



Cognizant

The Shared Services Imperative: Evolve from Cost-Killer to Value-Driver

By applying new 'SMAC Stack' technologies to enterprise work, shared services leaders can standardize and automate process work activities, while at the same time delivering greater value through process innovation, reducing risk and revealing new sources of revenue for stakeholders.

A close-up photograph of a complex industrial machine, likely an engine or motor, showing various metallic components, belts, and gears. The lighting is dramatic, highlighting the textures and metallic surfaces of the machinery.

KEEP CHALLENGING™

Executive Summary

Shared services centers are at a critical tipping point. If these organizations continue with their traditional practices, they may be a victim of their own stunning success at reducing costs. Their near maniacal focus on cost reduction could result in the hard-coding of an operating model that fails to respond quickly enough to the seismic changes occurring today in business and technology.

Moreover, the pressure to flatten costs and drive aggressive process standardization initiatives butts up against a startling set of ingrained business dynamics that include rampant globalization, economic turmoil, new technologies (social, mobile, analytics and cloud, or the SMAC Stack™) and shifting demographics. This convergence is propelling organizations to rethink how process work is organized and conducted at the core – and to seek new technology-driven process enhancements that increase operational agility and organizational flexibility.

So, why is this so important right now? Rigid processes impede the top-down push for flexibility and agility – this is the fault line running right through the corporate shared services center (SSC), where enterprise process work actually gets done. Savvy leaders see new opportunities based on reimagining how work and technology couple together. This is the future of shared services: What they actually do is currently up for debate.

SMAC Stack technologies are already transforming business models and the processes underpinning them. Stakeholders want to harness SMAC technologies, and they want to modernize process work with SMAC to usher in a new era of business value and efficiency. Combining SMAC with process work (such as human resources processing, procurement operations or finance and accounting) introduces new opportunities for innovative service models, while a renewed focus on standardized processes (and the business models that deliver them) helps shared services organizations maintain the hard-won battle for cost leadership.

Leaders who recognize the shared services tipping point can walk a clear path to value. By applying standardized and automated services, organizations

can maintain a laser-like focus on cost, while mining process data for value. Applying advanced analytics to process data can drive process improvement, reduce risk and reveal new sources of revenue for stakeholders. To get ahead of the competition, sourcing executives must formulate strategies that use shared services to drive innovative value, not just cost reduction.

The data, analysis and conclusions presented in this paper are derived from a study commissioned by Cognizant. We teamed with Nelson Hall to examine the decision-making and dynamics surrounding shared services.¹ The results fuel our recommendations for the future of shared services:

- **Rethink shared services beyond a focus on cost** and reinvent the shared services center (and its people) as “value-drivers” by combining a new SMAC-driven imperative with today’s rote process work.
- **Apply a hybrid approach to service architecture** that fuses internal and external delivery with a reframed mandate that goes beyond the transactional core. Hybrid architectures accelerate the journey that shared services must take to transition from contextual to core work.
- **Offer stakeholders corporate services aligned with value**, aided by new throughput-based pricing models (rather than input-based pricing). This approach can be achieved by developing smarter partnerships with business process providers.

We believe these three steps are now within reach for bold leaders prepared to evolve their shared services centers from cost-killers to value-drivers.





Corporate Survival Means Managing Change

Managing change – and, where possible, anticipating change – is the must-have capability in today's knowledge-based markets. Yet the core tenets of industrial management theory have been "stricture," "structure" and "control," with the goal of limiting deviations in behavior and performance. This was the accepted theory that guided shared services organizations before business strategists foresaw how Internet-enabled process inputs and analytics-driven, real-time feedback mechanisms would radically remake the workplace.

Emerging markets, frequent organizational changes, greater intra-independence between employees, increasing knowledge intensity (data) and ever-growing technology choices are driving business decision-making in ever more complex and precarious ways. Therefore, the management of process must facilitate flexibility and adaptability while also delivering operational efficiency.

So how do shared services measure up? While shared services are extremely effective at maximizing efficiency, they're not so great at process innovation and flexibility.² Managing the tension between efficiency and innovation is difficult to do and is almost always focused initially on cost take-out. Nearly all efforts are aimed at ongoing process standardization initiatives. This, in turn, has led to commoditization of business processes in the shared services center. Commoditization, in fact, continues to be the default setting for centralized service delivery. The downside, of course, is that rigidity severely impedes change or growth, such as entering new markets, designing better products and services, and selling more of them.

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Why is this dichotomy no longer acceptable? We are in the early days of what we call the "Code Halo™" economy, in which wisdom, insight and commercial value all originate from the meaning that is made from the digital data surrounding people, organizations, processes and products.³ The time has come to ask ourselves how well shared services organizations are prepared to harness process work for this new economy.

Our research reveals that there are still significant opportunities for the incremental improvement delivered by process standardization, cost reduction and quality improvement initiatives for less mature shared services centers. However, the true value from process work is earned when organizations comprehensively rethink how work is conducted. This is not an academic meditation but a serious reconsideration of "why," "how" and "what could be different," aligned with the core demands of enterprise work. Likewise, the implications for shared services centers – where process work happens – are profound.

Process Work Needs to Modernize

Traditional approaches to process work need updating, or else they run the risk of becoming inflexible and rigid (and ultimately breaking) or, worse, becoming hard-coded. The experience we have with technology in our personal lives is heightening our expectations for efficiency, speed and elegance, and these expectations are genuinely reshaping the design of enterprise work. The bar has been raised for how work should be performed, and when this is combined with shifting demographics, economic volatility and new tools, a fertile context is created for business innovation. The window to respond and rebalance is narrow. Companies that miss this change and fail to modernize process work open themselves up to tremendous risk.

Our own market tracking confirms that a “business-as-usual” approach across a selection of industries will negatively impact process performance.⁴ We surveyed nearly 250 North American and European banks, insurance and health insurance companies, and the results reveal a not so pretty picture. The majority of executive decision-makers (i.e., not operations personnel from the delivery side) anticipate process degradation over the next three years unless they rethink and modernize process work (see Figure 1). Process degradation could push organizations off the cliff as cost, agility and market pressures build.

The good news is that smart decision-makers see the cliff. In fact, they indicated that 73% of core business processes will need to be modernized to meet cost, agility and new market pressures over the next 36 months. Many of these leaders will actively evaluate this gap to ensure work processes are robust enough to meet the challenges of today’s age. It is not hyperbolic to infer that many are terrified of being wedded to an outdated operating model when they can see new horizons based on reimagining how work and technology are combined.⁵

This is the future of work, although what that means is now up for debate. We believe the early winners are reorienting and reframing process work, focusing on the mechanisms that deliver higher value offerings. These mechanisms are rooted in automation and harness the explosion of data with analytics tools and new throughput models to drive process efficiency, service delivery, streamlined operations and new revenue creation opportunities.



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New SMAC Stack technologies are helping companies change work processes and the business models surrounding them. Information gleaned from data insights can now improve process performance and business strategies. Deciding on what the information and data means – and how it can drive revenue, reduce cost or eliminate risk – offers SSC leaders new ways to generate value for their stakeholders. Predictive modeling techniques, query drill-downs and greater granularity of data, together with better alert notifications, offer leaders fresh insights deep inside the business where the heavy lifting is done. If shared services don't adapt to this reality, they'll end up in the firing line.

SMAC: The Modernizing Force for Process Work

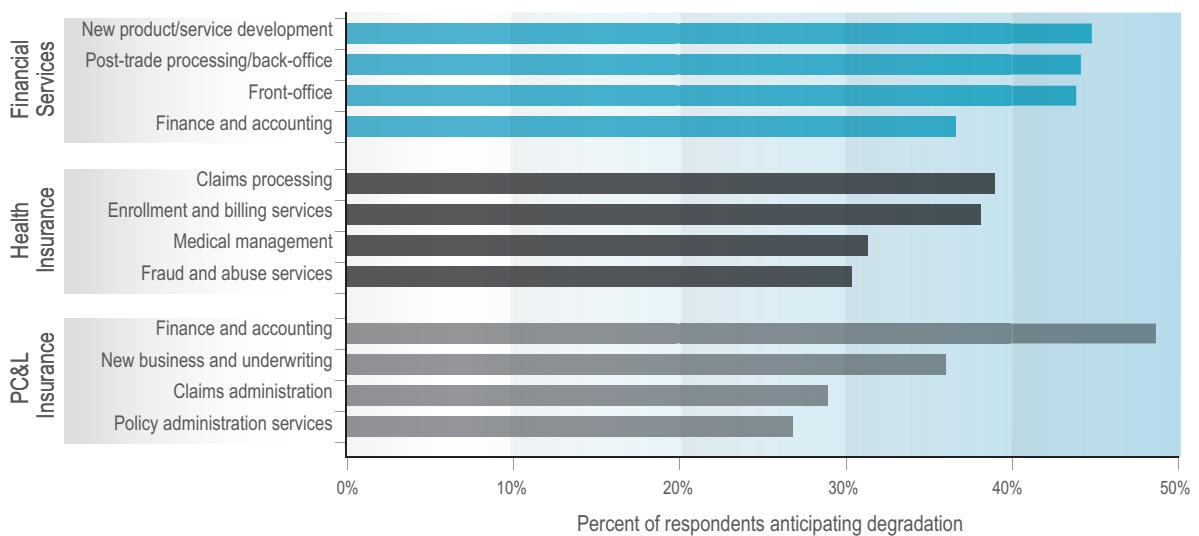
New technology solutions enabled by social, mobile applications, analytics and cloud are transforming work processes and business models. When applied holistically, SMAC is the modernizing force for process work.⁶ SMAC technologies are now mainstream in our personal and “consumer” lives and are pouring into enterprise IT at a velocity that is causing whiplash for many market-leading companies, even those with technology mastery at their core.

Our research shows that stakeholders clearly recognize that their businesses are already at risk due to slow adoption of these rapidly maturing technologies.⁷ Core enterprise work is rapidly changing as companies integrate SMAC technologies into process work. The implications are profound for process work performed at shared services centers as savvy leaders rethink the questions of how, why and what could be different.

SMAC creates an imperative for IT and process architectural change as stakeholders recognize the following realities:

- Pervasive social functionality adds massive value to process work.** Social media functionality is being widely and rapidly adopted by individuals; now, leading-edge enterprises are co-opting similar functionality into their business operations and processes. Organizations need to anticipate and analyze the growth in

Pressure to Modernize Builds as Process Performance Drops



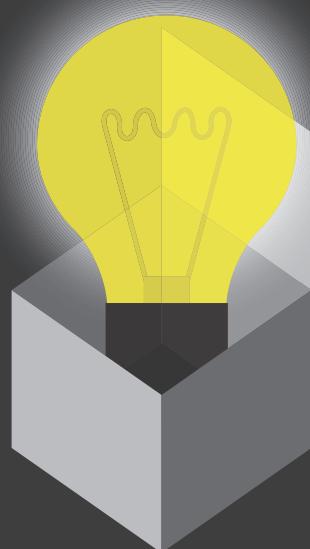
Response base: 242 business decision-makers
 Source: Cognizant Center for the Future of Work
 Figure 1

the volume, variety and velocity of social data that could be channeled, modeled and monetized as tighter collaboration mechanisms between suppliers and partners lead to better ways of integrating and automating process flows. Examples include the efficiency gains that not only reduce costs, error rates and cycle times, but also provide near-real-time signals into the quality and effectiveness of those processes.

- **Younger and ever-more-mobile workers are rewiring work.** Mobile devices have led to a blending of "work" and "life." Consider the average age of workers in your delivery center – are they between 24 and 26? This generation wants to swipe every screen it comes across and happily multi-tasks through several screens at the same time in multiple locations to get work done. Watch how your younger workers message, text and multitask around the process bottlenecks that work throws at them and see how quickly they resolve them. Harness those learnings, and identify – quickly – pilots that capture them within appropriate process functions.

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- **"Making meaning" is reshaping business economics.** With more people and products IP-connected, we're witnessing an explosion of online data. Between 2008 and 2020, the amount of data managed by corporations will grow at least 44-fold.⁸ Capturing, storing, searching, sharing, transferring, visualizing and, above all, analyzing torrents of data that our business processes increasingly generate is the new gold rush. Efficiency gains through automation are crucial, but explosive, corollary information yielded from analytics algorithms has delivered \$766 billion in business impact (combined revenues and savings) in the past 12 months.⁹ Processes are melting and reforming as meaning-making becomes an unstoppable force allowing stakeholders to pinpoint and monetize business trends or drive significant operational efficiencies.¹⁰



New technologies are transforming work.
The digital enterprise emerges.

- **The future of work is – still – “cloudy.”** The Internet has morphed and evolved into the cloud. What was once simply a transport protocol is now also a development environment and a management platform. Providers of cloud services now offer everything from crowdsourcing platforms, to storefronts, to computer processing power, to logistics fulfilment, to expense management services, to ... you name it. Like it or not, there now exists a set of standardized, immediately available processes underpinned by solid data orchestration tools that accelerate process standardization where it's needed.

Shared Services: Change Needed to Stay Relevant

Against this backdrop of technology-enabled change agents, the engine for enterprise process work remains in the corporate shared services center. Yet at its heart is an ongoing tension between the economies of standardized processes and stakeholder desire for process innovation. Managing this tension is difficult to do, and leaders usually default into aggressive cost-containment mode because that's easier to do, and – let's face it – something that is encoded in the DNA of SSCs since their inception. The levers focus on strategic sourcing, aggressive process standardization, deeper automation and process capture.

Yet something could be fundamentally wrong here. An aggressive focus on cost containment could actually harm the long-term viability of the corporate shared services center.

Businesses need service innovation, service flexibility and process agility to succeed in today's global markets. Old-school thinking around economies of scale from rigid and standardized process models is passé. The SSC model risks hard-coding rigid, inflexible processes when the future of process work – and the shared services center – demands greater flexibility and agility.

Formidable Execution Masks a Deeper Malaise

There is no question that shared services are effective, but the gap continues to grow between today's efficiency engine and the business's ability to respond to the demands of process inputs, models and expectations. The battle to reduce costs has become a war of attrition, as traditional cost reduction methods lose their potency, and stakeholders resist centralizing higher value processes into the SSC. The trajectory for shared services growth, therefore, appears stalled.

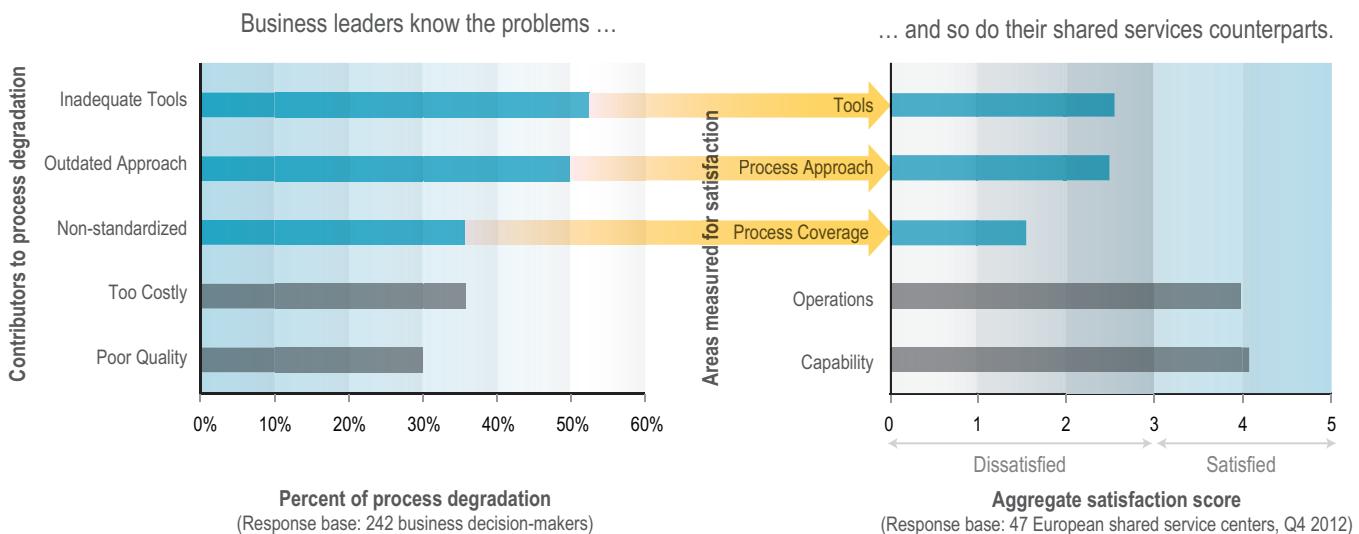
Strong satisfaction scores may, in fact, mask several longstanding issues with the shared services model of which organizations are keenly aware. Stakeholder surveys reveal markers of suboptimal process performance, including inadequate tooling and outdated approaches to process work.¹¹ Our survey of 47 EMEA-based shared services organizations reveals the existence of inconsistent process approaches and low levels of dedicated tools impairing continuous improvement initiatives. The ability to persuade stakeholders to shift more process work into the SSC is also a problem.¹² Both stakeholders and shared services leaders recognize the issues that plague the shared services model when questioned separately (see Figure 2). The model isn't broken, but it does need updating to stand up to the rigors of today's business environment.

Flexibility and Value-Based Thinking Required

Agility and flexibility are strategic imperatives for process architectures that also need structure and control. The need for agility is propelling enterprises to rethink how process work is done. How much hard-coding of process work will your stakeholders accept as new business dynamics play out? Not much – and as stakeholders

Shared Services Execution is Formidable, Though Process Degradation Persists

Q: Which of the following could contribute to process degradation?



Source: Cognizant's Center for the Future of Work; Cognizant and Nelson Hall

Figure 2

seek process flexibility and value-based thinking, leaders in shared services can often make the following mistakes:

- **Focus on the value of shared services solely as a function of cost.** Stakeholders are clearly thrilled with the savings provided from centralizing and standardizing process work, but cost has become the "default setting" for service delivery. As a result, cost – to its detriment – dominates. ROI calculations can fail to quantify how innovative approaches will positively impact stakeholders, especially because shared services metrics are typically focused on FTE (full-time equivalent) input or SLAs. Cost is truly king and dominates long-term decision-making.
- **Standardize rather than innovate process.** Process standardization can create a bias in shared services thinking that focuses decision-making on cost rather than investigating and offering innovative value-based approaches. By freeing decisions from cost alone, the two are no longer mutually exclusive. Some SSCs may have moved into their second and third generation or iteration. Consequently, they need to respond to different priorities as organizations focus investment on core business, roll out new products or services, and develop the need for process best practices and the latest state-of-the-art technologies. Typically (in more orthodox SSCs), as more processes shift into the shared services center, dedicated teams begin mapping, scoping and removing process inefficiencies to enable less expensive service delivery. Yet, inadequate tooling and ineffective change management methodologies often fail to persuade recalcitrant stakeholders to hand over higher value, nontransactional process work. Process standardization initiatives continue, but they only really work for noncore, contextual work – where relentless cost-based decision-making and aggressive process automation belong.¹³
- **Burn too much political capital on better engagement.** Stakeholders are reluctant to hand over more complex process work to the SSC because of the perceived loss of control. Complex process work tends to stick close to where stakeholders can see and control it – in the silos and country organizations where

quality and timeliness of information is guaranteed. The political capital needed from SSC leaders to persuade stakeholders to shift more complex process work into the delivery center gets burned very quickly in the face of strong stakeholder resistance. The shared services mantra of capturing higher value processes, reengineering them, automating them and then capturing more breaks down without a stronger engagement model. Normal service tends to resume, meaning SSCs retain their focus on cost rather than value.

While organizations welcome the traditional cost savings and even incremental process improvements offered by shared services, more mature SSCs are struggling to keep processing costs down or expand the scope of work they can capture (see Figure 3).

Cost-Killers ...The Road is Running Out

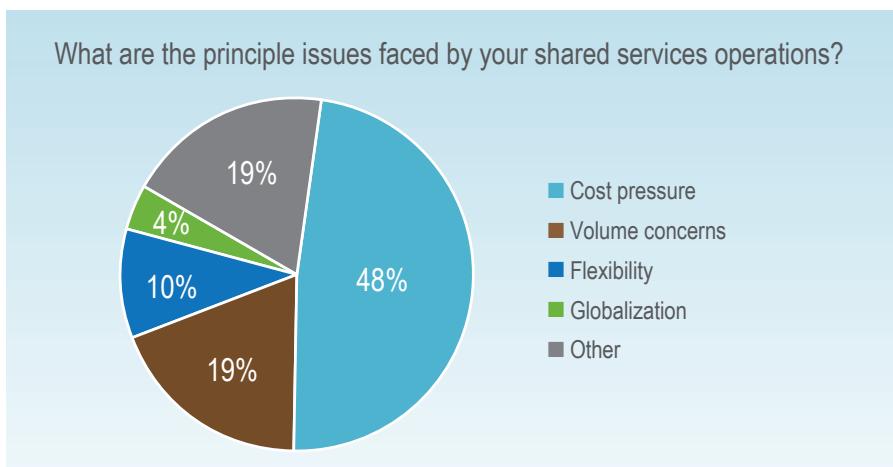
The pressure to expand the frontier of cost reduction is the dominant issue that service leaders face. This pursuit is not made any easier by rising wage costs, rapid cost of living increases and process volume concerns. As a result, the shared services engine is stalling.

The scope of most SSCs is generally confined to critical yet noncore processes, such as transactional finance and accounting (F&A), HR or procurement. Once the low-hanging fruit is picked for maximum efficiency gain (offshoring, process engineering and automation), stakeholders are slow to shift higher value processes into centralized service delivery, and the productivity from centralized service delivery reaches a plateau. Efficiency gains begin to flatten out, forcing management to aggressively focus on cost alone. When that happens, shared services centers risk sliding into irrelevance as the forces of globalization, maturing SMAC technologies – and most certainly automation – take hold.

Three Key Imperatives for Change Emerge

A business-as-usual approach introduces the risk of hardcoding an outdated operating model, just when stakeholders are entering a period of unprecedented

The Relentless Pressure of Cost



Response base: 47 European shared service centers, Q4 2012

Source: Cognizant and Nelson Hall

Figure 3

change. The time has come to reinvent shared services as an engine of process efficiency and process innovation. Three key imperatives emerge for shared services:

- **Realign service outputs around core work.** Service leaders need to frame the value that stakeholders gain from using SSCs, and the best way to achieve that is to divide enterprise process work into two types – context and core. Core is what your company does better than anybody else. Context is tablestakes for your industry and could be automated or sourced. And yet contextual work dominates the work performed in the shared services center. The best organizations are clearheaded about the two, while mediocre ones confuse them far too often. Refocusing outputs from the shared services center on core enterprise work rapidly elevates the value that companies gain from shared services assets.¹⁴

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- **Modernize process work, extending value beyond cost.** New service models are emerging that focus on processes. Governance models centered on process ownership can shift the focus from efficiency metrics to measurements that target innovation. Consider the value that could be obtained through the explosion of process data, or the transformative benefits that could be derived from new, industry-specific shared services offerings that leverage straight-through processing and output-based pricing. Such a combination could allow companies to reimagine and modernize core process work for stakeholders.
- **Deliver process flexibility when agility counts.** Supporting core work requires a process architecture that offers both flexibility and adaptability at its core. This facilitates better decision-making as new service and pricing models emerge. Importantly, pricing mechanisms shift from headcount-based (input-based) or SLA-based (process-based), to pricing tied to business outputs (consumption- or throughput-based).

We believe companies have a clear choice. Ignore change at their peril or transform shared services from cost-killers to value-drivers.

Rethink Shared Services as 'Value-Drivers'

Leaders need to revisit strategic assumptions about their shared services organizations. New technologies and service offerings enable companies to pivot the SSC toward higher value process work. Shared services centers are able to support core business operations with SMAC-based technologies and offer stakeholders exciting new service models that drive continuous improvement and process innovation in an era of unprecedented change.

Value-Drivers Focus on Process Efficiency and Innovation

The level of maturity in service delivery capabilities will determine where SSC leaders should focus. Less mature organizations will satisfy stakeholders with additional savings provided by the ongoing centralization and standardization of contextual process work. More mature operations must focus strategy and investments around SMAC-based technologies and new process models that they deliver



to underpin core and contextual process work. Value-drivers accelerate value through the following:

- **Aggressive automation of contextual work.** By concentrating on standardization and automation of noncore work, SSC staff is free to focus on work that drives real value for stakeholders. Provisioning analytics capabilities for advanced financial planning becomes much more effective than devoting manpower to accommodate process gaps in the record-to-report cycle, for example. Consider automating F&A, HR or other centrally provided services with new platform or service delivery models (external business process as a service – or BPaaS – offerings) that now offer quick access to standardized best-in-class processes, where possible.

Leaders that focus technology investments around process innovation find it much easier to engage stakeholders on higher value work.

- **Use of process-centric models for core work.** Moving shared services up the value chain means wrapping process work around new delivery models. Leaders that focus technology investments around process innovation find it much easier to engage stakeholders on higher value work. Throughput-based models targeted at internal business groups (rather than input-based pricing) – as well as platforms for product and service innovation – shift shared services providers from “context” to “core,” transforming the focus of shared services organizations from cost to greater value.

Use SMAC to Deliver a Better Stakeholder Experience

Framing success means putting stakeholders at the center. Getting closer to stakeholders and improving their experience with centralized service delivery means realigning process work around what they need, especially as it pertains to process innovation. We propose that new SMAC-based technologies enable the service delivery engine to reorient itself around higher value process work. SMAC technologies improve the stakeholder experience by offering the following:

- **Access to a low-cost, “easy-on” set of processes.** On-demand sourcing of an “easy-on” set of standardized processes offers businesses low-cost access to best-in-class processes that span business functions, such as finance-based services, payroll, time-and-expense processing, P-cards (purchasing cards) and so on. Using these standardized processes helps drive consistency across the business into new geographies, modernizes work and increases scale through cloud-based delivery. Process management suites that support data orchestration tools ease the task of managing master data and systems of record.
- **Faster process solutions.** Provisioning a business process through the cloud offers rapid deployment, with customization used as a last resort. Stakeholders need process data to be flexible and agile, with robust safeguards for information quality and security. For example, streamlined, “I accept”-style contracting processes need to be implemented in days and weeks rather than months (or even years). Third-party shared services providers are increasingly amortizing one-time charges of implementation to accelerate these processes.
- **Meaning-making through knowledge and analytics.** Shared services organizations are sitting on massive amounts of previously unrealized business value from structured and unstructured data. Such data is a latent asset with unreal-

ized business value that can be unearthed as pervasive automation and mobility builds. New tools and methodologies for analytics will be essential for SSCs to make meaning of the proliferating data. SMAC investments also require new skills, such as expertise in data stewardship, pattern recognition, uncertainty modeling and data visualization. A premium will be placed on sophisticated tooling and dashboarding capabilities, as well as data scientists who can make meaning from the proliferation of data.

Reframe Value Around the Stakeholder Experience

The opportunities for process efficiencies are beginning to decline relative to the potential value that can be created through analytics and information-enabled decision-making. Process improvement and innovation create a superior stakeholder experience. In order to complete this transformation, shared services centers need to undergo four key phases:

- **Prepare.** Get ready to drive the output of shared services from context to core using a hybrid approach. Decision-making and investments should be set around three key horizons: cost leadership, harnessing of technology-led services and refocusing of service delivery around process innovation.
- **Support.** Plan to equip your employees with needed competencies as SMAC takes hold in the shared services center. New skills focus on data modeling techniques and better data visualization tools to infuse service delivery with meaning-making. SSC staff will need rigorous retraining and upskilling via new recruits to make sense of process data.
- **Enable.** Lean on the hybrid model and rethink how your process architecture works. Start abstracting the process interface from the underlying foundational data and automate where possible. Infuse the information flows around the stakeholder interface with SMAC-based technologies, because this is where the next generation of value will be found.
- **Engage.** Shift the engagement model up a gear by sharpening your business partnering skills. The political capital needed to persuade stakeholders to move higher value processes into a centralized delivery engine needs careful tending. Get the story straight on SMAC and its ability to modernize process work and explain how shared services can create extraordinary value.



Reload Shared Services to Deliver Extraordinary Value

We believe that companies can combine next-generation shared services and IT to become an engine for new ideas and agility aligned with the SMAC Stack. Leaders can take an already high-performing centralized service engine and move it even further up the value chain. Igniting value with SMAC-based technologies enables the lean delivery machine at the heart of corporate services to become an engine of innovation that pushes shared services from context to core.

Ignite Value with New SMAC Technologies

Don't let your ROI calculations restrict your plans to modernize process work. Process modernization through SMAC deployment – the key to improved service, innovative product development, enhanced supplier management, etc. – can be messy, difficult and potentially inefficient in the near term. But the long-term value and differentiation it offers for centralized delivery engines make the effort worthwhile. We are at an age of tremendous business disruption that demands the

modernization of critical process work. We recommend that shared services leaders do the following:

- **Rethink the shared services platform around SMAC – fast.** SMAC enables the creation of new organizational models and economic value, and it provides a foundation for competitive advantage. Companies that don't embrace SMAC risk being usurped by competitors that do.
- **Retool around the “millennial mindset.”** The future of work means revamping how work is currently conducted to accommodate millennials' expectations for more collaborative processes underpinned by new social and mobile tools. Millennials will soon account for the majority of employees within the shared services center. Given their pervasive use of social and mobile tools, your organization will need to reorient critical workflows and tasks. Co-opting social and collaboration mechanisms and tools into process work can improve productivity and break down the unyielding bottlenecks that work generates. Start by identifying two or three process candidates that could benefit from these tools, and then pick one for a short-term pilot over the next three months.
- **Make meaning from the flood of process data.** The sheer growth in the volume, variety and velocity of data needs to be managed both inside and outside your enterprise. Capturing, storing, searching, sharing, transferring, visualizing and – above all – analyzing torrents of data will undoubtedly drive higher levels of stakeholder satisfaction beyond year-on-year cost reduction. Begin by dissecting processes and find ways to make new meaning with the aim of becoming a true “learning organization.”¹⁵ Recast the shared services center as not only managing master data but also driving predictive analytics for the business.

Value Drivers Focus on Core Work

Shared services centers are great at transactional work, but expectations for work are changing. Don't just cross your fingers and hope for more value without rethinking your organizational structure and the capabilities needed to underpin the delivery engine of tomorrow. Shared services need to do the following:

- **Move service delivery work from context to core.** Shifting, simplifying and standardizing corporate processes into the shared services center will continue. The next-generation shared services center can – and must – focus on creating new ideas that are business-relevant while also maintaining the traditional approach to operational process work. This move from “context work” to “core work” will be vital to helping shared services leaders become value-drivers.
- **Offer new commercial models to your customers.** As shared services moves up the value chain, commercial models for the ecosystem of third-party providers will need to evolve. This will allow the shared services center to deliver value and throughput-based models to internal business groups (rather than input-based pricing). It will, however, require the shared services group and partners to absorb additional business process risk and responsibility. Achieving this will help shared services leaders grow productivity and agility.
- **Leverage hybrid models to create smart partnerships.** Companies that are best at managing the tension between the economies of standardized processes and the value of process innovation take a hybrid approach to where process work is done. Adopting a hybrid architecture featuring innovative service models and orchestration tools enables the delivery engine to mix internal with external resources. The key here is balance. Successful third-party service providers leverage technology and process knowledge to provide value-add services.

Looking Ahead: Reinvigorating the Shared Services Journey

Our point of view about the future of work¹⁶ within shared services reveals growing evidence of a major market shift as next-generation business process services and solutions offer ways to modernize enterprise process work. This perspective is central to our strategy and our investments. The shared services engine increasingly needs to integrate human process work with collaboration, automation and analytics tools, enabled by a next-generation technology platform.¹⁷

Decision-makers are already beginning to generate extended value from third-party-delivered business process services that reduce costs and enable their core business functions to outperform the competition.

The business dynamics described in this paper are directly impacting shared services and financial decision-makers seeking to break free from legacy systems, costs and inflexibility. As we embark on modernizing process work in shared services, we recommend that SSC leaders apply a forward-looking perspective that integrates people, processes, solution accelerator technologies and process platforms for automation.

Footnotes

- ¹ Cognizant commissioned Nelson Hall to interview leaders of shared services organizations to understand the dynamics surrounding the shared services space. Nelson Hall conducted in-depth interviews with over 47 leaders of shared services centers in Europe from multiple industries in 2012.
- ² We studied 247 large North American and European companies in the financial services, insurance (property/casualty/life) and health insurance industries. Our research revealed that managers have serious concerns about the health of their business, as well as the relevance of their processes over the next 24 to 36 months. For more information on this research, see "[The New Process Genome](#)" from [Cognizant's Center for the Future of Work](#).
- ³ Today's high-flying companies – the outliers in revenue growth and value creation – are winning with a new set of rules. They are dominating their sectors by managing the information that surrounds people, organizations, processes and products – what Cognizant calls Code Halos– to build new business and operating models. Code Halos contain a richness of business meaning that forms the new basis of competition. When Code Halos scale, they spark new commercial models in a predictable five-step model that can take entire industries to “the Crossroads,” a compressed period of time in which market dominance can dramatically flip from industry stalwarts to challengers. See our white paper, "[Code Rules: A Playbook for Managing at the Crossroads](#)" or our [iPad App](#) for a full explanation of the Code Halo phenomenon and our Crossroads Model.
- ⁴ To simultaneously reduce costs and drive business innovation, enterprises need to reimagine their operating models. For more on this topic, see "[The New Process Genome](#)" from [Cognizant's Center for the Future of Work](#).
- ⁵ Anecdotally, many leading executives have told us loud and clear that maintaining the status quo is already inhibiting their organization's cost savings, technology innovation, productivity and business agility. Work processes in industries such as banking, healthcare and insurance are undergoing significant change, and business-as-usual has already led to performance degradation for many. For more on this topic, see "[The New Process Genome](#)" from [Cognizant's Center for the Future of Work](#).
- ⁶ The consumer technology model is now penetrating, and beginning to transform, the corporation in a significant way. This new IT architecture, which we call the “SMAC Stack” (for social, mobile, analytics and cloud), is enabling the creation of hyper-intelligent software platforms that address myriad issues, from sales, to customer service, to the design of new products, to management processes. For more on this topic, see our white paper, "[Don't Get SMACKed: How Mobile, Social, Analytics and Cloud Technologies are Reshaping the Enterprise](#)."
- ⁷ For more on this topic, see the report, "[The New Process Genome](#)" from Cognizant's Center for the Future of Work.
- ⁸ "The 2011 Digital Universe Study," IDC, <http://www.emc.com/collateral/demos/microsites/emc-digital-universe-2011/index.htm>.
- ⁹ Nearly every aspect of our daily lives generates a digital footprint. From mobile phones and social media, to inventory lookups and online purchases, we collect more data about processes, people and things than ever before. Winning companies are able to create business value by building a richer understanding of customers, products, employees and partners – extracting business meaning from this torrent of data. The business stakes of meaning-making simply could not be higher. For more on this topic, see our report, "[The Value of Signal \(and the Cost of Noise\): The New Economics of Meaning-Making](#)."
- ¹⁰ For more on this topic, see our report, "[The Value of Signal \(and the Cost of Noise\): The New Economics of Meaning-Making](#)."
- ¹¹ See the report "[The New Process Genome](#)" from [Cognizant's Center for the Future of Work](#).
- ¹² Cognizant and Nelson Hall interviewed 47 EMEA-based shared services organizations in Q4 2012. Our research revealed impressive execution; however, inconsistent process approaches and low levels of dedicated tools (i.e., the prevalence of scanning and workflow technologies) appeared ready to impair continuous improvement initiatives and the ability to persuade stakeholders to shift more process work into the shared services center.
- ¹³ Core work is what your firm does better than anybody else. Context is table stakes for your industry. Need a good explanation of core vs. context? Have an Apple product handy and then take a look at the back of it. The label reads, “Designed by Apple in California” – five simple words but a wonderful articulation of the concept.

lation of the expanding gulf between core and context. The label does not read, "Made in China," which reflects an industrial mindset. Apple, with its knowledge mindset, creates unique value through superior design and customer experiences (both physical and virtual) and understands that – for it – most everything else is contextual. Such clarity is vital. For more on this topic, see our report, "[The Future of Work: A New Approach to Productivity and Competitive Advantage](#)."

¹⁴ Ibid.

¹⁵ For decades, management scientists have struggled to describe how organizations – and the decision-makers within – learn and adapt. Thought leaders such as Argyris, Schön, March & Olsen and many others have wrestled with this in great depth and with a high degree of rigor. Interested readers should look into this amazing body of work. See *Essential Readings in Management Learning*, SAGE Publications Ltd., Oct. 18, 2004.

¹⁶ For a more in-depth look at our Future of Work strategy, please see our [Center for the Future of Work](#) microsite.

¹⁷ For more on this topic, please see our report, "[Smart Hands and Smart Robots: Evolving Business Process Services Reconstruct the Enterprise](#)."

About the Author

Euan Davis leads Cognizant's Center for the Future of Work in EMEA. A respected speaker and thinker, Euan has guided many Fortune 500 companies into the future of work with his thought-provoking research and advisory skills. Within Cognizant's Center for the Future of Work, he helps ensure that the unit's original research and analysis jibes with emerging business-technology trends and dynamics in Europe, and collaborates with a wide range of leading thinkers to understand how the future of work will look. Previously, Euan held senior analyst, advisory and leadership positions at Forrester Research, IDC and the Corporate Executive Board. He lives in Cambridge, UK, and can be reached at Euan.Davis@cognizant.com | LinkedIn: uk.linkedin.com/in/euandavis.





About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 171,400 employees as of December 31, 2013, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.

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