



Chazey Partners

BEYOND TRADITIONAL “SHARED SERVICES”: GLOBAL BUSINESS SERVICES



Introduction

Over the past few years, as Shared Services management thinking as well as the awareness of the value of data analytics has evolved, there is now a more pronounced demand for better quality data insights; increasingly globalized support strategy; and more holistic, “enterprise-wide” decision-making that is leading many organizations to aspire to a more sophisticated **Global Business Services model**.

The journey continues...

For many multinational organizations operating across the globe, implementing Shared Services has been an effective means of delivering standardized, cost-effective, and reliable support services. Shared Services have thus formed part of a sophisticated sourcing strategy that supports the business units' needs while eliminating inefficiencies associated with de-centralized service delivery across non-core functions. But while the cost and quality targets of the original SSO model are generally easily attained, the model is limited in terms of its capability when we take into consideration the potential of an "enterprise-wide" sourcing strategy.

Over the past few years, as management thinking as well as the awareness of the value of data analytics has evolved, there is now a more pronounced demand for better quality data insights; increasingly globalized support strategy; and more holistic, "enterprise-wide" decision-making that is leading many organizations to aspire to a more sophisticated Global Business Services model. A KPMG/HfS Research survey last year indicated that 60% of organizations with "mature operational service frameworks" are planning to move to a GBS model, while the Shared Services & Outsourcing Network's 2013 membership survey found that the single most important future potential of Shared Services was "shifting to a GBS model." GBS, however, is not easily attainable, as it requires a more consistent mandate at a high level, and strong central governance to manage it.

Those companies that do persevere, however, operate on a separate plane. Examples include industry leaders such as Procter & Gamble, or HP. In both cases, a global footprint combined with a global services delivery framework and a "right-sourcing" approach

that includes selective outsourcing is providing these companies with unparalleled advantages in terms of supporting their business objectives and growth. That is not to say, however, that GBS is for everyone. The investment, platform requirements, process ownership, and compliance issues make Global Business Services a daunting prospect, to say the least – and a potential public catastrophe should things go wrong.

HOW DOES GBS DIFFER FROM TRADITIONAL SHARED SERVICES?

To some extent, the approach and strategy of both models is similar: each offers an effective route to achieving the triple benefit of lower costs, improved service levels, and a tighter, more efficient, control environment through leveraging a range of enablers – including customer relationship management, economies of scale, automation, organizational realignment, labor arbitrage, implementation of best practices, and true "end-to-end" process optimization.

Taking a simplistic view of Shared Services' evolution, you could argue that while most implementations launch with a single- or multifunctional center, generally with an in-country or regional (Latin America, Central and Eastern Europe, North America, etc) focus, GBS elevates this to global delivery, with appropriate global ownership, targets and frameworks. GBS effectively marks the final stage in the Shared Services journey, identifying itself with "organization", "location" and "sourcing options", and prioritizing governance to leverage control.

START WITH “BUSINESS SERVICES” - THEN GO “GLOBAL”

However, while the principles of “Global” services still have a lot in common with traditional Shared Services, GBS takes services delivery to another level by, first, shifting to “business services”, which implies a more holistic support of the organization; second, by leveraging “global” – as in capability, process ownership, delivery strategy, and footprint; and third, unleashing the power of analytics.

“Business services” differentiate themselves by promoting an integrated approach, taking an end-to-end view across the enterprise, and leveraging process excellence to drive optimization on a global level. However, making decisions on a global level implies global ownership, which is a sticking point for many businesses that are still struggling with in-country or regional processes tailored to their customers’ needs. (Accenture, in a recent survey, found that less than 50% of organizations they questioned defined processes at a global level¹.)

The second differentiator – “global” – is frequently misunderstood. GBS is about much more than simply running a center in the Americas, in Europe, and in Asia. GBS is about understanding the advantages of each location and making the most appropriate sourcing decisions. A GBS model can include a number of core “hubs” alongside more locally-oriented “spoke” centers, to provide localized services where these are legally or otherwise required.

Finally, data analytics has emerged as a highly valued output of Shared Services. However, to fully access, mine and analyze enterprise data requires a holistic strategy, which GBS provides a framework for. While analytics can be driven from and through any given center, the level of analytics that drive enterprise optimization can only be accessed through a global framework.

MULTIFUNCTION OR SINGLE FUNCTION?

While it is generally assumed that GBS covers multiple support services (“multifunction” – as in F&A, HR, Procurement, etc) this is not necessarily the case.

In practice, many organizations find it easier to stand up a single function GBS, which avoids the complex decisions around ownership inherent to multiple functions transitioning into one center, and reporting to one head of GBS.

Hackett Group research (2012 survey, in association with SSON) found that Finance is the most common function in today’s GBS: 84% of survey participants reported they supported Finance services. In second place, 45% of participants listed Human Resources as a function supported through GBS.

ADVANTAGES OF THE GBS MODEL

Effectively, GBS is about deploying a comprehensive, enterprise-wide Shared Services that mines, analyzes, and makes decisions based on its access to enterprise data. This model can yield tremendous value to an organization, far beyond the cost advantages of standardization and labor arbitrage. The most effective examples of GBS align services with business operations for streamlined support and analysis, and deliver smarter insights based on better quality data while offering predictive solutions for future opportunities.

The advantages of GBS are based on the consolidation of common applications and processes, delivery models, and leading practices – all on a global scale – while leveraging flexible sourcing options that can include shared services, outsourcing, and cloud computing, for maximum efficiency and effectiveness. This means evaluating the service capability, expertise, cost and advantages of different providers or delivery models (captive vs. outsourced; onshore vs. offshore) to find the most appropriate fit. It’s important to note, however, that “most appropriate” does not equate to “cheapest”, “fastest” or “nearest”. Instead, by aligning itself with desired business outputs and corporate strategies, and by analyzing its global capability, a GBS model supports smarter sourcing decisions, which are to the overall advantage of the business.

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.

Where GBS scores big points is in driving additional, strategic value. For example:

- focusing beyond cost, towards leveraging expertise, data and knowledge across the enterprise
- influencing and impacting business outcomes – taking a more strategic position
- driving business alignment to meet organizational goals
- delivering value – in improvements as well as cost reductions

- global process management and governance
- leveraging and managing talent across the enterprise
- optimizing delivery centers from different locations, whether captive or outsourced
- turning business intelligence into insights

A recent KPMG report measured the impact of GBS across industries. It highlighted the following metrics as a result of implementing Global Business Services:

- 10-35% cost savings across major back office

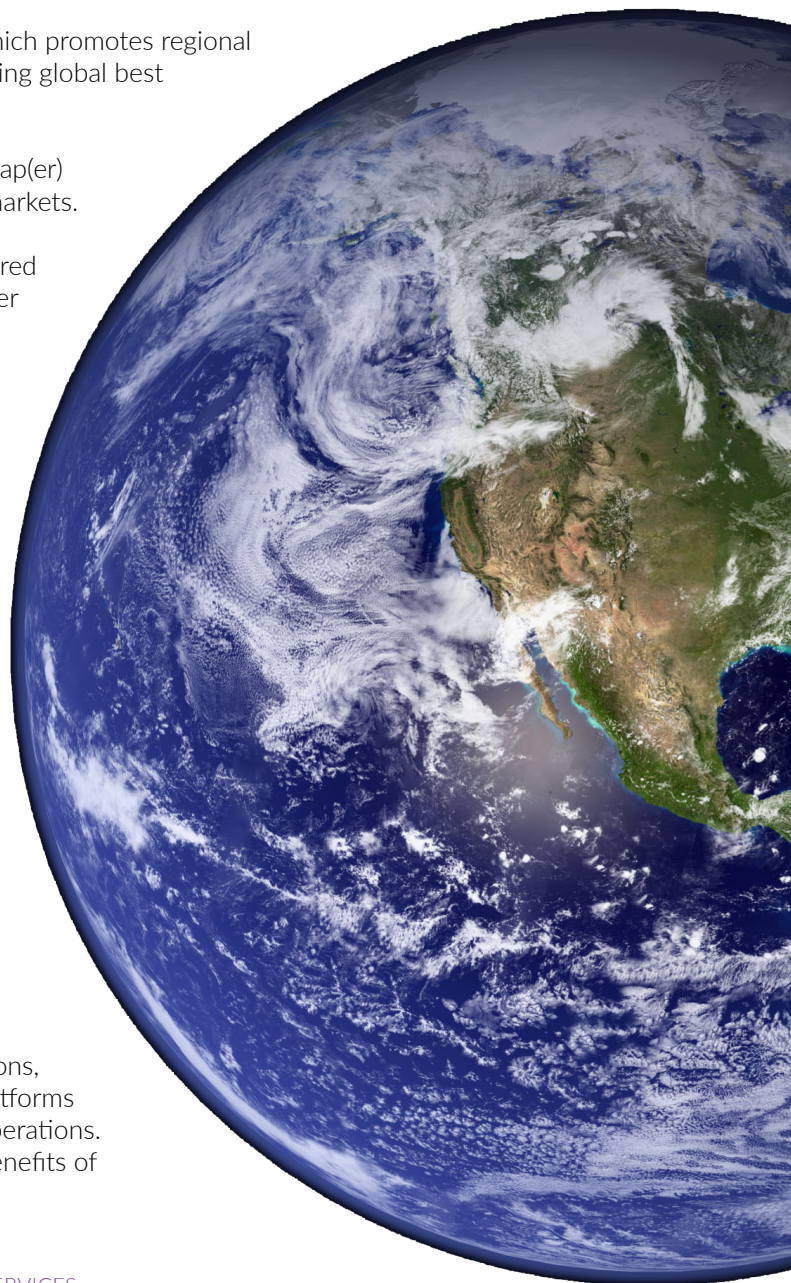
functions (Finance, HR, IT) whereby Finance shows the greatest potential for improvement

- 10-15% cost savings on Facilities
- 8-13% spend reduction on Indirect Goods and Services
- Improved collaboration between stakeholders
- Improved delivery capability
- Improved governance, risk management, performance, and reporting
- Improved integration of end-to-end services
- Centers of Expertise more effectively leveraged to deliver innovation

What's driving us towards "Global"?

Given the upheaval and turf wars that are unleashed when GBS is touted – why not stick with multifunctional regional Centers, which are also delivering the goods? There happen to be strong trends that are pushing organizations towards GBS, many of which have less to do with organizational design than they do with evolving environmental factors:

1. There is a strong drive to get "closer to the business", which promotes regional centers that, nevertheless, stand to benefit from leveraging global best practices.
2. A global footprint offers the opportunity to leverage cheap(er) labor, thus encouraging the consideration of emerging markets.
3. As management becomes more comfortable with the Shared Services concept, there is increasingly a demand for higher value service capability beyond the transactional, which promotes Centers of Expertise, often in 'nearshore' locations, which can be leveraged globally.
4. Businesses are growing in Latin American and Asian markets, and need to rely on robust, flexible, and scalable services frameworks that support corporate strategic and business objectives of growth, value, cost, etc. GBS meets these challenges.
5. Today's organizations face challenges and opportunities at every level and in every location. It's an advantage, therefore, to be able to shuffle process parts around the world as part of a global sourcing strategy that leverages locations and capabilities according to their strengths and advantages.
6. Technology is evolving. 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 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 enterprise.



A WORD OF WARNING

While we can define GBS in terms of deliverables and ownership, the key point to remember is that success or failure rests on the ability to support the business in achieving its stated goals. Chasing “GBS definition” for its own sake means running the risk of fixating on internal targets at the expense of meeting clients’ expectations.

Where GBS does fail, you usually find a failure in leadership rather than a failure in service. Strong leadership and a robust governance structure are the pillars of success, for GBS as for any Shared Services. Other challenges include:

- attracting and maintaining key employee talent
- lack of common cross-functional tools and approaches
- lack of a shared center infrastructure across functions
- lack of cross-functional process management
- functional silos retained for processes execution

SUMMARY

While cost was the driving force for most Shared Services implementations, increasing sophistication, automation, and a more global approach to process ownership mean that SSOs are now focusing on partnering, aligning services to business outcomes, and driving valuable insights through data analytics. The strength of the GBS model is that all strings are effectively held in one hand, and the single business unit customer is serviced through one point of contact.

The Global Business Services model is, therefore, becoming far more integral to the businesses it serves.

Notes:

1. Trends in Shared Services: Unlocking the Full Potential, Accenture, September 26, 2011
2. The Future of Global Business Services, PWC and HfS Research, June 2012
3. Global Business Services Industry Study 2013, KPMG and HfS Research



Chazey Partners

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