



Chazey Partners

6 Facilitating Factors to Prepare Your Shared Services for Global Business Services (GBS)



Introduction

Over the past few years, although the Shared Services model has shown itself effective in delivering standardized, cost-effective, and consistent support services, evolving management thinking has led to a more pronounced demand for better quality data insights, more globalized support strategy, and integrated, enterprise wide decision-making that is leading many organizations to target a more sophisticated “global business services” model.

Numerous surveys have confirmed that the majority of organizations with mature operational service frameworks are already targeting GBS (e.g., the Shared Services & Outsourcing Network’s 2013 survey identified “shifting to a GBS model” as the single most significant opportunity for Shared Services). The challenge facing these organizations is that GBS requires a more consistent and impactful mandate at a higher level, and a strong central governance framework to manage it.

The main advantages of GBS are based on consolidating common applications and processes, delivery models, and leading practices on a global scale while leveraging flexible sourcing options for a best fit. It is important to note that best fit does not necessarily translate to cheapest, fastest, or even nearest, however. Instead, a GBS model supports smart sourcing decisions by aligning itself with desired business outputs and corporate strategies. A true GBS will deliver the same process all over the world, providing a seamless service at the right cost. It also acts as a knowledgeable partner for all countries, leveraging business insights gleaned from global data to drive smarter decisions at every level and location.

In this article we highlight some of the “facilitation factors” that support a shift to GBS, and take a closer look at some of the characteristics that define successful GBS models.

A hand is shown drawing a diagram on a chalkboard. The diagram consists of a large 'X' shape with a horizontal line above it and a vertical line to the left of it. The text 'How to prepare for GBS: 6 Facilitating Factors' is overlaid on the image in a large, orange, sans-serif font.

How to prepare for GBS: 6 Facilitating Factors

1. Higher Value Services

Being recognized as delivering higher value services to the enterprise is one of the strongest facilitating factors of a GBS model. Shifting from traditional transactional services to incorporating higher value functional processes defines the power of global business services. In addition, a global reach means being able to unleash the impact of analytics across a global framework.

2. Global Structure

While Shared Services generally starts at a local or regional level, GBS elevates service delivery to a global level that makes use of multiple locations, leveraging each for optimal advantage; a mixed use of in-sourcing and outsourcing options; a robust governance model; and the establishment of global process ownership. A global footprint offers the opportunity to leverage cheaper labor and thus encourages the consideration of emerging markets for service delivery. A global framework therefore supports true service integration across the business. In addition, businesses are growing in Latin America and Asia, and need to rely on robust, flexible, and scalable services frameworks that support corporate strategy, and business objectives of growth, value, cost, etc. GBS meets these challenges.

3. Perceived as Valuable Partner

A successful GBS model works hard to be recognized as an integral, valued partner to the business. Effectively sharing the same goals and strategies as the front end of the business, a global business services model is strongly aligned to desired business

outputs and supports the enterprise through a partnership culture. This is particularly important for businesses undergoing significant expansion into new markets, where a robust GBS provides a reliable framework. This is quite different from the more traditional, earlier days, Shared Services models which focused mostly on the more transactional and administrative services only, and were actually associated with a more “out of sight out of mind” approach, shifting these processes away from the core business, to remote locations and/or to third party BPO providers. GBS, whilst still delivering standardized and lower cost “back office” services, has moved closer to the front office and is more actively supporting the enterprise’s core businesses and strategic goals.

4. Client-Focused Culture

While traditional Shared Services tend to be measured on pre-agreed service-level agreements, global business services is differentiated by a more partnership driven approach, with a highly service-oriented culture and a constant focus on value, solutions and outcomes. As such, it makes more sense to focus on Service Partnership Agreements (SPAs), which better reflect the spirit of cooperation between a client and the Shared Services Organization, specifically by acknowledging the role of the client in delivering quality ‘inputs’ to the Services center. In today’s markets, there is a strong drive to get “closer to the business” which promotes global best practices through GBS while recognizing the importance of local relationships.

5. Technology

Technology is evolving. One of the core differentiators of truly global business services is the ability to leverage new and emerging technology and automation across the enterprise, to drive operational efficiency on a global level.

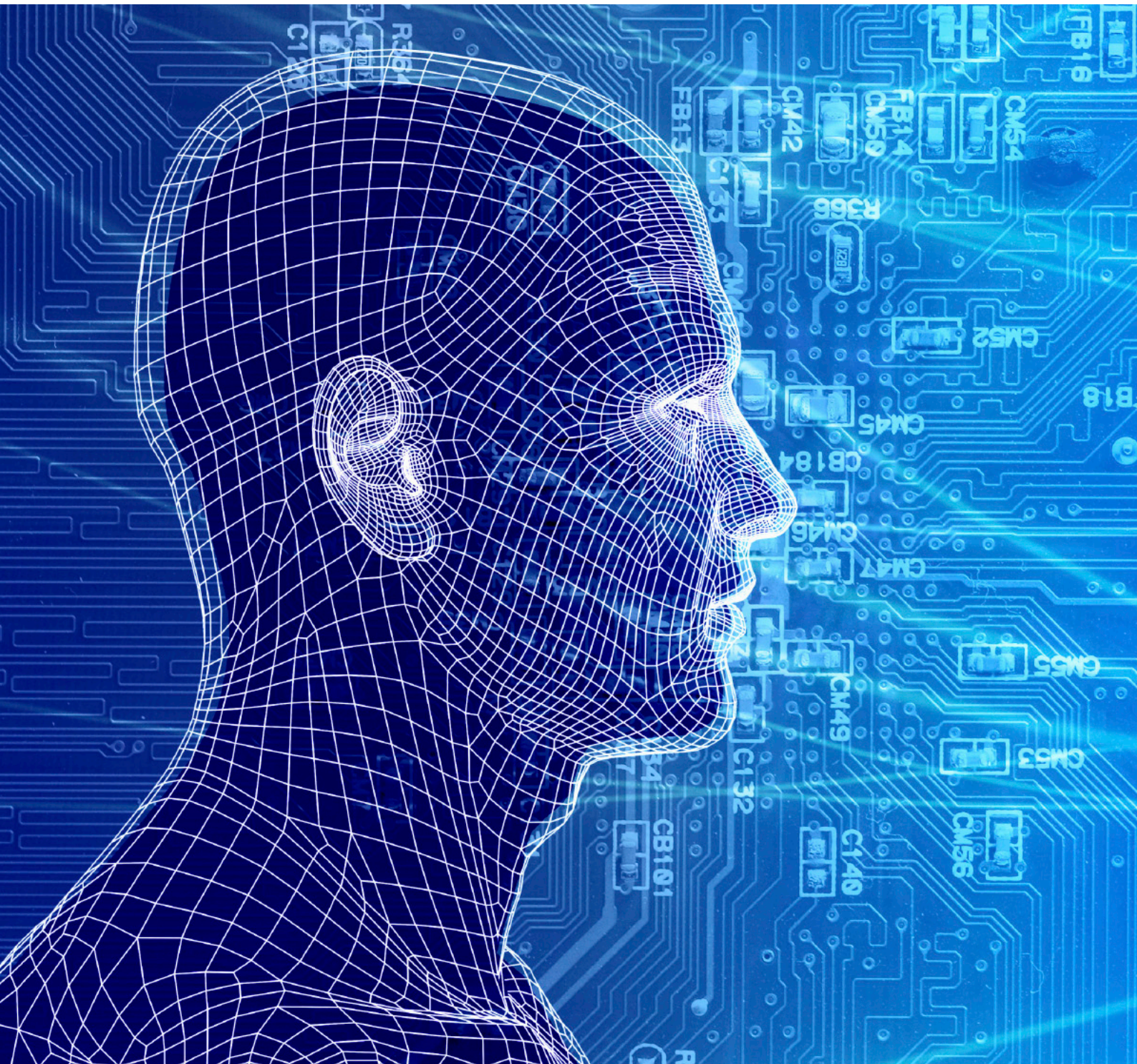
Today's ERP systems offer a single business platform to promote operational efficiency across global processes, for example in electronic invoicing, document management, workflow, automatic matching and payment allocation, reconciliations, etc. Alternatively, there are also potentially cheaper, cloud-based platforms (SaaS) that can link up disparate centers and business operations. The GBS

model is in a strong position to leverage the benefits of technology and automation across the whole enterprise.

Technology enabled solutions are the hallmark of global business services.

6. Leadership

Global business services depends on board-level leadership support to drive maximum value out of the model. GBS operates at a more strategic level, and therefore requires the support as well as sponsorship and investment backing, to deliver to its full potential.



Characteristics of successful GBS

Global Process Ownership

Global process ownership (GPO) is a defining characteristic and driver of GBS. GPO refers to a practice in which one owner is assigned oversight for each of the in scope end-to-end processes, such as order-to-cash, procure-to-pay, hire-to-retire, etc. A GPO is usually not responsible for day-to-day operational management, but rather adds value by shifting processes to a higher level on a global basis. Global process ownership is key in improving the effectiveness and the efficiency of processes, as well as encouraging consistency and compliance across processes, thus leading to a more unified approach.

Governance

As the GBS model gains in popularity and its impact beyond cost is widely recognized, organizations have been forced to give more thought to how to manage the model. Governance is a critical aspect of global business services, by providing a structure through which to manage relationships and align processes with key stakeholders. A strong governance framework creates clarity around issue escalation and resolution, provides a consistent platform for engagement, and defines roles and responsibilities.

With GBS morphing into business partnerships, as many organizations opt for a hybrid combination of in-house Shared Services and Outsourced Services delivery, and more focus on continuous process improvement, data based analytics, and business insights, “governance” has acquired a completely new role and responsibility. By establishing true joint accountability between the business and GBS, governance provides a framework that enables really value adding services.

Integration

In order to support full end-to-end process efficiency and discourage fragmentation, the front, middle, and back offices need to be seamlessly integrated. This is especially important as integration across functional processes is a significant driver of the kind of seamless customer service that clients are now demanding and means the GBS shares the business's output targets. Similarly, integrating GBS with the C-suite is important in realizing the necessary high-level sponsorship and sharing of valuable business insights. In the same way, linking governance and service management frameworks support global coordination. As GBS leverages a multi-sourcing solution, integrating both captive and outsourced providers means improved flexibility does not come at the cost of inconsistency or knowledge loss.

Redefining the Nature of “Shared Services”

True global business services' performance measures reflect corporate criteria as opposed to the back office metrics traditionally associated with Shared Services. As such, it is important that GBS is seen as a trusted ally—as trusted as the locally based teams it replaces. The nature of services provided will shift however, away from the transactional, out-of-sight-out-of-mind processes that entail limited direct engagement with the customer, and towards value adding services that have an immediate and direct impact on the frontline business, for example, via customer credit management and approval, or improved T&E management. Another aspect common to GBS is the migration of some subject matter experts from front line locations to a centralized resource. This expertise could be around analytics or taxation, for example.



Summary

Global business services is not something to be approached lightly. The far-reaching implications of global services deployment mean significant advantages and efficiencies can be gained, but equally, the potential for costly mistakes is multiplied. Chazey Partners has many decades worth of experience in establishing and optimizing global business services across Fortune 500 enterprises. We would be happy to arrange an exploratory meeting to identify how GBS could support optimized service delivery in your organization.

A GBS Case Study: From a commodity to a strategic value driver

The evolving nature of Shared Services is best illustrated by TRW Automotive's Global Shared Services, which evolved out of the original SSO launched for North America in 1997.

Over the past 17 years, what started as a functional and process-specific operation has developed into an increasingly sophisticated global model, based on expanding its "circle of influence". And while cost always has been and will remain a key driver, as the center evolves control, visibility, compliance, and agility have become more significant.

Much of the Global Shared Services' success is based on integrated technology going back to an IS-SAP initiative in 2006, which aligned services around a single platform that still enabled interfacing with local operations.

Today, the shared the Global Shared Services' success is highlighted by business units actively seeking out services. "What started as a push-type approach gradually evolved into a situation where the businesses and executive management are now pulling us in to help them" explains Richard Rowan, Director of the Global Shared Services for TRW.

The centers are supported by global process owners and increasingly standardized systems, which have led to a more unified approach to service delivery. With costs in the US higher than Mexico or China, for example, some of the decisions to be made are around how best to leverage offshoring or outsourcing to get the best cost/service ratio. The global footprint means more opportunities.

Rowan's team is today recognized as an expert business partner and is increasingly being asked to weigh in on strategic decisions, for example a Six Sigma project that the Shared Services team recently won approval for and that will document current cash forecasting processes, evaluate "customer" needs, and develop and implement improvements to global cash forecasting. The impact of such a project on the company's operations is substantial.

The greatest success to date, says Rowan, is not measured in dollars or euros however. Rather, it's in having shifted shared services from a commodity to a strategic value driver that is recognized throughout the organization and continues to deliver outstanding value.

Chazey Partners

Chazey Partners is a practitioners-led global management advisory business. We bring together a unique wealth of experience, empowering our clients to strive for world-class excellence through Business Transformation, Shared Services & Outsourcing, Technology Enablement, Process Enhancement and Corporate Strategy Optimization. We pride ourselves in having built, operated and turned around some of the world's most highly commended and ground breaking Shared Services Organizations, and for implementing many highly successful multi-sourced (shared services and outsourced) delivery solutions. Over the last 20 years, we have delivered numerous programs globally, in the US, Canada, UK, Continental Europe, Ireland, India, Eastern Europe, South America, Singapore, Australia, China, Middle-East and Africa. Our experience covers both Private and Public Sectors, providing expertise in a wide spectrum of business functions, including Finance, HR, IT and Procurement.

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If you would like to speak to a partner about this article, please contact:



Phil Searle CEO & Founder

Chazey Partners
philsearle@chazeypartners.com



Chas Moore Managing Director, North America (West)

Chazey Partners
chasmoore@chazeypartners.com



Robert Towle Managing Director, North America (East)

Chazey Partners
roberttowle@chazeypartners.com



Esteban Carril Managing Director, Latin America

Chazey Partners
estebancarril@chazeypartners.com



Rob Serjeant Managing Director, Asia Pacific

Chazey Partners
robserjeant@chazeypartners.com