

## The Model of a Shared Service Center of the Company: Selection Criteria and Directions of Transformation

<sup>1</sup>Daniya A. Zaripova,<sup>1</sup>Venera I. Nasyrova and <sup>2</sup>Konstantin D. Ochaikin

<sup>1</sup>Kazan Federal University, Kazan, Russia, <sup>2</sup>Kazan State Power Engineering University, Kazan, Russia

---

**Abstract:** The study reveals the mechanism of gradual formation model of a unified service center in the process of its designing, each stage of which is a kind of determinative criterion of a variant of the center of the first generation. Achieving the fundamental targets provides the evolution of a single center and leads to a shift of emphasis from organizations of functioning to the further development. Matrix solution of tactical and strategic tasks for a large company with a wide network of branches (or for a group of companies) generates the need for removal of supportive business processes and their centralization. Justification of the choice of a particular model of a unified service center is originally carried out in the course of its designing. The definition of specific parameters of the functioning of the Unified Service Centre runs through every stage of design works like a red thread. Disclosure of benefits as well as the occurrence of the risks of using a unified service center is, to a large extent, determined by the level of its development. The philosophy of continuous improvement transforms the models of the unified service center into a model of integrated service organization, the focus of which is gradually shifting from a transactional center to the strategic objectives of business.

**Key words:** Supportive business-process, geographical dispersion, the Shared Service Center, the organizational structure, standardization and unification

---

### INTRODUCTION

Matrix solution of tactical and strategic tasks for a large company with a wide network of branches (or group of companies) generates the need for removal of supportive business processes and their centralization. This creates a separate business structure, known in the world as a unified or Shared Service Centre (SSC) (Hammer and Champy, 2002; Bjern, 2003). The process of transformation of the organizational structure and the construction of its new architecture in the form of allocation of supportive business processes in a shared service center can have many variations. Accordingly, a large dispersion is characteristic of the parameters of the created shared center in order to take into account the specifics of economic activity of the company. Therefore, the choice of a particular model of the SSC is an exceptionally personal decision.

### MATERIALS AND METHODS

**Theory:** The model or variant of the SSC is a set of its parameters which determine the specificity of functioning of a shared center, its client (customer) relationship, the organizational structure of the center. Such main factors that influence in the development of model SSC in relation to a particular company are:

- Distribution of business processes between the SSC and the customers, it establishes the functional of the Shared Service Center
- Organizational and legal form the SSC, it defines the relationship between customers and the Shared Service Center allows to retain control of the business and transferred processes (Repin and Yelipheerov, 2004)
- The selected IT platform and information infrastructure-establishes the possibility of unification and standardization of output processes
- The level of development of the personnel and corporate culture-defines the need for training of personnel and organization of psychological preparation for a new scheme of business vision (Peppard, 1998)
- Territorial and geographical structure of organization allows to determine the infrastructure of the SSC and its location
- Correspondence of the selected model of the center to an overall strategy of the company

Justification of the choice of a particular model of the SSC is initially carried out in the course of its design passes The definition of specific operating parameters of functioning the SSC runs through every stage of design

works like a red thread (Juran, 1999). Classic design algorithm of the Shared Service Center includes the following stages:

- Selection of processes which will be transferred to the SSC
- Development of feasibility study of the SSC
- Identification and establishment of common standards for business processes that will be implemented by the SSC
- Determination of a status of the SSC
- Locating the SSC
- Selection of a head of the SSC and formation of a project team
- Development of organizational structure of the SSC based on responsibility centers
- Selection of information system and formation of information architecture

The first three stages lay the functional of the future of the SSC which can be in the following variants: functional, process, monocentric, complex. Determining the status of the SSC (the fourth stage) implies determination of the legal form of unit: outsourcing or insourcing (in one of its two varieties: a separate structural unit or affiliated entity) (Minzberg, 2004; Schumpeter, 1982). In the process of determining, the location of the SSC and the forming a project team (the fifth and the sixth stages), the issues of dislocation are decided. It is feasible a shared center, unifying supportive processes in all regions of the company a single

dislocation. As an alternative is the territorial model using several common regional service centers which is especially, important with a strong geographic dispersion of the structural units. In the context of remote access, a virtual model of the service enterprise dislocation occurs determination of responsibility center and construction of information architecture of the SSC (the seventh and the eighth Stages) distinguish its models on the basis of allocation of the subject of service according to the type of economic activity (Drucker, 1999). In the world practice, this criterion allows to select the stream-model and a hybrid version which does not include economic activities of the customers of the SSC.

## RESULTS AND DISCUSSION

Thus, on the basis of the selected criteria, the following models of the shared service centers are possible (Fig. 1). However, such criteria approach is not permanent and unchangeable. Dynamic introduction of the SSC into new industries of economy and development of the models used in the SSC, allow to single out the level of development of the service business as a criterion. Initially, a new local center which is characterized by centralization of business processes and their automation is set up. Further, expansion of the activity of the SSC allows to standardize and integrate business processes with information systems, create the possibility of information self-service of the employees. Attainment of business of a global level necessitates a global coordination on the basis of integration of the

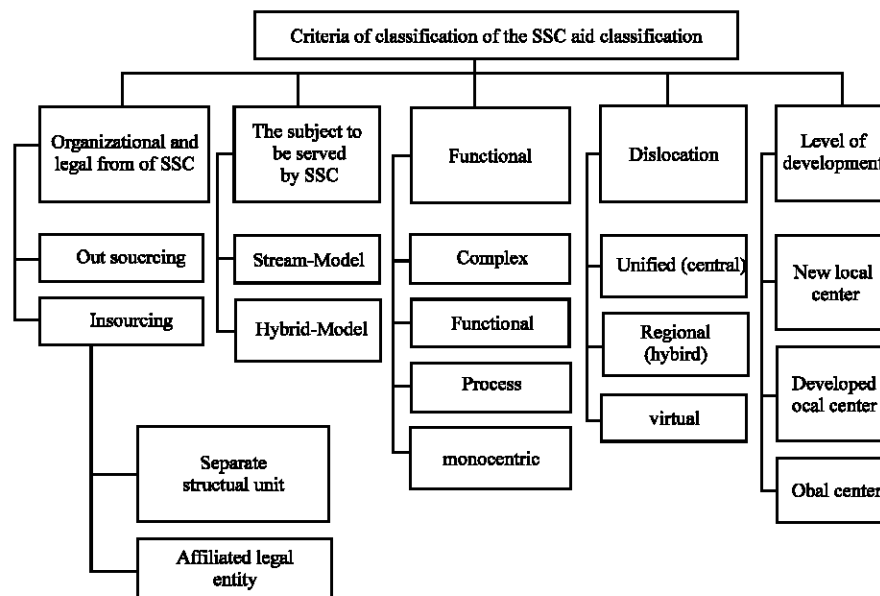


Fig. 1: Criteria of classification of the SSC

**Table 1: Description of stages of the Shared Service Centers**

Stage	State	Tasks
Creation	SSC a pilot project	Quality and timely execution of works, adhering budgetary performance
Stabilization	Business processes have been tuned, the set level of quality has been achieved	expanding range of services, Servicing new customers, evaluation of customer feedback and work on quality to meet the requirements of business, introduction of efficiency, indicators to assess activities
Optimization	Strengthening at the market	Reducing the time of work fulfillment, increasing productivity, lowering costs by optimizing the processes, structures and IT

processes and information technologies which allows to create common databases available to managers anywhere in the world. Thus, there is a global service center.

Disclosure of benefits as well as the emergence of risks when using the SSC is determined to a large extent by the level of its development. The practice allows to single out the next stages of development of the Shared Service Center:

- Creation
- Stabilization
- Optimization

Despite, the fact that the fundamental target in making decision to establish a Shared Service Center is the reduction of costs for supportive business processes, the key setups are changed at each stage of its development. At the moment of setting a SSC up that is, it has the status of a pilot project, the most urgent tasks for it are quality and timely execution of business processes within the approved budget. A stage of stabilization is characterized by the fact that the business processes are tuned to an acceptable quality level. Description of stages of development of the SSC is shown in Table 1.

For the purpose of this stage, one can identify the need to expand the spectrum of services provided to customers, welcome of the new clients as well as assessment of customer feedback and work on improving the quality of service. The stage of optimization means strengthening supportive business processes at the market by reducing the time of work, increasing productivity and further reducing the costs of maintaining the SSC.

The evolution of unified service centers as a way of support organization of the growing business has proved the emergence of unified service centers of the second generation. Traditionally, the rise and development of unified centers was focused on staff reduction and achievement of economies of scale. By the results of passing the first two stages of its development (setup of the SSC and stabilization of its activities) by the service center, the targets have proved to be usually achieved. Therefore, the project team settles down and the center

starts functioning normally. In such a situation, it is difficult to maintain the achieved level of savings on costs and efficiency of functioning the SSC. Implementation of activity optimization by shifting focus from cost reduction to customer service and service center puts the service center to the level of the SSC of the second generation.

## CONCLUSION

The model of shared service center of the second generation, primarily emphasizes rendering the service to the required client which is the basis to maintain a constant cost-cutting. The unified second-generation service centers offer a wide range of benefits to the companies that implement them:

- A new level of customer service, striking improvement and increase of the level of satisfaction in serving internal and external customers through the use of application of the advanced control technologies (such as performance indicators and service level agreements) and the efficiency of self-service technologies
- A lever for growth, the development of a globally scalable processes in accordance with the requirements of growth (business development, merger/acquisition)
- Increase in the efficiency of employees new features and principles of the company allow the teams to be flexible and quick with minimal administrative hierarchy
- Continuous improvement new culture of the second generation of the SSC which is results-oriented, allows to make use of all available opportunities for innovation, both technical and organizational, as a rule, being not used in the SSC of the first generation

The philosophy of continuous development and improvement transforms the models of SSC into a model of integrated service organization, the focus of which is gradually shifting from a transactional center on strategic business objectives. The model of integrated service organizations includes:

- Managing multifunction services provided jointly by local and outsourcing vendors with a common management and unified infrastructure
- Managing through business processes and controlling) conformance to standard at the global level
- Managing the center as a separate business being subordinate to senior management of the company which makes independent decisions about outsourcing, geographic location or investments

This model allows to increase the effectiveness of business methods in organizations by increasing the role of the service center. Successful functioning of the integrated service organizations has sufficient prerequisite for the construction of an integrated management system based on international standards ISO 9001: 2000, ISO 27001: 2005 and Organizational Project Management Maturity Model for service companies.

#### **ACKNOWLEDGEMENT**

This research was performed in accordance with the Russian Government Program of Competitive Growth of Kazan Federal University.

#### **REFERENCES**

- Bjern, A., 2003. Business-Processes. The Instruments for Improving. AIA "Standards and Quality", pp: 72.
- Drucker, P.F., 1999. Management Challenges for 21st Century. Harper C Collins, New York.
- Hammer, M. and D. Champy, 2002. Re-Engineering of Corporation: Revolution Manifest in Business. SP (b).: Saint Petersburg State University Press, pp: 124.
- Juran, J., 1999. Two Centuries of Quality (interview with J. Juran): Translated from English. Eur. Quality, 6 (2): 57.
- Minzberg, G., 2004. The Structure in Fist: Setting Up An Effective Organization. Yu.N. Kapturevsky (Eds.), SPb.: Peter, pp: 512.
- Peppard, J., 1998. Benchmarking business process, Wroslaw, Poland.
- Repin, V.V. and V.G. Yelipherov, 2004. The Process Approach to Management. Modeling Business-Processes. AIA "Standards and Quality", pp: 408.
- Schumpeter, J.A., 1982. The Theory of Economic Development. Progress, pp: 355.