

# Talent-Technology Face-Off in the Age of Digital Transformation

M.V.N. Naga Lakshmi, T. Vijayakumar, Y.V.N. Sai Sricharan

**Abstract:** The Shared Services model that has been operating as a service delivery unit offering support functions is fast evolving to that of a value creating partner cutting across functions, verticals and industries. The aggressive adoption of technology has paved the way for the digital metamorphosis of business systems and processes and in the evolution of next generation Shared Services Organization. While digital transformation is about adopting technology to achieve business objectives, its success depends essentially on the talent pool that drives such transformations. What is the current research about? The current research paper attempts to understand the technology-talent conundrum in the context of digital transformation in organizations. How was the research conducted? An empirical-analytical study was conducted by adopting quantitative and qualitative research techniques. The findings have been reported based on the content analysis of primary data strongly supported by the theoretical framework that is derived from the related proven theories. What is the relevance of the research? The digital disruption brought along with it the unprecedented demand for skilled workforce who form the core of Shared Service Organizations. The need to address the challenges related to the gap between the available and required talent, skill and capabilities of the Shared Service Organizations has assumed utmost strategic importance. Also, the contribution of empirical findings to a nascent field of academic study lends importance to the study. What are the key findings? Technology moved up the ladder from being an enabler to being central and critical to business success; traditional siloed ways of working restrict organizational agility; leveraging Centres of Expertise by developing new competencies to look at growth opportunities; organizational culture that values talent and fosters collaboration is critical for success in digital transformation. Further, the current paper attempts to review talent related challenges faced by Shared Service Organizations and the possible measures to close or minimize the skill gaps thus ensuring success of the next generation Shared Services Organizations in the digital era.

**Index Terms:** Digital Transformation, Disruption, Shared Services, Talent, Technology

## I. INTRODUCTION

Shared Services research world-wide points to three most important game changers in the Shared Services landscape - advanced data analytics that drive business decisions, adoption of cutting-edge cognitive technologies such as AI, ML, automation and digitalization making organizations

**Manuscript published on 30 April 2019.**

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more agile than ever before and, top notch quality of the core shared services team that steers the above two in an organization. Unarguably, the most important resource in a shared service business is human capital i.e., people who bring about business transformation successfully by means of their collective skills and capabilities of efficiency, innovation and leadership. Building strong talent pool, therefore, became one of the key business imperatives of Shared Service Organizations. With customer centricity driving all systems, procedures and processes in Shared Service Organizations, the paradigm shift of core proposition from transaction to value has led to the digital metamorphosis of Shared Services globally. Technology is fast evolving from its role of significant enabler to a critical success factor for Shared Services Organizations to remain competitive. From their first generation model that supported (supports) transaction functions primarily aimed at cost cutting, process efficiencies and quality enhancement, Shared Services have now matured to become value creating strategic business partners. Following this, talent management function i.e., recruitment/acquisition, employee performance management, career development and succession, reward etc - has fast become a strategic imperative for the next generation Shared Services Organization or Global In-house Centres (GICs). In order to accelerate the digital transformation journey, future-skilling the existing talent in emerging disruptive technologies becomes a strategic imperative for Shared Services Organizations. Added to this, demand for real-time data/ metrics for improved business insights are making the pro-active business leaders invest in talent upgradation making the organization future-ready to meet the growing and changing demands of tomorrow.

## II. THE TECHNOLOGY REVOLUTION IN SHARED SERVICES

Reinventing their role continuously, Shared Service Organizations have moved up the value chain swiftly, more recently, by delivering business intelligence and advanced analytics to support the decision making processes in order to improve business efficiencies and organizational growth. Process automation is increasingly being adopted to replace predominantly manual processes to obtain multiple benefits and efficiencies simultaneously such as decreased paperwork, cutting down delays in AR or AP, reduced time and cost per transaction, delivering superior customer experience etc. Further, the forecast by various global surveys, of improved efficiencies brought in by the accelerated advancements in technology such as digitization of Shared Services and emerging trends such as AI, Cloud technology,



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RPA - for ex., the 2015 McKinsey survey on 120 shared-services organizations in diverse industries across the globe that suggested that digitized shared-services organizations can achieve upto a 50 percent increase in efficiency in select back-office functions – has been proved right in some instances. Interestingly, despite the promise of enhanced business on going digital, shared services groups in most organizations are not fully prepared to migrate entirely. The three prominent areas of friction, as per the research, that restrict the complete shift to digital way of doing business are: process and work flow restraints due to legacy-digital integration, talent restraints due to the shortage of adequately skilled team to steer the transformation, and operating models restraints due to differing strategic priorities within the leadership team [1].

### III. TALENT MANAGEMENT IN LITERATURE

The concept and practice of talent management took various forms based on the organizational HR needs and policies. Based on literature review, talent management falls into three broad categories [2]. The first category talks of talent management as a mix of standard HRM practices and functions related to hiring and career development. The second category of talent management takes the HR needs view i.e., activities pertaining to human capital needs that require/result in planning or succession i.e., creation of a large talent pool or pipeline. The final category views talent as a generic resource – high performing and of high potential resource. Basis this most-encompassing third category view and borrowing from strategic human resource management literature [3][4], a comprehensive definition was developed by Tarique and Schuler [5]: ‘global talent management is about systematically utilizing International Human Resource Management activities (complementary HRM policies and policies) to attract, develop, and retain individuals with high levels of human capital (e.g., competency, personality, motivation) consistent with the strategic directions of the multinational enterprise in a dynamic, highly competitive, and global environment’.

### IV. RESEARCH GAP

Shared Services despite being a mature business model, is in a nascent stage of scientific study. This is the primary research gap. Any empirical study in the area contributes to the body of documented knowledge. The existing empirically founded work is limited to select areas of the study. Therefore, the current study attempts to contribute to the study and understanding of the reasons for talent shortage in the changing technological milieu in Shared Services and to propose probable ways to close the gap.

### V. RESEARCH QUESTION

‘How can the talent gap challenges be addressed in Shared Services when technology is emerging as massive disruptor?’

### VI. RESEARCH OBJECTIVES

1. To understand how technology revolutionized Shared Services transformation;
2. To list the reasons that create the need for talent upgradation in organizations; and
3. To understand the measures taken by organizations to future-skill the workforce in order to empower them

to meet the challenges in technology-driven business environment

### VII. RESEARCH METHODOLOGY

This section details the techniques or methods that were engaged to obtain the data or information required for the research and data analysis; and the justification for choosing the same. The research methodology model adopted for the current research is the ‘Research Onion’ model, one of the most popular methodology models in academic researches. The various elements of the research methodology adopted for the current research are:

1. The research philosophy is positivist with a realist reflection.

2. Inductive and deductive approaches to research were used as questions that arose as investigation progressed were best answered with both the approaches.

3. Qualitative and quantitative data was gathered by means of primary and secondary research methods of data collection. The secondary data was collected from sources available on public domain such as reputed international journals, reports, white papers, periodicals etc. published by corporates and research firms.

4. The key reason for choosing questionnaire-based survey for primary data collection is to obtain the information from practitioners themselves on current and contemporary industry practices and trends in Shared Services industry. Semi-structured interviews with select survey respondents strengthened content analysis.

5. Purposive sampling, a non-probability sampling technique was used to identify the sample based on their experience and expertise in the area.

6. Inclusion criteria were: Shared Services experience of respondents either in India or abroad and the location of Shared Services centre (Indian and international organizations with centres in the South Indian cities of Bangalore, Chennai and Hyderabad). Close to 100 responses from Shared Services practitioners of F&A, HR, IT, Procurement, Data analytics, Front office support, Sales and marketing, among others were analysed for this survey.

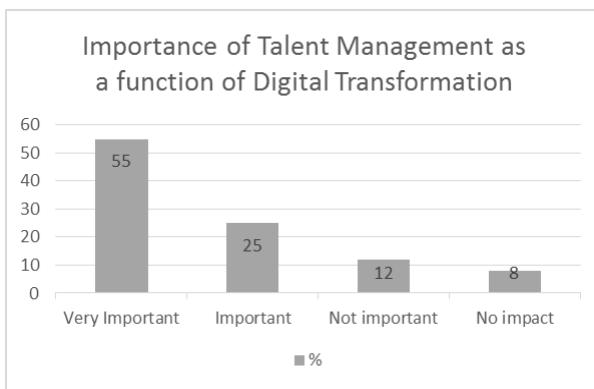
7. Data Analysis has been with the help of theoretical framework, content analysis and quantitative techniques.

The findings, result analysis and discussion is discussed briefly in the following sections.

### VIII. TOP FINDINGS AND DISCUSSION

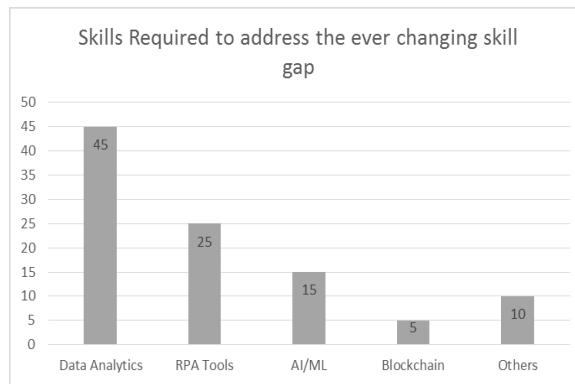
1. About 55% of the respondents were of the opinion that talent management was critical for successful digital transformation. Up-skilling and reskilling is a strategic and investment priority. While 25% said that it is important to the success of digital transformation and leads to overall success of the SSC. Interestingly around 12% said talent management is not important and the rest said it has no impact on the overall success of Shared Services and digital transformation initiatives. This shows that even though talent management is accepted as an important contributor to the overall success of the SSC, there seem to be significant number of leaders who do not believe talent management need strategic importance. [Fig. 2]





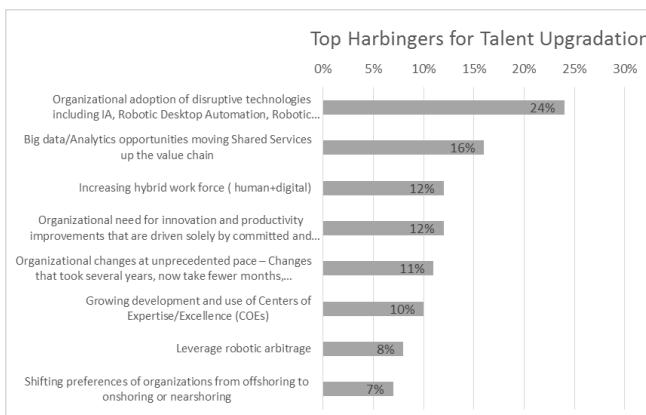
**Fig. 2. Importance of talent management for digital transformation**

2. Data Analytics rated among the most sought skills at 35% respondents choosing it, automation and AI being at two and three respectively [Fig. 3]

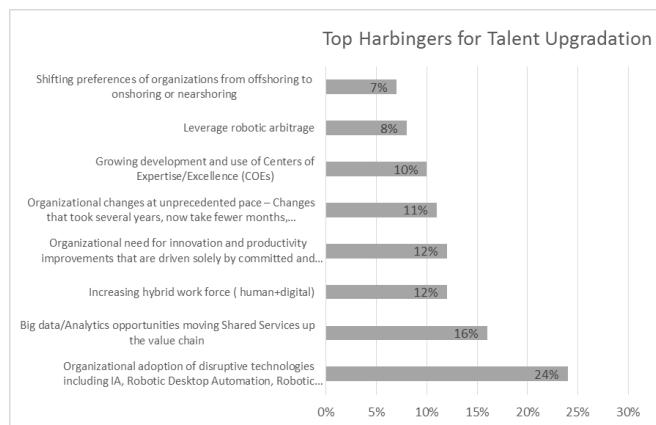


**Fig. 3. Top skills for digital transformation**

3. Over 60% of the respondents are of the opinion Centre of Excellence/Expertise (CoE) is an ideal model to develop new professional and technical competencies without adding to the head count.
4. Innovation and productivity improvements are directly driven by trained talent pool
5. Common reasons for need for talent upgradation [Fig. 4] and [Fig 5]



**Fig. 4. Top reasons for talent upgradation-Part 1**



**Fig. 5. Top reasons for talent upgradation-Part 1**

- 1) Organizational changes at unprecedented pace – Changes that took several years, now take fewer months, necessitating talent at the helm of the affairs
- 2) Organizational need for innovation and productivity improvements that are driven solely by committed and talented human capital.
- 3) Organizational adoption of disruptive technologies including IA, Robotic Desktop Automation, Robotic Process Automation etc
- 4) Shifting preferences of organizations from offshoring to on shoring or near shoring
- 5) Big data/Analytics opportunities moving Shared Services up the value chain
- 6) Growing development and use of Centers of Expertise/Excellence (COEs)
- 7) Leverage robotic arbitrage
- 8) Increasing hybrid work force ( human + digital)

## IX. DISCUSSION

### The Rise of Talent Management as a Strategy

Organizations world-wide have been following several best practices in human resources, talent management being one, although, in various forms [1] [5] [6]. Creating large organizational talent pools by means of various structured talent management practices such as - 360 degree feedback, executive coaching or assessment centres - among others, have been in vogue since the 1940s and 1950s. These practices, despite facing temporary lull owing to reasons such as economic recessions, have managed to resurface time and again proving their usefulness to companies world-wide [7].

Adapting to the changing business scenario and staying ahead of the competition in the age of digital transformation entails change in talent needs of an organization and necessitates talented human capital armed with specific skillsets and capabilities. A skill or capability that was once most sought after may be automated based on changing strategic priorities of a company and which skill might turn crucial for future business might not even be in the purview of the recruitments team. Therefore raising the level of talent across the organization by regular training programs of up-skilling, reskilling and empowering employees is no longer a discretionary expense or ‘nice-to-have’, but a business priority, today.



# Talent-Technology Face-Off in the Age of Digital Transformation

Paucity of long-term leadership capability is one of the drivers for Shared Service Organizations to relentlessly work towards building a strong talent pool making it one of the strategic goals. Consequently, talent strategy is no longer restricted to the scope of HR function of any organization, but has assumed strategic importance for the next generation Shared Services Organization or Global In-house Centres (GICs).

Further, talent strategy in the context of Shared Service Organizations has assumed all the more importance as Shared Services continue to evolve to support businesses strategically in the global marketplace. The talent strategy includes all HR practices to attract the right talent, retain and maximizing it, where new recruits evolve to become top performers to contribute to the attainment of organizational performance goals, also to sustain the success over a period of time and scale up the. One of the key objectives of talent strategy is to arrest high staff turnover or attrition, which happens to be one of the most common challenges faced in the Shared Services business. While upto 10%, according to various industry reports is tolerable, attrition rate above 20% must be considered as an alarming bell to relook at internal processes and HR policies. Rising wage levels in the industry can lure talent away, giving prominence to employee satisfaction surveys. When administered regularly, such surveys keep the dipping employee morale under check. Moreover, regular effective training and development programs improve employee morale, team spirit, productivity and retention thereby aiding to Shared Services success. Adequately trained team who are comfortable with new tools, processes and environment become the brand ambassadors for the next generation Shared Services Organization.

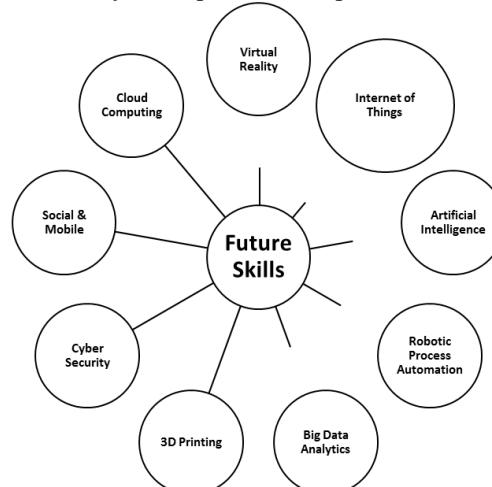
## Strategy Linked Recruitment

Given the flat structure of the Shared Services Organization, the mid-managerial supervisory or specialist positions are limited in number resulting in diminished appeal to the current or potential employees as a long-term career option. Therefore, drawing the best talent, motivating them to high performance levels and retaining them within the organization without a promise of long term career progression is one of the biggest challenges faced by the recruiters for Shared Services [8].This is where strategy linked recruitment gains prominence. Adoption of technology and increased automation as a strategic move, results in multifarious benefits, employment generation being one. Creation of new roles both technical and nontechnical to support new business processes makes the next generation Shared Services Organizations as the most sought after employers for prospective employees. As such, talent management continues to be one of the top priorities for organizations as business objectives and goals arising from business strategies are fulfilled only if specific talent needs are met. This is done effectively, if the talent management program in organizations are aligned to the company's broader strategy and business objectives [9]. Recruitment is increasingly being linked to overall corporate strategy than being a reactive hiring drive (to fill posts based on business needs) and every effort is being taken by Shared Services Organization to make the on-boarding process for new hires smoother than ever before. However, strategy linked

recruitment, according to a survey, increases hiring costs almost by double when compared to reactive hiring. But the benefits of hiring experienced, talented and loyal employee makes the money well spent in the long run, with attrition being 40% lower than the usual need-based recruitment drives. In the case of Shared Services, the average cost per hire goes up, especially for the middle and senior roles, since the focus is on the quality of hire.

## Skill Set for Shared Services

The flux in business landscape brought in by rapidly evolving technology drives the need for constant reskilling of workforce to ensure Shared Services efficiency. The skills that were once desired and nice-to-have by Shared Service Organizations are now must-have or required skill sets for most technical roles in the same organizations. Few of the new-age technical skills that are most sought after by Shared Service Organizations today are - expertise in BPM tools like PEGA, Salesforce, SAP; expertise in creating and running RPA tools like Blue Prism, UI path, AA; expertise in Big Data Analysis and modelling – just to name a few. According to NASSCOM, the top future skills required by workforce to be future-ready are depicted in the picture below



Source: futureskills.nasscom.in

On a broader note, barring the technical support roles, the skill set required of a shared service professional is not entirely unique to Shared Services business. As in any other organization, a combination of both hard and soft competencies varying in type and level of expertise based on the role and seniority form the required or desired skill set. However, there are a few skills, competencies or capabilities that are common to all roles irrespective of functions or hierarchy. Critical skill sets and capabilities traditionally expected of shared services team include function-specific skills such as digital literacy; commercial acumen; project management skills; end-to-end business process understanding and knowledge of targeted outputs; technological know-how to understand and estimate the potential implication of adopting newer technologies ranging from ERP to Robotic Process Automation on organizational efficiencies; exposure and expertise in advanced data analytics, awareness of change management process and methods etc.



Nontechnical skills include global mind-set; strong sense of ownership and leadership regardless of the rank in the hierarchy; agility and adaptability; customer focus; communication skills; internal collaboration and partnership across departments/functions with an underscoring objective of delivering customer delight; willingness to learn; future potential among others.

#### Technology Implications on Talent Acquisition in Shared Services

Digital Transformation, broadly means bringing about fundamental change in the way a business enterprise operates by integrating digital technology into all possible areas of operation with an ultimate goal of creating value to customers and delivering it. Digital technologies such as automation, virtualization, advanced analytics by means of cloud-based tools combined with customizable software in Shared Service Organization brings with it a lot of benefits such as streamlined operations, innovation, reduced labour costs, better productivity and more often, efficiencies. Repetitive transactions are being automated with enabling technologies minimizing human interventions or eliminating manual transactions altogether. This leaves more time for employees for more value add tasks that need cognitive skills such as analysis and decision making. Knowledgeable employees prove to be valuable to the company. Today, fewer adequately skilled FTEs with greater span of control are expected to deliver exceptional value to the business. Consequently, low skill roles suffer risk of elimination, paving way for high-demand skills such as AI, AR, Agile, Advanced data analytics, robotics and machine learning. Expertise in these high-demand skills is limited and shortage of technology talent among others is the biggest challenge faced by the industry. These are the skills in high demand and in shortage. Added to this, recruitment in Shared Services is expensive given the investment in terms of time, effort and money by an organization. The cost of hiring talent (in general) has proven to be an expensive affair, averaging around \$4,000 per hire by US firms according to Bersin by Deloitte [10]. Once the hiring is done, the challenges continue to exist in getting the new recruit stay loyal to the hiring organization given the luring recruitment drives taken up by the competition. As rightly predicted by Patton [11], the competition for talent reached its zenith by the year 1975 and took the form of war today between recruiters to hire the top talent to fill various roles. Employee referrals, social media and other networking avenues are increasingly being mined to keep the hiring costs low.

#### CONCLUSION

It Shared Service Organizations worldwide are investing in a wide-ranging talent management programs which includes training and skilling employees adequately to take on the real challenges. A recent article on ‘skilling in GICs’ by the Everest group talks about the latest trends pertaining to skilling in global in-house centres GICs [12]. Suggested measures to close the skill gap include creation of new roles both technical and nontechnical, investing adequately in skilling the midlevel employees who form the core of the team, implementing pilot skilling initiatives after observing those of the peers in the industry to avoid dead investments, selectively hiring external specialists in addition to in-house teams for skilling staff etc.

A comprehensive assessment of the talent management

function time to time that takes into account changing talent requirements of the organization decides the success of Shared Service Organization. All functions related to human capital such as talent acquisition, performance management, job rotation, training and development programs for career progression, development, mentoring and succession plans for current employees for new roles of future managers and leaders and sustained engagement in order to boost employee retention and motivation - comprise talent management function. The organizational capabilities of efficiency, innovation and leadership also need to be evaluated at regular time intervals by means of a ‘Capability Audit’ [13]. Capability audit is the step-by-step corporate exercise of identifying top three capabilities essential to carrying out the business strategy, gap analysis of the existing and expected capabilities, and finally formulating an action plan to bridge the gap and improving the capabilities. According to the authors, there are eleven intangible capabilities that influence corporate success far more than tangible ones. They are talent, speed, shared mind-set and coherent brand identity, accountability, collaboration, learning, leadership, strategic unity, customer connectivity, innovation and efficiency. Successfully run companies typically excel in any three of the above capabilities and attain their business strategies [14]. While it is important to build on intangible strengths i.e., capabilities critical for the business success, it is important not to focus on strategically unimportant weaknesses to ensure optimal use of resources.

With the availability of metrics and centralized applicant recruiting and employee performance tracking systems today, HR leaders can get a more data-based perspective to numerous aspects such as – information on time to fill an opening; an area that need resource allocation; and top performer data to nurture future leader - to name a few [15].

To summarize, the research outcome underscores the point that finding the right fit of right people for right role can become elusive and unachievable, unless an effective comprehensive talent management strategy is in place. Technology can become a game changer only if Shared Services Organizations adopt a well-conceived proactive talent management strategy that ideally reduces risk and uncertainty involved in managing talent in the age of massive disruption as a host of emerging technologies change the future of work. In this context, it's noteworthy that the ubiquitous, high quality and low maintenance open source technology tools are increasingly driving the ‘make vs buy’ decisions within organizations. All technologies come with expiration dates and so do the skills associated with them. The uncertain longevity of a certain skill or technology creates the organizational need for a perpetual need to skill, unskill and reskill employees, making skilling a cornerstone for the success of Shared Services Organizations. However, given the very nature of Shared Services model, talent management as a best human capital practice has unique challenges to face. For instance, geographically distributed units face disparities in practice due to the effect of local business environment factors such as labour laws and culture.



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The ensuing lack of consistency in HR policies and processes could possibly lead to political face-offs within the organizations diluting support and commitment from senior levels. Further, the unprecedented shortage of talent in the industry must be viewed as a huge opportunity for employment generation. Academia, industry and policymakers must work in unison to build skill-intensive-employability-driven education framework that ensures a pipeline or constant supply of adequately skilled future-ready youth to take over the corporate workplace by storm. According to NASSCOM, the Indian IT and ITES industry is facing a massive disruption in the form of emerging technologies that are changing future of work. Close to half of 4.5 million employed in the industry need to be future-skilled in the next couple of years. A collaborative industry-led response to close the skill gap is strongly recommended.

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