

The Rise of Global Business Services

A ScottMadden Perspective



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GLOBAL BUSINESS SERVICES – AN OVERVIEW

Background

Over the past 10 years, leading multi-nationals have evolved the scope and scale of their shared services organizations, and an expanded model has emerged. What did they do? They began managing services across the entire enterprise regardless of site locations, expanding process scope beyond transactional activities, providing support across multiple functions (e.g., finance and accounting, human resources, supply chain, etc.), and delivering all of this through a single service model reporting to one senior executive. The name of this enhanced delivery model, employed by more than 50% of multi-national companies (including the likes of Procter & Gamble and Hewlett-Packard), is Global Business Services (GBS). Following their lead, numerous companies have begun to design and implement their own GBS models. In fact, some estimates indicate that more than 1,000 companies are in the process of moving to a GBS model today.

Definition and Characteristics of GBS

We believe that GBS is not something separate and distinct from the traditional shared services model, but rather its natural extension. International companies simply struggle to justify maintaining separate and differing models to deliver the same services to different regions of the world. For companies that desire to expand geographic scope, functional scope, and organizational scope, a more robust delivery model has emerged. ScottMadden offers the following definition:

Global Business Services is the integrated services capability of an enterprise, focused on the delivery of transactional and analytical work supporting the business units and corporate, under a single organizational structure.

We believe that a true GBS model demonstrates the following five characteristics:

1. Delivers services to a global customer base
2. Reports to one person with responsibility for an overall budget
3. Shares infrastructure, including locations and technology platforms
4. Incorporates end-to-end process ownership
5. Includes higher-value activities

First, a GBS organization must define how services will be delivered to all sites (large and small), regardless of international location. We believe that business unit (or internal customer) locations define the globalization of the model, not simply where the work is performed. This does not imply that all services must be delivered from a single global center or even a handful of regional hubs. It implies that there must be a rationale applied to all sites as to how they will receive specific services. This could mean that services are delivered from a single center, regional hubs, country hubs, or even completely decentralized site-specific locations.


Second, GBS organizations must report to one person with responsibility for an overall budget. In some cases, we see companies that are functionally based but may be co-located in a single site. There is a site lead, but the groups still report to functional leadership. We believe that this is not GBS as this model loses the effectiveness of governing decisions through one owner with one philosophy and one consistent and integrated delivery model.

Third, a GBS organization shares infrastructure, including locations and technology platforms. GBS organizations optimize global locations to deliver services most efficiently. While many services can be delivered globally, others may require regional support. In addition, technology platforms are shared globally, where possible. Though integrating one ERP is not required, there are numerous service delivery systems that GBS organizations are careful not to duplicate. Examples include case management systems, knowledgebases, portals, reporting and analytics tools, document management technologies, workforce management tools, and the like. If supporting systems are duplicated in any way across the enterprise, there must be a fundamental business driver.

Fourth, a GBS organization incorporates end-to-end processes in its overall design. End-to-end processes allow companies to align process strategy with execution, reduce challenges resulting from up-stream inefficiencies and handoffs, and increase transparency and visibility across the entire enterprise. While end-to-end processes can offer benefits within a single function, like record-to-report (finance and accounting), greater benefits are realized when an end-to-end process crosses functions, like procure-to-pay (procurement and finance and accounting) and hire-to-retire (HR and finance and accounting). Most importantly, organizing global processes end-to-end allows one process owner to focus on standardizing and automating their process to the greatest extent possible across all countries.

Fifth, a GBS organization moves beyond traditional transactional services by incorporating higher-value Centers of Expertise (COEs). COEs are best defined as a small team of specialists who promote collaboration and the use of best practices for a specific focus area common to multiple business units in order to drive business results. Services are based on “expertise,” which may be located across different regions of the world but leveraged for all locations. Examples of higher-value services are depicted in Figure 1.

Figure 1: Example Higher-Value Services

<p>Centers of Expertise</p> 	<p>Human Resources</p> <ul style="list-style-type: none"> ■ Diversity programs ■ Compensation design ■ Benefit plan design ■ Specialized recruiting ■ Workforce planning ■ Organizational development ■ HR analytics 	<p>Supply Chain</p> <ul style="list-style-type: none"> ■ Commodity team ■ Negotiation ■ Green supply chain ■ Spend analysis ■ Distribution planning/optimization ■ Warehouse optimization
<p>Finance and Accounting</p> <ul style="list-style-type: none"> ■ Forecasting and budgeting ■ Business case development ■ Deal review ■ Merger and acquisition (due diligence) ■ Competitive intelligence ■ Pricing 	<p>Information Technology</p> <ul style="list-style-type: none"> ■ Business application development ■ Infrastructure and network architecture design ■ Data center integration and management ■ Storage virtualization ■ Customer relationship management ■ Web development and management 	<p>Others</p> <ul style="list-style-type: none"> ■ Engineering ■ Six Sigma ■ Legal ■ Communications ■ Change management ■ Quality assurance ■ Business data analysis ■ Sustainability ■ Internal audit ■ Marketing

Expected Benefits

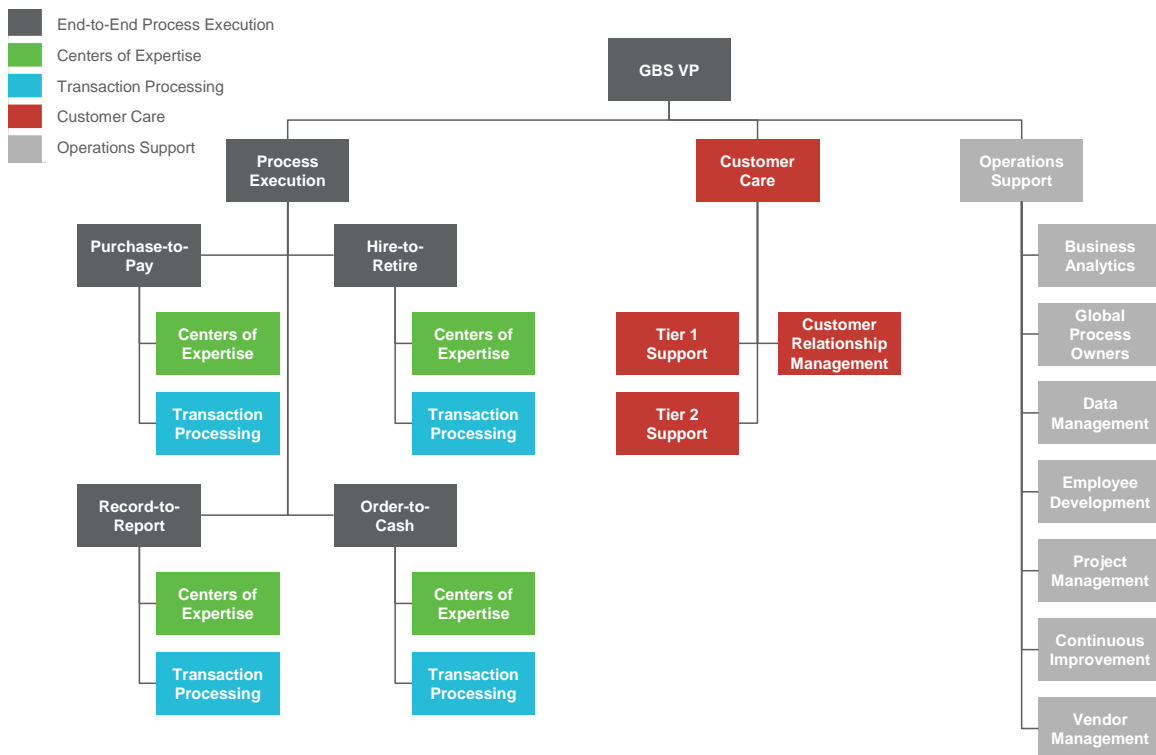
Companies that transition to a GBS model are expecting to generate incremental cost savings of 5%–20% over traditional shared services. These benefits are driven through global standardization, greater economies of scale, and optimization of infrastructure, including locations and technology platforms. However, the real benefits realized through GBS are attributable to the value generated for the overall enterprise by the delivery of integrated support services. For example, by leveraging integrated processes, a GBS can shorten the working capital cycle, optimize global vendor spend, and increase employee engagement—all of which demonstrate far greater benefits than cost savings alone.

THE GBS ORGANIZATIONAL STRUCTURE

The GBS organizational structure must incorporate three primary items: end-to-end process execution, customer care, and operations support. Delivering efficient, business-intelligent process execution is a primary objective of GBS. Incorporated as part of the process execution team are both transaction processing and COEs. Providing exceptional customer care is a complementary objective of GBS. The customer care team typically incorporates customer relationship management, who serve as strategic liaisons to internal customers, and tactical help desk support to resolve routine questions and issues. Finally, the GBS organization must take advantage of cross-functional operations support, such as business analytics, global process owners, data management, GBS employee development, project management, continuous improvement, and vendor management.

While every GBS organizational structure is unique to each company, a representative example is depicted in Figure 2.

Figure 2: Example GBS Organizational Structure



GOVERNANCE – A KEY CONSIDERATION

While GBS models have many benefits, one of the most contentious and debated topics is the governance of these models. Many stakeholders desire a voice, including the functions (finance and accounting, HR, procurement, IT, etc.), internal customers, regions and countries, and the GBS organization itself. Common questions include: “Who owns the design of the processes—the functions or GBS?” and “Who determines if a process exception can be made for a region or country—the country or GBS?” Keys to GBS governance include determining decision rights, ensuring clear delineation of roles, responsibilities, and ownership, and managing dispute resolution.

When designing and implementing the GBS model, it is important to have a cross-functional steering committee to approve design decisions and weigh in on contentious topics. When ScottMadden designs GBS models, we incorporate a GOSP (governance, oversight, support, and perform) framework to ensure roles and responsibilities are clear. We invite diverse representation from the internal customers and corporate to engage in determining service scope, customer channels, and organizational roles. If we experience roadblocks, decisions may be escalated to the steering committee if necessary. However, care must be taken to ensure that slow decision-making doesn’t delay the project schedule or slow overall project momentum.

Once the GBS has launched, we recommend a two-tiered governance model—one for strategic decisions and a second for tactical decisions. The strategic tier should include business and geographical representation and provide insight into the customer perspective. Key decisions may include major capital expenditure approvals, scope expansion decisions, and performance monitoring. The tactical tier should be used to resolve daily operational issues. For example, companies who are apprehensive about having a single end-to-end global process owner may initially leverage a tactical, cross-functional process council when making process design decisions or approving process exceptions.

SUMMARY

For companies that desire to increase the value traditional shared service models offer, GBS may be a viable route. True GBS organizations deliver services to a global customer base, report to one person with responsibility for an overall budget, share infrastructure, including locations and technology platforms, incorporate end-to-end processes, and incorporate higher-value activities.

Playing a large part in the successful implementation of GBS are the organizational design and governance framework. Designing an operating model and a corresponding organizational structure requires a careful balance of end-to-end process execution, exceptional customer care mechanisms, and efficient support processes. In addition, a well-constructed governance framework is required to make difficult decisions and resolve disputes, without slowing down an implementation.

Many companies are planning to take part in the rise of Global Business Services. For those that reach this goal, the payoff will be highly significant.

MORE INFORMATION

For more information on how ScottMadden can assist you in designing, implementing, or improving your GBS journey, please contact us at info@scottmadden.com or:

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More information about ScottMadden's practices can also be found at www.scottmadden.com.

ABOUT SCOTTMADDEN'S CORPORATE & SHARED SERVICES PRACTICE

ScottMadden has been a pioneer in corporate and shared services since the practice began decades ago. Our Corporate & Shared Services practice has completed more than 1,100 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients span a variety of industries from entertainment to energy to high tech. Examples of our projects include business case development, shared services design, and shared services build support and implementation.

ABOUT THE AUTHOR

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