The debate rages on: when you’ve identified processes to transfer into a Shared Services model, do you fix the processes first, and then shift the work over? Or do you just hand the whole shebang to the Shared Services experts, who will evaluate what works and what doesn’t to come up with a double whammy: first, wins as a result of the ‘fixes’; and second, wins as a result of SSC standardization.

In truth, it’s a question of where you want to invest your resources.

The lift and shift model of migration is a popular one, applied by the majority of Shared Services Centres. The arguments in its favour are persuasive, generally based on securing immediate labour arbitrage savings by consolidating transactional-based work into a shared services set up – frequently multi-locational, to take advantage of low cost countries.

The model kicks-off by evaluating the nature of work to be offshored to shared services. The next step is to assemble a team and carry out work shadowing in the countries where the work is currently being done, for a fixed duration (generally four to six weeks). In the meantime, the Shared Services Centre hires the resources it needs to absorb the new work, while the in-country set-up identifies the employees it has to let go, post migration. The final step is confirmation by the Shared Services Centre that the transactions are being executed as per the defined SLAs (service level agreements).

“Lift and Shift” is frequently promoted by corporate leadership as the key to future expansion and success. Proponents would argue that it saves costs by improving efficiency. The question to ask, however, is whether the approach is viable? Whether it creates new complexities, or whether it simplifies existing processes? Here are some of the pros and cons:

1. **Bring the Benefits Home**
   
   To begin with, the work-shadowing plan is susceptible to risk. Within a span of four to six weeks, new resources are expected to learn the processes and demonstrate confidence in their ability to execute on them. While the resources in-country would have spent years handling processes and building relationships, the lift and shift model assumes that the vast reservoir of experience can be absorbed in a limited timeframe. Time and again this supposition has been exposed as faulty, and costly.
2. **Pressure to meet SLAs, ASAP**

Time is a core element in lift and shift. Post offshoring, the shared services teams are expected to meet the SLAs associated with the process fairly quickly. This places stress on the team and resources, and can lead to slippages in performance management, or even churn in staff. Though these are routine activities, resources need time to mature and thereby contribute to metrics deliveries. There is also a tendency to skim through the stabilization phase, as the country is waiting to secure labour arbitrage gains. Shortcuts are costly.

3. **Process complexity: S.O.S.**

Another perspective relates to complexities linked to performance management in this model. For example, a recent case involved in-country operations for a manufacturing company offshoring invoicing to a Shared Services Centre. The SSC team encountered backlogs, however, as the scanning tool was unable to handle the volumes, thus requiring the vendor's intervention. As the SSC team had not yet established a relationship with the vendor, this led to a ‘blame game’ between country and SSC leadership over the ability to handle the process. Complexity tends to be multiplied when migration involves tools and automations, as the new team needs time to understand the interface of these tools with the ERP system, and in the event of a breakdown, access to subject matter expertise or knowledge base is limited, as the in-country employees have moved on. It can easily happen, therefore, that shared services struggles to meet the expectations of the retained organization.

4. **Beware of ERP upgrades, adding to complexity and cost**

Process complexity and cost increases with any implementation or upgrade related to ERP systems. First, because the process is offshored with existing inefficiencies, meaning there will be costs related to standardization. Second, because in the absence of analytical rigour forecasting whether offshored processes need reengineering post ERP upgrade, there is little visibility over additional costs. Third, because there is little visibility over how compatible tools and automations are with the ERP system. Fourth, because although the SSC may have established a track record for service delivery, the ERP perspective may demand competence in process transformations, which might not be strongly established, and therefore may imply some dependence on employees in-country for process transformations. Fifth, because the shared services may have to invest in massive internal change management as the ERP overhaul leads to a shift from transactional to business metrics. There would be much merit in addressing these points prior to the transition.

5. **Validating wins**

It is often surprisingly difficult to validate the gains for lift and shift transitions. Headcount reconciliations between the country and the shared services may yield unforeseen surprises. For example, the country could be working from a reduced, “post transition” headcount, but may, for whatever reason, not end up letting go of the staff, putting a question mark on accrued labour arbitrage savings. Moreover, budgets related to manpower, travel, training and infrastructure need
to be screened to avoid future gaps. A strong governance framework will minimise such shortcomings.

6. **Relationship building**

Business partnering and forging relationships is a critical driver of success, particularly in a new shared services environment. In this context, SSC leaders need to continue to invest in relationships with all parties, even if some are not impacted by the offshoring of work. Leaders should also take the initiative to visit vendor-managed operations to build good relations. Everything should be done to establish strong relations between shared services leadership and the retained organization in-country. There may be benefit in hosting forums with Sales, Marketing and HR in-country, to address gaps in governance and nip potential detractors of offshoring in the bud. Furthermore, it’s a good idea to rotate staff between the retained organization and the shared services team to promote relationship-building and dispel any lurking criticisms. On the other hand, shared services should be warned off slipping into their own comfort zone, or effectively recreating a separate organizational silo.

7. While the arguments above relate to captive shared services, the same issues apply to outsourcing to third party providers. In fact, in a recent interview with ‘The Financial Express’, Erich Clementi, General Manager for IBM’s managed business process portfolio, said that as pressure increases, traditional business process outsourcing, which relies on labour arbitrage, is no longer enough:

“The approach today is very different as we are not just taking over process but transforming businesses. Companies are burdened with inefficiently high pain points, increasing costs and pressure to deliver. As the pressures increase … businesses are looking to derive a new kind of value from their service providers … a partner who can help them rethink their business models and business operations.”

Which begs the question whether outsourcing in the traditional sense still makes sense, when so many inhouse leaders can now access technologies that offer lots of opportunity to manage and transform processes.

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