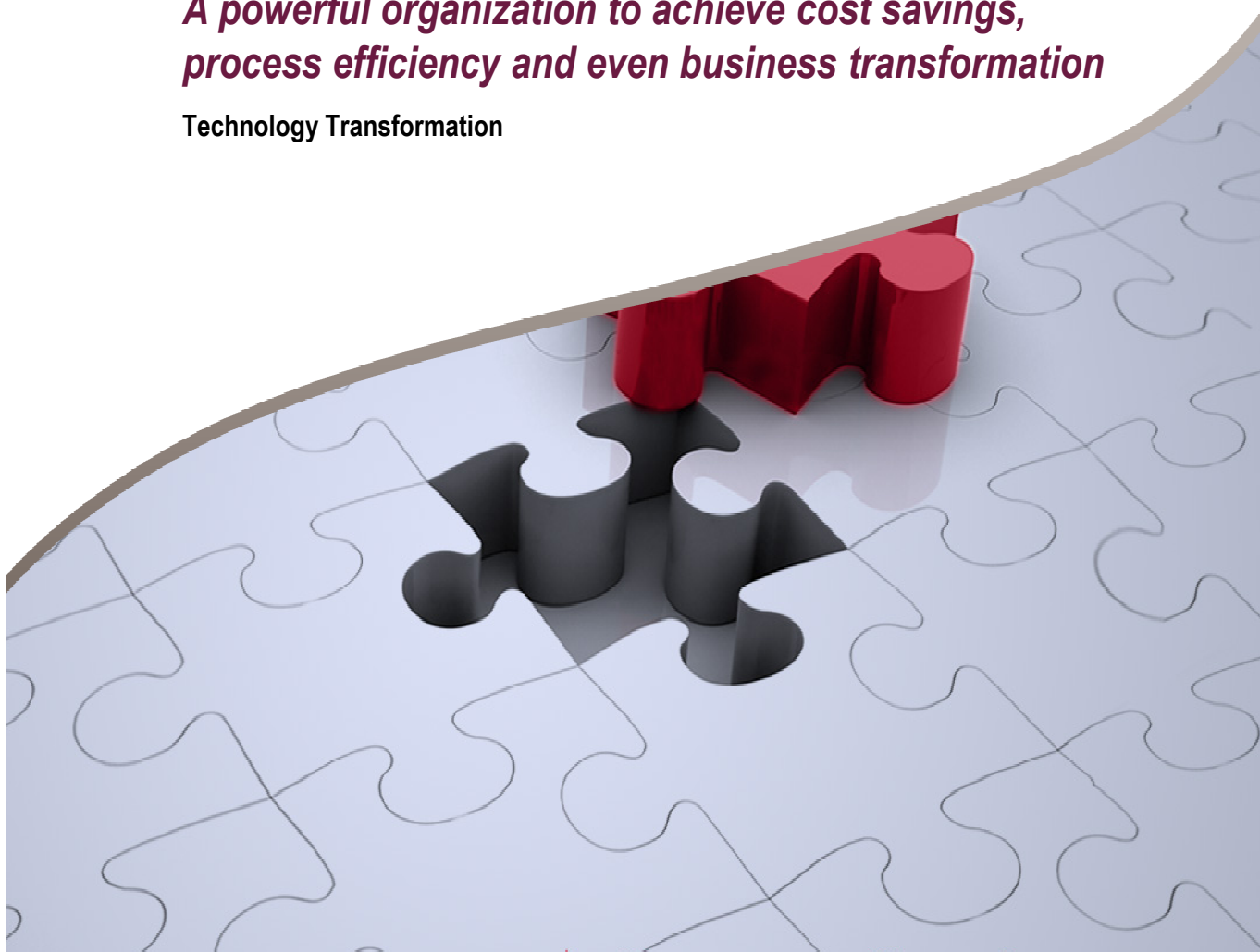




IT Shared Services Center – IT SSC

***A powerful organization to achieve cost savings,
process efficiency and even business transformation***

Technology Transformation



Executive summary

- The concept of “**Shared Services Center**” was created in the U.S. during the 1980s in order to **reduce costs of low value back-office activities**, such as payroll or accounting, and consisted in centralizing and industrializing in one organizational structure some **common services which were charged back to internal clients**. This concept has been **quickly adapted to IT activities** at the end of 1990s with the same objective : reaching scale economies through centralized IT services like management of a common IT infrastructure or development of standardized applications.
- However, **the specificities of IT activities have led to create new delivery models** based on different relationships between IT, business and operations. **Based on our ten latest experiences** in launching **IT Shared Services Centers**, we have observed the emergence of **five models** that can co-exist within the same company.

The “**IT Infrastructure Solution**” manages a common IT infrastructure and are looking for consolidating asset, standardizing processes and optimizing delivery.

The “**Technology Expertise Center**” offers advisory and expertise on specific technologies, develops and supports applications based on these technologies.

The “**Application Factory**” develops and maintains standardized and mature applications to meet expectations of business process owners located in business unit, entities or countries.

The “**Business Solution Center**” delivers both business process and IT solution that will be operated by business units, entities or countries.

The “**Operational Excellence Center**” performs operational business tasks like payroll establishment or accounting management.

- No doubt that **these models offer multiple solutions** depending on the goals you want to achieve, and **reinforce the role of IT as a business transformation enabler**. Nevertheless, whatever the type of IT SSC and the expected benefits in terms of cost savings, productivity, quality, agility or effectiveness, **to launch an IT SSC remains a complex project** with multiple pitfalls to overcome. Beyond the stake of mutualization and industrialization, the project must set up an **efficient management of performance** and **clarify the internal customer relationship**. A **marketing approach**, an appropriate **change management strategy** and **recruiting the right managers** are mandatory for success stories.

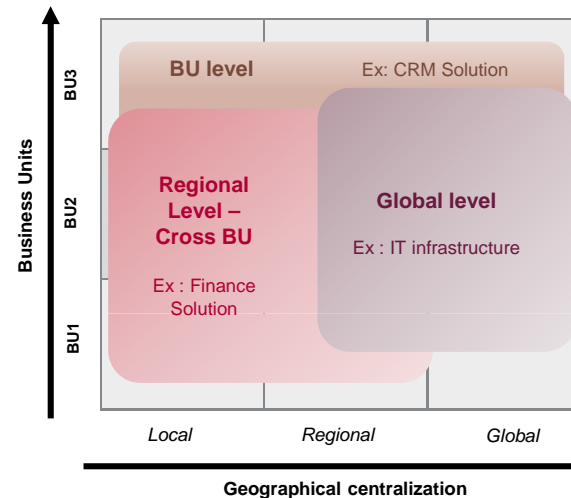
1 WHAT IS AN IT SHARED SERVICES CENTER ?

“IT SSC ARE A SINGLE GLOBAL UNIT DELIVERING CHARGED BACK IT SERVICES”

IT Shared Services Centers are **customer-oriented organization that deliver common IT services charged back to their “internal” client** : Business Unit, Corporate or support functions ... They **match global organization needs** and are **not necessary under the CIO’s responsibility**.

The **level of services centralization** within the company depends on the objectives and the scope of covered IT solution : it could be **Global, Regional** or grouped by **Business Units**.

In all cases, clients are integrated into a **common governance** and customer relationship is formalized in a **service levels agreement with results commitment**.



Examples of different levels of centralization

Success Story : an IT SSC to align entities through shared best practices and one IT solution

In 2009, an Insurance company launched the replacement of its worldwide legacy Claims Management system. One year later a Competence Center was launched in order to share best practices, and to reduce costs in a geographical disparity model by developing common solutions. This entity has more weight than the Corporate Entity towards the different local entities, in order to align them on the tool and shared best practices.

“WE IDENTIFY 5 MAIN TYPES OF IT SSC, BASED ON SYNERGY LEVELS BETWEEN BUSINESS, OPERATIONS & IT “

We consider **5 main types of IT SSC**. State of the art is to combine this different models to fit your specific context, with no one best solution. Thus several model could co-exist within a company.

1. The **IT Infrastructure Solution** manages common IT Infrastructure, looking for asset consolidation, harmonization of processes and optimization of delivery .
2. The **Technology Expertise Center** offers advisory and expertise on specific technologies, develops and supports applications on these technologies, looking for mutualizing rare technological skills.
3. The **Application Factory** develops or maintains mature solutions, looking for standardizing IT solution and industrializing IT processes.
4. The **Business Solution Center** delivers both business processes and IT solutions that will be operated by business units, entities or countries. The goals are to create global added-value solutions for business in a competence center. Design and roll-out are also facilitated.
5. The **Operational Excellence Center** performs operational business tasks like payroll establishment or accounting management. Business & IT teams are merged to define the best way to operate.

Types of IT SSC	Usually scope of activities	Trends	Examples
5 – Operational Excellence Center	<ul style="list-style-type: none"> Operations, business process design, application development, parameterization, tests, roll-out, maintenance, support, administration 	<ul style="list-style-type: none"> Most often deal with back-office activities (*) Huge part of subcontracting Business and IT team are merged including operational team 	<ul style="list-style-type: none"> Payroll Shared Services Center
4 – Business Solution Center	<ul style="list-style-type: none"> Business process design, application development, parameterization, tests, roll-out, maintenance, support, administration 	<ul style="list-style-type: none"> Most often deal with core business activities like Marketing, CRM, Supply chain, ... Business and IT team are merged 	<ul style="list-style-type: none"> Marketing Digital Services Center
3 – Application Factory	<ul style="list-style-type: none"> Application development, parameterization, tests, maintenance, administration 	<ul style="list-style-type: none"> Most often deal with back-office activities (*) Widespread use of offshore Internal activities focus on subcontractors management and challenge of business needs 	<ul style="list-style-type: none"> SAP Factory
2 – Technology Expertise Center	<ul style="list-style-type: none"> Advisory and expertise on specific technologies Application development and support on specific technologies 	<ul style="list-style-type: none"> Most often deal with specific technologies Small team that gather rare and key competences related to specific technologies 	<ul style="list-style-type: none"> Web Expertise Center
1 – IT Infrastructure Solution	<ul style="list-style-type: none"> IT infrastructure activities: set-up, maintenance, backup, monitoring, administration , helpdesk, ... 	<ul style="list-style-type: none"> Globalization Huge part of subcontracting 	<ul style="list-style-type: none"> Global datacenters

(*) HR, accounting, ...

“BUSINESS STAKES AND DEGREE OF STANDARDIZATION HELP TO DESIGN THE SCOPE OF THE IT SSC”

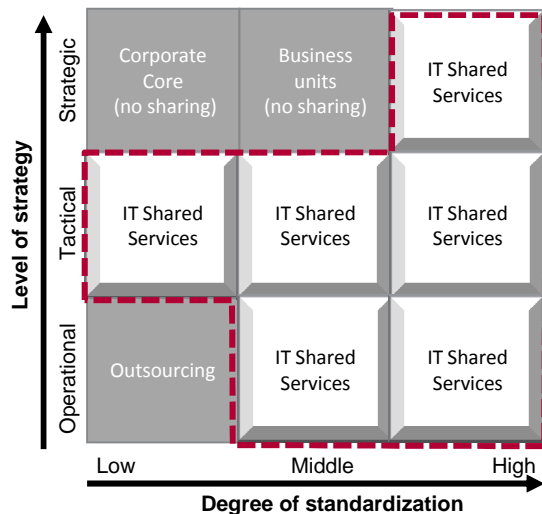
In order to define the future clients of the IT SSC, it is important to assess the business processes through 4 key questions.

First, you determine their level of strategy.

1. What is the complexity of the process?
2. What is the stakes for my business ?

Then, you identify their degree of standardization.

3. What is the critical mass ?
4. What is the local impact ?



Trend is to go above operational level to address tactical and even strategic layers.

“IT SSC ACCELERATES PRODUCTIVITY : FASTER DELIVERY, COSTS CONSOLIDATION, QUALITY ENHANCEMENT”

The most important thing is to define as clearly as possible what you are looking for : what are the opportunities for your business ? what do you want to achieve ? We identify 3 main reasons to launch an IT SSC :

- **Effectiveness** : make the organization more agile or exploit business synergies to accelerate time-to-market or enhance process quality
- **Economic** : to realize significant IT cost savings
- **IT Professionalization**: to industrialize processes, develop IT skills and, as a consequence, enhance quality of IT delivery

For an IT organization, this will lead to re-thinking the operational and financial governance, defining a clear architectural strategy and professionalizing their activities.

Failure story : an IT SSC with a too wide scope that lead the company to go back

In 2004, a Utilities company launched its IT SSC with a wide scope of responsibility : corporate solutions and core business application for the entire company. The “distance” between the global IT SSC and the core business of each subsidiary has lead to go back six years later for specific / core business applications.

2 WHAT ARE THE EXPECTED BENEFITS ?

Implementing an IT Shared Services Center can give you huge benefits depending on the way you implement it. We distinguish five main drivers to create business value :

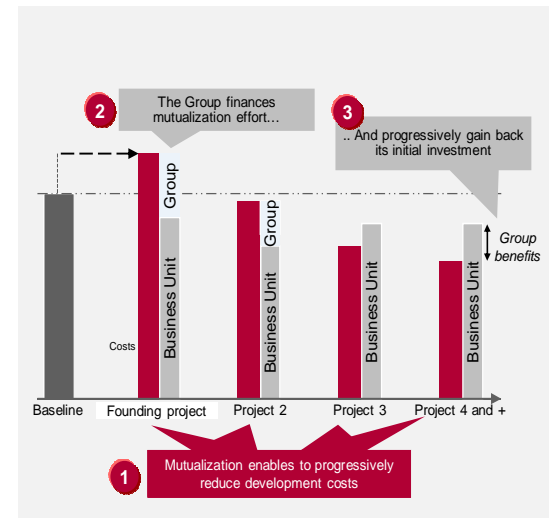
- Cost savings
- Efficiency & consistency
- Quality
- Agility
- Effectiveness

“AROUND 30% OF IT COST SAVINGS”

We identify many sources of cost savings :

- **Reduced build costs** by developing one solution at corporate level.
- **Optimized run costs** with a constant level of business services, by grouping infrastructure operations and having a better control of release and application maintenance
- **Lower roll-out costs**, having expert teams in the SSC especially for infrastructures centers.

- **Control overall business investment.** Cost modeling and tracking is one of the pillar of a SSC. With a global view of investments, CxOs will have a global approach for the budget plan.



Success Story : an IT SSC to reduce costs by 30%

A B2B company set up an IT Shared Services Center covering Build and Run services for corporate functions in 2010. The target was to reduce the IT budget for corporate functions by 30% between 2011 and 2015. The whole scope of services was given to the SSC allowing to launch major infrastructure projects such as virtualization or consolidation to reach the target objectives.

IT Shared Services Center 6

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“SIGNIFICANT IMPROVEMENT OF PRODUCTIVITY IN HALF OF CASES”

IT shared services centers by regrouping IT resources, enhance the sharing and the development of competences.

Often organized by IT activities and technological/functional areas, teams become expert on their activity, enabling the company to gain value added and efficiency thanks to **resources professionalization** and **better allocation**.

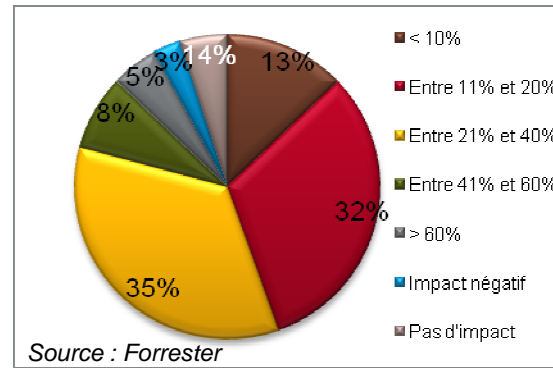
As the resources can be mobilized in the IT SSC for a long time, a human resources policy and a skill development model is usually set up.

Success Story : Reducing IT Lifecycle and attract best potentials

A telecom company faced issues to deliver products on the time to market : First, IT traditional lifecycle for development was an issue to deliver products within less than 6 months. Second, they didn't have the skills internally to develop proper digital services.

Setting up a Shared Service Center specialized in digital services, the company managed to create an adapted lifecycle to deliver its products in 3 months and attract high potentials in this knowledge domain. The SSC was directly attached to Marketing services instead of IT Corporate.

The objective is to build a competency plan adapted to the new IT delivery model : training roadmaps, rewards , suppliers management, etc.



50% of the companies reveal a productivity enhancement over 20%

Success Story : A unified multichannel strategy

An International Retail Banking company decides to develop a unique multichannel strategy for all its clients around the world. 5 shared services centers are created around the world to deliver a common solution for Internet, Branch Network, Contact Client Center, Mobile and ATM. These entities are in charge of building and maintaining the common solutions. Objectives are to accelerate IT development with both quality and costs reduction, standardize process at a global level and ensure innovation and cross-selling without deeply change the organization.

An other expectation is to apply a **standardized and industrialized IT Lifecycle process** that lead to **efficiency** in achieving services and lead to **consistency** with getting the assurance that the service is provided within the same standard framework in all circumstances and locations. The IT processes are often based on market standards (CMMI, Prince-2, ITIL, COBIT,...) or best practices within the company.

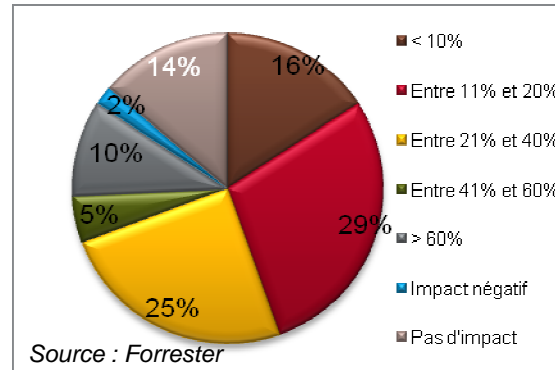
Finally, IT SSC is the opportunity to introduce new tools which provide **more transparency in cost and delivery** : such as business case, financial plan and cost models, contracts templates, service catalog ...

Success Story : Industrialization of processes

A company which produces cement and concrete has launched a program to implement an IT Shared Services Center in France and worldwide, in order to support the roll-out of a Corporate IT system. The key drivers and benefits savings were :

- Lower cost of roll-out
- Lower operations cost
- Better scalability
- Proper Templates implementation
- Greater reliability and performance
- Higher resources utilization

“BETTER CUSTOMER RELATIONSHIP FOR MORE THAN 80% OF COMPANIES”



For 80% of companies we observe a service quality improvement in IT Lifecycle, process industrialization, financial transparency and business added value.

As a consequence of resources professionalization, processes industrialization, financial transparency, setting up an IT SSC strongly improves **quality** of delivered services and generates **client satisfaction**.

All services delivered by the IT SSC are described in a **services catalog** giving more transparency to the client. The customer relationship is formalized through a **Service Levels Agreement (SLA)**. The SLA indicates the quality of service, the price of the service and the penalties to apply in case of failure to fulfill the engagement.

**“DEVELOPMENT OF AGILITY,
EFFECTIVENESS AND SECURITY FOR
BUSINESS”**

Thanks to standardized processes, shared organization and solution, you become more **agile** and **effective** to integrate new entities in the companies. It could be useful for companies which enter in an intensive phase of acquisition. Besides, developing fast IT lifecycle could allow to match **time-to-market business needs**. It is facilitated by merging business and IT teams.

Finally IT SSC is a way to ensure **business continuity** by consolidating assets and resources that make it easier to define and set up emergency and business continuity plan.

Failure Story: A wrong governance could

A telecom company hired a new CIO in order to launch a global IT strategy with standardized process and unified data. First year, he presents his plan to all local CIOs and ask for a budget of 100 B€. Following year, he request 80M€ in addition for roll-out. Third year, CEO was replaced. CIO requested additional budget of 100 M€, but the new CEO was not following him and the project was stopped.

Without having set in place an appropriate governance to manage budget and benefits tracking and put under control the risks, the company has wasted 180 M€ and loosed 2 years !

3 HOW COMPLEX AND SENSITIVE IS DRIVING AN IT SHARED SERVICES CENTER ?

“DELIVERY QUALITY AND CONTINUITY MUST REMAIN THE SAME DURING THE TRANSITION FROM OLD ORGANIZATION TO THE NEW ONE”

The challenge is to succeed in creating a new structure of hundreds of people and to ensure to business IT services continuity during the roll-out.

“WE IDENTIFIED 5 KEY SUCCESS FACTORS TO DRIVING WITH SUCCESS AN IT SHARED SERVICES CENTER”

1 DEFINE A GOVERNANCE WITH IT SSC CLIENTS

The definition of governance, role and responsibility for each counterparts is a pre-requisite for the roll-out. You must ask yourself different questions such as : *Do we need to keep local IT Departments in Business units? Should or can IT SSC be within the Group IT organisation ? Do clients have the choice between using IT SSC or external contractors?*

A key point is to ensure the independence of the IT SSC and give it an own operational legitimacy and decision making.

In that case, IT SSC will be able to answer the interest of the group beyond the particular interest of each entity. Prioritization of business needs will be accomplished by combining a top-down and bottom-up approaches.

Success Story : A specific governance for SSC

One of the major French banks has launched an IT Shared Services Center in order to design and develop shared corporate solutions.

All the entities interacting with a specific role have been listed in the governance :

- *The Top Management of Corporate functions elaborates the strategy*
- *The instructing parties monitor the project portfolio and do the reporting*
- *The user entities share the versioning plan and follow the quality of services*
- *The partners are in charge of transversal topics (e.g.. Infrastructures)*

② SET-UP AN ACCOUNT MANAGER

IT SSC must have a clear customer relationship management. A Back/front organization is a good way to organize an IT SSC :

- The front office is close to or within business entities. **An Account Manager dedicated to each client** develops a partnership with business and guarantees that their **needs are organized and prioritized in a IT roadmap**. The account manager is also the interface between developers and clients thanks to his understanding of business needs and strategy. Furthermore, geographical proximity between account managers and business will facilitate the lead of pre-project studies and long-term partnership. They will ensure alignment between business and IT on a centralized level.
- The back office takes care of the developments and operational aspects, and can even be nearshore, or offshore in order to reduce costs

③ DESCRIBE SERVICES IN A BUSINESS CATALOG

IT shared services center must use tools and process to leverage quality of services and productivity.

- A **Service catalog** improves and professionalizes relationship between IT and business. **It clarifies the different kinds of services that are provided**, using common metrics to evaluate them, in order to give more transparency to the client, and help them to understand invoicing.
- A Service Level Agreement **formalizes engagements in terms of service quality**, standards for levels of services, priority and responsibilities. The SLA defines penalties in case of disrespect of the engagements.

Illustration of a Service Level Agreement

Indicator	Availability	Backup
Gold	≥ 99.9%	Dual access
Silver	≥ 98.0%	Light Backup
Bronze	≥ 95.0%	Single access

4 FIND THE RIGHT MANAGERS

The **recruiting of IT SSC managers is key** to insure the success of the project.

In fact, IT SSC requires huge management capabilities to drive, manage and optimize services outcomes.

Besides, management will have to deal with internal team as well as external suppliers committed on results, onshore, nearshore or offshore. We could assume that the **managerial face could be compared to an IT function** including all dimensions : budget, HR, suppliers, performance, SLA, crisis, incident, projects ...

5 DON'T UNDERESTIMATE CHANGE MANAGEMENT AND ADOPT A MARKETING APPROACH

The **roll-out creates a lot of anxiety inside and outside the IT SSC.**

- Inside the IT SSC, people are fearful of losing their autonomy or suffering from productivity targets. That's why it is important to communicate a lot, and more particularly about the business case and the new governance.

As the implementation of a new SSC involves new way of working and tools, **the capability gap to perform new roles must be managed through an adapted training and competence development plan.**

- Outside the IT SSC, clients and partners are troubled by the change of **roles and responsibilities**, that must be formalized in a transition plan and broadly communicated : this is the first step to a virtuous customer relationship.

“THE ROLL-OUT REQUIRES LEADERS AND IMPLIES STRONG CHANGE MANAGEMENT”

Leaders are very important as they embody the company culture through their stated beliefs and actions. Business leaders need to be visible and active sponsors all along the implementation project. This mitigates the risk of those who are impacted by the change from resisting because they will understand the importance and the direction of the project

Top 3 pillars for success of a reorganization project

- 1. Top Management buy-in and sponsoring*
- 2. Alignment with the corporate strategy*
- 3. Middle management implication*

“THE QUESTION IS WHEN AND HOW ENTER INTO DISCUSSION WITH UNIONS ?”

As soon as the project involves changes in work conditions such as staffing, job definition, salaries or localization of employees, a discussion with unions will be mandatory, as planned in the French law.

As a consequence, **it is necessary to put together social communication strategy**, in 3 steps:

1. Identify the impacts of the projects, and classify them in order to determine the type of communication required
2. List legal obligations associated with the impact
3. Outline a social strategy and planning

Whatever the country is, **it is strongly recommend to launch initiatives from the beginning of the project** to give an attractive image of the project and secure the roll-out by:

- Coaching managers involved in social consultation with regards to legal rules
- Setting up a « social marketing » in front of unions and their representatives
- Using local intermediaries to ensure alignment with middle management

Success Story : A model providing incentives for business units that become promoters

A worldwide insurance company launched the first initiative to set up a unique IT solution for claims to all its countries. To initiate the convergence dynamic and answer the funding problematic, the Group applied an incentive economic model where fees are given to first countries and retrieve from followers to aim financial autonomy.

Success of the IT SSC on claims was such that the model and its funding strategy was extended to other platforms like Life, corporate functions and activities such as web and BI.

As a conclusion, we could say that IT Shared Services Centers represent a powerful organization to achieve cost savings, process efficiency and even business transformation. Nevertheless, the road is complex and difficult depending on your sought objectives, the maturity of your organization at the beginning, the relation of business & IT and the level of potential synergies within your company. In all cases, the opportunity to implement an IT SSC should be studied taking into account your specific context.

Contributors



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