



The Global Business Services maturity model

What to get right—and what to avoid—in the GBS journey

Operational cost reductions remain a high priority for Global Business Services (GBS) organizations, but increasingly they are viewed as a given. Much greater emphasis is placed on delivering measurable business value and innovation beyond cost savings. According to a recent KPMG study¹:

- 90 percent of organizations say that driving down operating costs is important or critical to the success of their GBS program
- 89 percent focus on delivering more cost-effective and flexible back-, middle- and front-office services
- 74 percent cite end-to-end process optimization as a key enabler of these goals
- 67 percent cite real-time, data-driven insights as another key enabler.

GBS has emerged as the preferred model for delivering business and IT support services. Operating as a common framework for integrating back- and, increasingly, middle- and even front-office shared services and outsourcing operations, GBS can drive efficiency, reduce costs, and improve business outcomes.

Flexible enough to evolve with market and company needs, GBS is a transformational journey. There is no “one size fits all” GBS model. Instead, the GBS journey can be divided into five levels, from highly decentralized functions to more integrated and strategically driven services (Figure 1).

As organizations progress up the maturity curve—moving from transactional services to managed services, to business solutions and outcomes—the optimal level of desired maturity depends on the organization and various operating factors, ambition levels, available investment levels, IT maturity, and integration with GBS operations.

Moving up the GBS maturity curve delivers additional benefits but with associated additional costs. The highest level of maturity is not a necessary or practical goal for all organizations across all dimensions of GBS.

What is GBS?

Global Business Services is a next-generation operational and organizational model for enterprises to deliver business processes such as HR, finance, IT, and customer care to internal and external customers. It’s often applied on a global scale using multiple service delivery models, including outsourcing, shared services and, increasingly, cloud solutions.

Why are organizations considering significant investment in GBS? Because it can help them:

- reduce costs
- get to market faster
- drive process excellence
- unlock the power of data and analytics
- mitigate overall business risk and ensure compliance
- enable excellence and consistency in the customer experience
- build an internal repository of high-quality talent
- establish a consistent brand experience
- accelerate time to benefit from mergers and acquisitions.

¹ KPMG and Horses for Sources (Mike Beals and Phil Fersht), Heroes Don’t Scale: Establishing an Effective GBS Governance Strategy, January 2014.

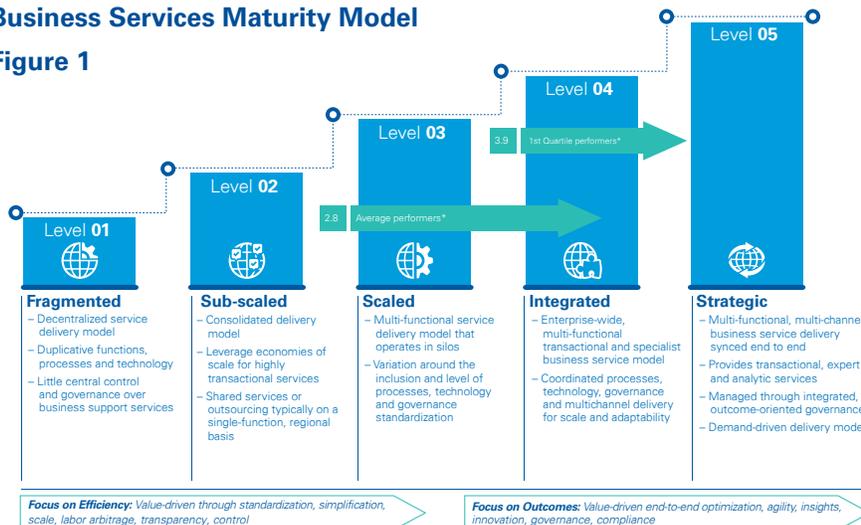
KPMG's five-stage maturity model

KPMG's five-stage maturity model is a unique asset based on one of the largest and most comprehensive research studies ever conducted on GBS. The KPMG GBS Maturity Research Study, begun in 2011, provides deep analytics on the leading practices of more than 200 companies. We also correlate maturity scores against 12 financial performance metrics so that we can determine the positive impact of GBS maturity on companies' financial bottom line.

Our research also includes a proprietary GBS operating model that identifies 10 operational dimensions, each supported by robust analytics (Figure 2). Armed with this data, we know what 'good' looks like. We know which dimensions are most important for reaching higher levels of maturity. And we know how to navigate clients through each stage of the maturity model.

Business Services Maturity Model

Figure 1



Operational savings approach 40 percent on an ongoing basis as organizations progress from Level 1 to Level 5, according to feedback from over 200 companies we have surveyed since 2011. More strategic business outcomes show up at Level 4 (integrated processes) and Level 5 (integrated solutions). Some of the more impactful benefits include helping companies integrate mergers and acquisitions less expensively, enabling faster entry into new markets, providing better data for decision-making, accelerating cash flow, and making the company brand more consistent globally.

Further, financial analysis of 90 publicly held companies that have completed the KPMG GBS maturity assessment shows that SG&A compounded annual growth rate is

over 50 percent less for companies that perform at higher levels of operational maturity versus lower-maturity companies.

Case in point: A KPMG member firm worked with a global consumer products company to restructure its commercial operations and supply chain, and implement a GBS model. The company subsequently reported to analysts that it reduced costs by \$400 million. Though all three efforts were highly interdependent, the company said it could not have achieved such significant savings without implementing a GBS model.

How and when to move beyond Level 3

For many organizations expanding their GBS efforts, potential roadblocks often show up at Level 3, the staging ground for the drive to integrate processes in Level 4. At this point, individual functions have been organized under the same umbrella, but if no integration benefits are delivered beyond cost savings, the organization tends to become a layer of bureaucracy on top of what already exists for individual functions.

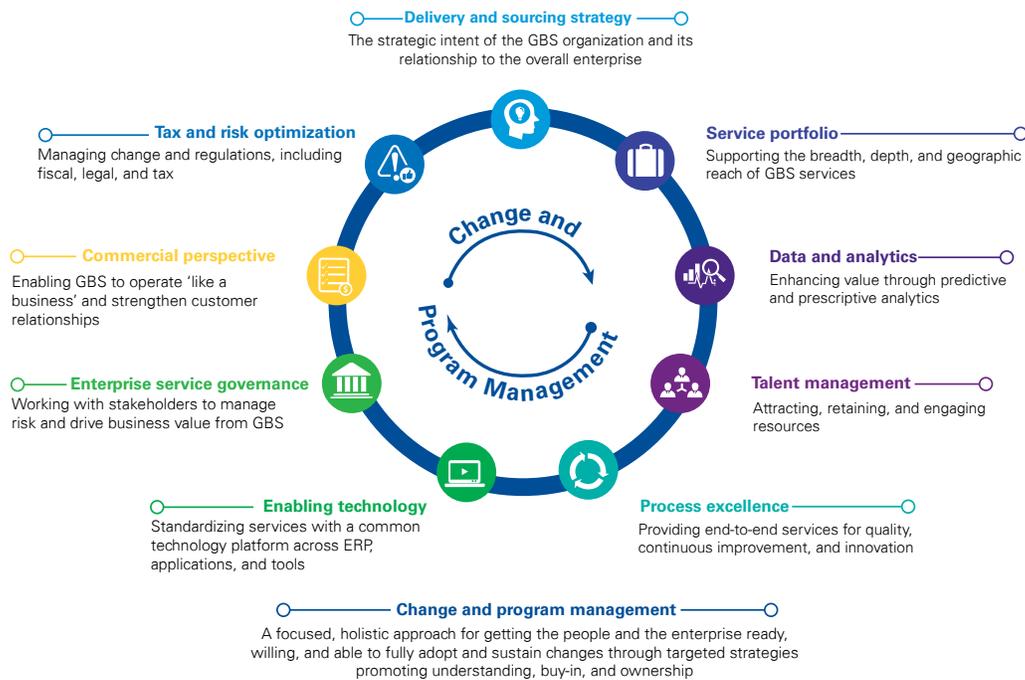
Staying at Level 3 for a short or long period of time is fine if it suits an organization's needs, and it is clear on the potential benefits it is foregoing by not pursuing greater maturity. Ideally, this is a thoughtful and proactive decision, and not a reactive one based on lack of effort.

For organizations seeking to advance beyond Level 3 maturity, there is a danger zone at this level as costs begin to increase in functional silos and geographies. Problems become acute when service levels are inconsistent, ownership of end-to-end processes is not achieved, and the governance of shared services, and especially outsourcing, is fragmented.

As a result, transformational initiatives take too much time to complete due to added complexity and more siloed decision-making between GBS and corporate functions. Unless an organization has strong GBS leadership and a solid, articulated business model to support the move to Level 4, it is better off—or is relegated to—staying at Level 2, which features single-function shared services or outsourcing, typically on a regional basis.

KPMG's GBS framework is optimized and enabled by 10 dimensions

Figure 2



Accelerating Level 4

KPMG firms advise clients to take these five steps to avoid hitting the proverbial wall at Level 3 GBS maturity:

- Create and execute a model for end-to-end global process ownership.
- Make sure that enterprise service management models and tools are in place to support end-to-end processes in scope.
- Install a common cross-functional GBS information technology infrastructure, and operational and governance models.
- Follow an integrated and common approach and strategy for service delivery models and sourcing decisions across GBS operations.
- Set up a common human resources, organization, administrative policies, practices, branding, and supporting structures, and pay keen attention to talent management needs and requirements, and the objectives of the overall organization.

Pick the maturity level that's right for you

Just because the maturity model has five levels, your organization may not need to reach Level 5. As with moving up any maturity curve, there are costs and requirements associated with reaching each new level. With GBS maturity, important considerations must be addressed relating to an organization's overall business strategies, operating mode, culture, and style.

Implied at Level 5 maturity are organizational characteristics such as wide-ranging process ownership and management of GBS functions, integration and coordination, outsourcing of governance of GBS operations across geographies and supported business units, and tight integration between GBS processes and underlying supporting

IT applications and systems. These attributes are generally desirable and most GBS organizations should seek to gain them, but only if they fit and mirror the business objectives of the overall organization.

Achieving a highly integrated GBS operation may not make sense, or may practically prove impossible to achieve, for example, in a conglomerate of more loosely federated organizations. Regulatory or legal structures also could limit an organization's ability to consolidate functions. Organizations that lack active executive management support for driving greater GBS maturity also should measure their aspirations in the context of what is viable to achieve.

Critical questions to consider about moving up the GBS maturity curve:

- What governance processes do you need the most to move up the maturity curve?
- What is the natural progression for GBS? How fast and far can you go?
- What is the value of getting to Level 5? How can you leapfrog? Should you?
- If you could only do three things to move up the maturity model, what would they be?
- What does 'good' look like for your company?

How KPMG can help

KPMG recognizes that today's enterprise business services leaders face increasingly complex demands and challenges.

Globally integrated teams from our Shared Services and Outsourcing Advisory (SSOA) practice, in seamless partnership with professionals from KPMG International's broader set of member firm capabilities in risk, transactions, tax, and compliance, help our clients transform their business services to deliver improved value, increased agility, and sustainable business performance.

If your organization is seeking innovative ways to achieve genuine business services transformation, KPMG SSOA can help. For more information, there's no better place to start than by accessing our research and thought leadership on the [KPMG Shared Services and Outsourcing Institute](#).

Read more of KPMG's core success factors for GBS [here](#).

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