



Future-proof your Global Business Services operating model

The new growth imperative

Sixty-one percent of KPMG's sourcing advisors worldwide, and 58 percent of business and IT service providers, list 'dysfunctional/fragmented organizational and operating models, designs, and processes' as the #1 hurdle that could prevent global companies from successfully executing on their top initiatives. While this finding isn't new, the imperative to address the challenge continues to grow as organizations increasingly globalize, need to aggressively implement emerging technologies, such as process automation and data and analytics, and respond to uneven and often slowing global economic conditions¹.

The deployment and expansion of a Global Business Services (GBS) operating model offers organizations great potential to improve functions and processes from both an efficiency—and more importantly, an effectiveness—perspective, ideally delivering great value to the business above and beyond cost savings. Too often, however, success at achieving these loftier goals proves elusive if focused attention is not paid to future-proofing the GBS operating model.

When GBS efforts succeed, it is because they move beyond the traditional shared services and outsourcing cost-reduction paradigms, and center the design of support services on the needs and priorities of the enterprise as a whole, beyond just saving money. As an integrated platform, GBS delivers enterprise business services that can drive efficiency, improve business outcomes, and continually evolve based on market and company needs.

More than cost reduction alone, GBS can deliver transformational value. For example, successful GBS operations can give companies the capabilities to enter new markets more easily, integrate acquisitions faster, adopt new and improved processes more rapidly and access, and analyze a wider range of data to serve their customers better. These benefits are delivered in conjunction with reducing costs.

Little wonder, then, that six in 10 organizations have explicitly adopted a formal GBS approach to service delivery. And many are measuring their performance based on the KPMG GBS framework (Figure 1).

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 International, Top Trends and Predictions for 2015 and Beyond: 1Q 2015 Global Sourcing Advisory Pulse Survey.

© 2016 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent member firms affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 534041

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

Figure 1



Four major factors on the GBS journey

Four major factors have the potential to accelerate or, if not exploited, disrupt the journey for greater GBS maturity and realized benefits:

- **Technology is getting smarter, marking a shift from labor to capital.** Investing in GBS today is not about investing in high numbers of people to do more work more cheaply, but about investing in technology to automate high-volume transactional work. Doing so can reduce costs, but more importantly, improve efficiency and service quality.
- **Wage arbitrage benefits continue to diminish.** As labor costs in traditional low-cost locations increase, the business benefits for GBS need to be found elsewhere—through value-added services and the automation of high-volume work.
- **Centers of excellence (COEs) are becoming increasingly important.** A COE refers to a team, shared facility, or entity that provides leadership, leading practices, research, support, and/or training for a focus area. With a greater emphasis on value-added services, COEs can provide deeper business insight that leads to better decision-making.
- **Acquiring and retaining high-quality talent is getting tougher.** It's not just about having the right people doing the right things in the right places. Companies also must be able to source talent and capabilities for the long term so they can grow and develop in the right way. COEs, for example, require much more specific skill sets for more complex activities. It's a seller's market now.

What does 'good' look like?

We recommend the following two approaches to cost-effectively streamline your operations

- **Global process ownership.** This means exactly what it says: have a single point of contact responsible for the overall performance of a specific global process. This global process owner approves the process standards, policies, guidelines, and key performance indicators, and reports directly to executive management.
- **Strong commercial management.** As the role of outsourcing changes and automation increases, commercial models for outsourcing must depend less on FTE-based pricing and more on outcome-based pricing. Organizations that embrace outsourcing as part of their operating model need to become savvier about their skills and capabilities so they can better ascertain that they are paying for the outcomes that automation delivers.

© 2016 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent member firms affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 534041

The time to future-proof your business is now

We recommend the following four steps:

- 1. Invest in COEs and high-value services** because automation will make high-volume transactional centers much less common, and in some cases obsolete over time. Robust COEs, on the other hand, will grow as the GBS market matures. As for location, consider current Tier One target locations for high-volume shared service centers (SSCs). For existing SSCs, invest now in capability development. Use existing teams to optimize transaction processing, and create pilots and incubators for value-added services.
- 2. Take a hard look at your commercial model** for using third-party service providers to ensure that it incentivizes investment in automation. For example, traditional business process outsourcing (BPO) based on labor arbitrage will shrink over time in lieu of more process automation. Move to transaction- or outcome-based pricing models, and invest in your vendor management and process ownership capability to drive change with your BPO provider. Ensure the contract allows for early exit or flexibility to change models and location. Don't assume your provider will do this for you.
- 3. Invest now in emerging technologies that can drive GBS maturity.** These include process automation, data and analytics, and enterprise service and process management. ERP platforms are not going away, but new technology is arriving quickly through the cloud and enterprise apps. Get a step ahead by maximizing existing functionality for automation, and investing in supplemental technology to drive automation.
- 4. Look for business process as a service (BPaaS) and software as a service (SaaS) alternatives** for combined technology and transaction processing services.

Proprietary assets

Following are KPMG's recommendations for cost-effectively streamlining your operations.

– BPM (business process management)

Ad-Hoc Accelerator. This proprietary framework allows you to configure, deploy, automate, and monitor unstructured processes in a matter of minutes. The capability creates a high degree of standardization regardless of system or geographic location. The tool further enables transparency and visibility into how processes are working so they can be improved in real time, and made leaner, more efficient, and more effective.

- **Managed Governance Services (MGS).** This full-service approach to managing third-party spend (Figure 2) balances operational effectiveness, compliance, and risk management. MGS combines KPMG's extensive governance experience, specialized resources, data, and a proprietary technology platform, Governance Workplace. MGS highlights the performance of shared services and outsourcing contracts. What are the performance trends? The early warning signs of issues or problems? MGS creates an easy and dynamic way to make operations transparent. It allows you to enhance the value of your services portfolios, and gain greater value from your provider relationships.

Managed Governance Services (MGS)

Figure 2



Critical questions to consider about your operating model:

- How much do you depend on your labor force?
- Are you ready to try automation?
- Have you really achieved globalization and centralization?
- Do you have common ways of working?
- How are you ensuring that you have the talent and other resources available to deliver an optimized operating model?

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.](#)

Contacts:

David J. Brown

Global Lead, KPMG Shared Services and Outsourcing Advisory

+1 314 803 5369

djbrown@kpmg.com

Stan Lepeak

Global Research Director, KPMG Management Consulting

+1 203 458 0677

slepeak@kpmg.com

kpmg.com/socialmedia



© 2016 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. NDPPS 534041

The KPMG name and logo are registered trademarks or trademarks of KPMG International.