ONGC embarked upon realignment of its multi-faceted business activities through the powerful medium of IT. The IT mission was realigned ‘To develop an integrated, flexible and standardized Information Technology architecture to position ONGC towards fundamental competitive advantage’. To achieve this objective, Project ICE - Information Consolidation for Efficiency was born, out of the strategic vision of the ONGC’s board, particularly its then visionary C&MD.

Key Takeaways.

All the core application areas of Finance, Material Management, Production, Engineering/Technical Services and HR are well integrated and consolidated under the ICE umbrella.

In terms of scope, number of end users and SAP modules, Project ICE is one of the largest ERP implementation project of Asia.

Source: Project ICE, ONGC. Reproduction, Reference of any portion of the information above without the written consent from ONGC is prohibited.
Strategy Creation & Execution of BPM

1. Strategic Framework

Conventionally, Business Processes are usually defined by organization structures i.e functionally defined i.e. there is a clear distinction between Finance Process, Procurement, HR and so on. Most business houses have their functions divided within these ‘silos’ and of course attributable to various decentralized Business Units.

As already mentioned, while Centralization and Shared Services are both part of BPC, a common misnomer is that ‘centralisation is same as shared services operations’. This is not correct. The concept of Centralization existed for over 30 to 40 years, while Shared Services is a phenomenon for the last 20 years, that too made popular by the off shoring models of overseas corporations. In the evolution of sophistication of services, centralisation may well be just the first step. This achieves the bucketing all the eggs in one basket.

This may not achieve much benefit to the organisation except maybe scale over a period of time. The real value is achieved by consolidating the processes into a shared services centre.

The trick is to transfer the responsibility and control. Several companies may not setup their own shared service centres, but may decide to outsource their centre to a third party. This may result in yet another step of benefit.

Most evolved companies actually do not adopt to only shared services or only outsourcing. The most common model is to create a blend of both. Processes are carefully selected – some to be outsourced and some to be retained. The multiple processes co-exist in a Hybrid situation with carefully drawn hand-off processes.

![Cost Reduction and World Class Process Continuum](image)

**Figure: Value realized with BPC Options**
With years of global and India experience, RvaluE has evolved a strategic framework to Realize Business Value - the SET™ framework.

Figure: ‘SET’ Strategic Framework

Shaping the Business Services model, in directional alignment with strategic objectives and goals, is the first major step for successful redesigning of service functions.

The sourcing strategy for each organization depends upon the strategic direction of the organization, its growth plans, the current business priorities and how the various staff/support functions enable the business units and the organization to achieve their key goals. Quite often, the staff functions act as a department, without being able to measure their output and their benefit/impact on the organization.

Shape: the strategy and direction

During this stage, establish the need for Shared Services and the directional alignment required to progressively transform the function.
With the help of the senior leadership team, the elements of the strategy focused are to:

- Assess indicative functions, processes and head count,
- Understand technology platform and requirement of tools,
- Determine the Mix of make vs buy,
- Evolve governance and change management requirements

The above elements will enable to create a strategic blue print with an executable roadmap and applicable business case to gain sponsorship and stakeholder buy-in, to progress with execution.

Execute: the design and plan

Execution Excellence is key for this stage. Based on the strategic blueprint, through a structured program and change management:

- Design process transition of identified functions/processes,
• Set up space and infrastructure for the Shared Services
• Enable work flow automation and knowledge transfer to the team on process, metrics and service orientation
• Create a flat organization design with the right span of control to achieve desired cost saves, and
• Transition and stabilize the operations.

The Shared Services Centre is operational, delivers services to customers and achieves cost saves of ~20% in the first year.

**Transform: the process and partnership**

Business Excellence is achieved in this stage. The focus is to:

• Report and improve service levels through reliable metrics,
• Standardize and streamline processes, and embed controls
• Enhance capabilities and expertise of the team to expand functions and services,
• Explore hybrid models for effective delivery,
• Build partnership with customers to participate in projects, and
• Deliver value to all key stakeholders.

Simply put, grow the Shared Services to transform the business process and become an extension of the customer’s business

2. Critical Success Factors

2.1 Assessment of Readiness

Transforming an established business can be a scary thought. It means first throwing all the process chips in the air and then catching them in the order of priority, allowing those that you do not want, to fall. These are major changes whether it is creation of a captive, outsourced or internal reengineering. This is clearly an exercise you do not want to undertake without being ready for it. And when is one really ready?

There can be several Change Readiness Tools that one can buy or create. Such tools are usually simple IT applications which define a path to be followed and keep a tracker of it. Our research shows that assessment of readiness needs to be evaluated across five dimensions:

| Readiness Assessment | Process Maturity | Executive Commitment | Leadership Buy-in | Staff Buy-in | Technology Support |
**Process Maturity** – Structure Alignment. Processes tend to be fickle and malleable in an environment of instability. An organisation intending to undertake a journey of BPM need to first set their processes at even keel. This does not mean standardising the processes. Let the processes have as many variations as required. Standardising will come later. Stabilising has to come now. This is essential for the purpose of documentation as well as defining work flows.

**Executive Commitment** – Budgets, Risks, et al. Since the BPM journeys represent multi-year transformational programs, it is critical that the executive team have the appropriate level of commitment to the program. If they’re not committed, then they shouldn’t even start. Executives should not only be committed, but also show it. They should demand regular updates from the control group, repeatedly communicate progress in staff meetings and corporate communications, include the initiative in the strategic plan and define clear goals for their team.

Executive Commitment also means allowing budgets, assigning resources, provide training, creating policy to support the initiative and revising policy in light of results achieved. Managers of change should get a sense of comfort and security while embarking on a journey such as this, which for many companies can be a first-time.

**Leadership Buy-in** – Build a culture of change. It starts at the top. The top leaders should want the organisation to change. It should be visible. Leaders should talk about it, encourage it and incentivise it. Instead of just lecturing on the need for change, leaders should look for ways to get people to experience the harsh realities that make it necessary. Leaders should be able to connect the dots between the activities on the floor to the ultimate advantage – to the customers, to the company, and to the staff. Leaders should also be tolerant. Big change efforts come bundled with a few hiccups. The trick is to recognise and manage the hiccup rather than allow retribution.

Leaders should also redistribute resources as required. Creating work groups of committed employees works well in most changing companies.

**Staff Buy-in** – empowerment. This might just be the toughest activity to perform, especially if the organisation is large, ancient and is people intensive. Be it labour unions or people-focus company, change is almost always resented at the lower levels. Automating even simple processes in Indian banks took over 20 years largely because the labour unions feared large-scale loss of jobs. The number of actual job losses depends on the nature of the change and the people-focus of the organisation. Many companies prefer re-badging to actual job losses, but at times, this may not be possible due to geographical differences. ‘Off-shoring or Outsourcing’ became ‘dirty’ words in the western world when Offshoring to India and other countries started some years ago – largely because, this meant large job losses in the sending countries. It is tough to talk of staff buy-in and commitment in such a situation.

It a situation of SSCs – whether captive or rebadged, a culture of change is easier to bring about. The question is about convincing and converting the teams. If the people are not convinced, the risk of failures can be high. Recognizing you will not be able to convert everyone at once, start with people who have disproportionate influence in the organization. Get them committed to the change. And once they are committed to change, shine a spotlight on their accomplishments, so others get the message. Readiness to change should be visible at the lowest level.
Technology Support – IT Capabilities. Transformation of economies, of the business world and the emergence of the digital firm make information systems essential in business today. Information systems are the foundation for conducting business. In many businesses, survival and the ability to achieve strategic business goals is difficult without extensive use of information technology – it is the minimum competitive advantage. Given this situation, no change of any meaningful nature can happen in today’s business world without robust IT systems backing it up. Very many times, processes themselves undergo major changes on account of new technologies developed.

Technology and Business are like Siamese twins - joined at the hip. There are many technologies available both to manage the change as well as to manage the processes. These applications are also collectively referred to as Business Process Management Systems (BPMS). It is critical to assess the competency of the IT systems in the organisation before embarking upon a BPM journey. This fact will be discussed in more detail in a subsequent section.

2.2 Scale

All efforts of BPM, especially if they are in the nature of shared services (whether in-house or outsourced) are scale dependent. Many of these changes are fundamental in nature requiring substantial one-time investments – largely in the area of technology and infrastructure. Covering small groups of processes and/ or team sizes may not bring-in any substantial benefits. A survey carried out in 2012 by RvaluE within the Indian SSC organization shows that around 30% of the respondents had team sizes of 100 people or less. With around 35% of the respondents having setup than SSCs less than 2 years ago and another 35% less than 5 years, this is hardly surprising.

Business process maturity and increase in scale operate in tandem. As SSCs move up the value chain, so does the strength. Strength may be measured both in absolute terms as well as relative to the total strength in the organisation.

**While creating a strategy map or BPC blueprint it is important to have a review to explore the opportunity to consider,** One Function like F&A vis-à-vis Part of One Function (like AP in F&A) and similarly multiple function to one functions, to get scale. These process and functions are so tightly integrated and review of process across these functions enable breaking the silos of functions to connect interconnected business processes such as P2P – P2I and I2P - Connects SCM with F&A, O2C – O2I and I2C – connects Sales & Distribution with F&A. This also supports the upstream/ downstream alignment of process to achieve process effectiveness.

The second important reason for going beyond piecemeal approach is that, it provides a long term view, a clear management vision& sponsorship required for change management etc. Execution can be phased. In Indian context the best approach is to have a holistic BPC strategy - covering all process under multiple support function. Based on the review, potential and business case, the phased execution can be planned.

2.3. Process Selection
Identifying the processes which can be consolidated is very critical. The wrong selection of processes for consolidation can lead into issues and failure of the whole strategy. Also, it may happen some processes which is must for consolidation is missed and hence the full potential is not unlocked.

The key consideration for process selection & opportunity assessment can be based around the following:

![Opportunity Assessment Approach](image)

**Figure: opportunity Assessment Approach**

RvaluE uses a PCP™ (Process Consolidation Potential) Model for Process Selection and Opportunity Assessment based on the above considerations and 12 parameters (6x6)™ across the Process Performance and Process Characteristics requirements,

![PCP™ Model](image)

**Figure: PCP™ Model**

### 2.4 Rebadging & Redeployment

Re-badging employees could be a painful but necessary exercise for corporates in case of transferring employees of an existing captive centre to a third party operator or directly outsourcing processes to a domestic service provider. Essentially rebadging will happen if employees (and their knowledge) are to be retained but with another legal entity. This could be very important for moving
complex processes where knowledge resides with the staff. Rebadging also happens in the case of mergers and acquisitions, an activity that has certainly increased in the recent years.

Deborah Kops of SourcingChange says that rebadging challenges vary depending on the part the captive plays in the corporate ecosystem. Some companies manage their SSCs as their colonies, while others consider them as their empire. This is no different from any situation, even in personal life. It is very difficult to give away a pet which has enjoyed intimate company. It is relatively easy to do so for a pet which has been kept for eventually giving away. This is so even though you know that the pet is going into good hands in both situations.

The key to effective rebadging is the same as in any change situation affecting the lives of employees – communicate, communicate and communicate. This should start early in the life cycle of the engagement. Give employees the time to absorb the sudden change. Also communicate the reason for the change. Since it affects personal lives, liberally communicate how the change will impact them. This communication should be done in partnership with the outsourcer. Give the employees an opportunity to feel comfortable with the new brand and new colleagues. Communication should continue well after the actual transfer so as to not let the employees fell deserted. Often incentives are offered to the employees to retain them and to keep them motivated.

There is yet another model that companies seem to be exploring – rebadge onsite. Some firms rebadged their employees in favour of an outsourcer, but keep them on the same job or process. This is largely done to retain the knowledge and yet not have the need to manage the people. This model, though, is becoming uncommon.

2.5 Documentation

A process set to change not only requires to be baselined, but also continuously monitored for change. For this, the process needs to be universally understood by all, both before the change and after. A business process document acts as a guide that all employees and managers can reference to ensure agreement and understanding. It can also serve as a training guide for new employees.

Process documentation can be descriptive, or graphic (flowcharts), or both.

A significant advantage achieved out of documentation of processes is defining the scope. Very often processes tend to be ‘loose’ – not having definitive start points or end points. Putting them to paper ends the confusion. Hand-offs can be well defined and role of each individual clarified. One can also use these documents to demonstrate the importance of each process in the overall function or business.

In a situation of major change, correct documentation can be critical. In the world of offshoring you cannot walk across to another person’s desk or build skill by a long iterative internship. This has hastened the need to document processes.

3 What is Shared Service?
A very common strategy used by big businesses is to create a Shared Service Centre (SSC) to house some of the non-core processes. This activity is a result of the intention to consolidate processes. A distinction needs to be made here between consolidation and centralisation. While both carry out the primary goal of standardising disparate processes and reduce costs, the difference is more subtle. Consolidation is removing common functions from separate operating divisions and combining them to form a shared services entity that acts as a service provider back to the original divisions.

Centralisation is moving employees, services and activities to a single organisation with centralised planning and operational authority. This does not create a shared service centre as it does not represent any service which is ‘shared’ between the operating divisions.

An SSC differs in its basic nature from a centralized service. Centralized services control the business units; shared services are controlled by the business units using service level agreements.

The difference is depicted in figure below:

![Centralization vs Shared Services](source: Scott & Madden, RvaluE)

**The Best of Both Worlds!**

- **Decentralized**
  - Different standards
  - Duplication of effort
  - Different control environments
  - Costs unknown

- **Shared**
  - Business unit controls decisions
  - Responsive to business unit needs
  - Customized solutions

- **Centralized**
  - Customer focused
  - Market driven
  - Unit costs
  - Flexible delivery
  - Virtual organization
  - Common systems and support
  - Consistent standards and controls
  - Economies of scale
  - Remote from business
  - Unresponsive
  - Inflexible
  - No business unit control over cost

**Shared services includes components of both Decentralized and Centralized Models**

**SSC Function is a Service Provider for the decentralized divisions**

There may be no agreed definition of shared services. It is something that gets redefined or re-written often.

A Capita white paper describes thus “Shared services involve the consolidation and sharing of services by different units within or beyond an organisation or group, with the objective of delivering efficiency savings and greater effectiveness.”
As per RvaluE India Survey Report 2012:

Shared Services (SS) or Business Services (BS) is a collaborative strategy, combining the best of BOTH – Centralization & Decentralization, in which, processes of existing common functions across various locations / business areas are brought under a new, self governing business unit that has a management structure designed to promote efficiency, improve service, generate cost savings and create value for the internal customers of the parent and group companies, working as a service partner to eventually become an extension of the businesses, at rates that compete with the open market.

Shared Service or Extension of Business?

The intention of a setting up and running a SSC is to build it as an independent department that acts as a service provider to the organisation. Typically the SSC is governed by an independent leader, who may or may not be carrying a responsibility of the function. For instance, several organisations roll-in their SSCs under the CFO, even though the centre may be providing service to HR, IT, Procurement and other departments (in addition to F&A). Under the CFO, there is usually a very senior leader with SSC as his/ her sole responsibility. Companies that take their SSC even more seriously create a C-level position for the head of the SSC.

The performance of the centre is monitored through SLAs. SLAs determine the standards at which the services are to be carried out and in return for such services; a charge-out is made from the SSC to the various departments. Large companies have elaborate mechanisms for transfer pricing between the CCS and the divisions, sometimes across different legal entities and countries. There could even be mechanisms to both reward and penalise the centre for work done better than SLAs or worse, as the case may be. The centres then become true ‘profit centres’ though internal.

Several advocates of the Shared Service say that the centre should not be looked upon as any different from the main organisation. Though it may be a service provider, it is within the overall umbrella of the brand. All corporate level policies would be the same as for any of its other divisions (employment, benefits, procurement, administration, travel, etc). Eventually that is true. Though the centre has been set-up as an independent entity, it cannot remain aloof to the ups and downs of the corporate entity. The ultimate aim of the centre should be to take on the entire responsibility and accountability of the function. While SLAs continue to remain the basic measure of the transactions, as the understanding of shared services grow, so should the SLAs. The SLAs should soon move from being ‘performance’ centric to ‘output’ centric to ‘outcome’ centric.

4 BPMS & Automation – The Necessary Angel.

We have already seen that BPM and BPMS are co-joined. That means one cannot exist without the other. Any attempt to modify a process requires a technology support. Similarly almost all technology changes will result in some process changes.
Since there are so many systems available in the market, the selection of which to implement cannot be left to a flip of a coin. Depending upon the scope of the initiative, different applications can be used. Each has a unique advantage and a disadvantage as well.

One needs to define a clear set of parameters that should be used to evaluate the various products. Each of the products should then be assessed against these parameters and assigned a score. Each of these selection parameters should be individually weighted as well to assess their relative importance in the grand scheme of the end game. The assigned scores can then be weighted and a single weighted score be drawn for each of the products in question.

A model utilized by RvaluE for selecting a workflow automation engine is shown below:

![Figure: Automation Partner Selection Parameters](image)

In the above figure there are 44 parameters used to assess the application partner, conveniently bucketed into 6 groups. The number of parameters used can be altered based on need.

There are different types of tools used to provide support the overall BPM strategy and achieving the stated objective like scanning, indexing, Document Management Solution, Workflow, Business Activity Monitoring etc

These tools are required to provide processing visibility, transparency of process to customer, customized transaction reporting etc

5 Road Blocks & Challenges – the Learning Curve.

The road to success is not straight. There is a curb called Failure and a loop called Confusion (Unknown). Undertaking game-changing project such as large scale transformation can have several curbs & loops.

Not surprisingly, change management was considered the primary challenge faced by majority of respondents followed by relocating existing employees in RvaluE Survey 2012.
Lacking a Solid Business Case - A business Case provides the description and reason for starting a BPM initiative. An assessment is required into the reasons for making the organisation invest resources and management bandwidth into a venture that may or may not end in a commensurate result. Questions such as state of the current process, our concerns with it, visibility of the proposed process, its financial impact and benefits should be asked and well understood beforehand.

Not having a well defined Road map - If you don’t know where you are going, any road will take you there. Not knowing the end point and also the path we need to follow can be a wasteful journey. Clear and well defined roadmap support in more systematic planning and milestone setting.

A clear customer centric roadmap can also avoid the possibility of repeated attempts.

Not having Executive Commitment - Executives cannot show lip service to this initiative. Sooner or later it comes through and may lose its fizz. Senior executives have many things on their “To Do” list. This should not become one of that.

Making it a Top-down Mandate - Not being able to take the leadership and staff along can be a non starter for the initiative. People are at the core of the change. They must believe in the ideology. Establishing an effective leadership who are committed to the cause will help, for a start. Operating staff has to be communicated to openly and brought over to your side. Unconvinced staff can not only not give their best but can also be disruptive in the process. The issues of labour unions, layoffs and rebadging should be handled sensitively.

Ineffective IT Solution - Selecting an IT application that is either a misfit or incomplete can also be another cause for failure. BPM initiatives can easily get caught by over-complexity, inflexibility and redundancy. Every business process that is not impacting the customer in a positive trend should reengineered. An outside-in customer-centric IT solution can fit better in business purposes in a competitive business environment.
**Making it a One-Time Project** - Managing a process requires constant attention. It is a continuous journey. It requires a full-time management office. A one-time effort could be a starting point, but the true success is by establishing a culture of reviews, discussions and improvements.

Not Keeping Track. Defining the right set of metrics and monitoring them on a real-time basis is important. Not being able to assess the direction of progress due to poorly defined progress metrics could lead to major challenges.