

Intelligent Automation in Today's Global Business Services

Global Business Services: The Evolving Standard for Global Service Delivery

November 2017

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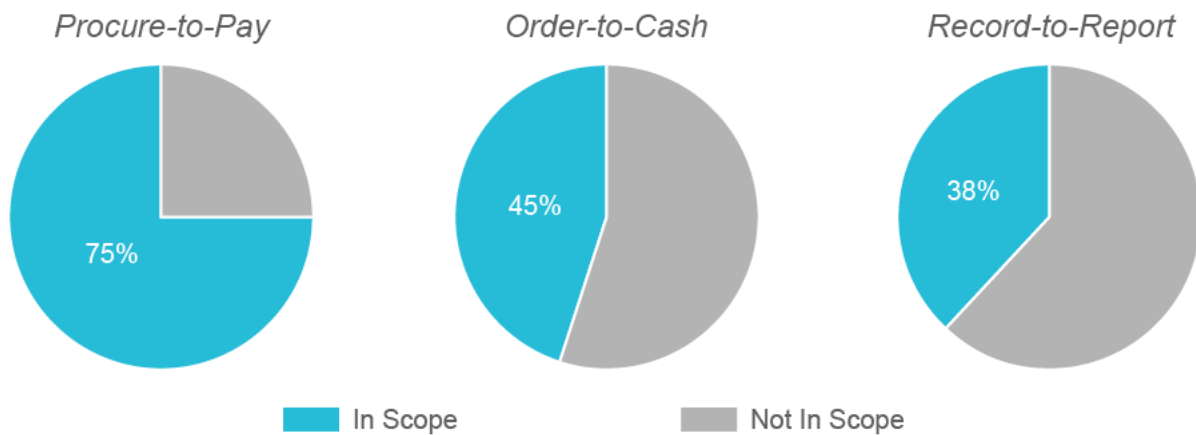
As multinational companies expanded their operations around the world, they gradually adopted their shared services models to accommodate their global reach. Back-office support services, such as finance & accounting, human resources, and supply chain, are provided neither out of the company's headquarters nor distributed throughout its business units. Instead, these services are provided through an interlocking network of global service centers. The results have been greater cost savings over traditional country-specific shared services models, as well as greater employee engagement, shorter working capital cycles, and improved vendor relationships. A recent survey undertaken by ScottMadden, in conjunction with the American Productivity & Quality Center (APQC), confirmed that global finance shared services organizations (SSOs) operating in at least 10 countries saved more than \$35,000 per FTE over those operating in only one country.¹

At last count, more than 1,000 multinational companies have moved to this model, now commonly referred to as Global Business Services (GBS). While there is no universal approach to designing these multinational networks, nearly all GBS organizations have common characteristics which help define them. Among these are:

- They deliver services to a global customer base. Depending upon the business unit or local customer locations, services are across multiple countries via regional hubs, country hubs, or even completely decentralized site-specific locations.
- They report to a single individual with overall budget responsibility. True GBS models govern decisions through one owner with one philosophy and one consistent and integrated delivery model.
- They share infrastructure, including locations and technology platforms. GBS organizations optimize global operations to deliver services in the most efficient manner. Some services are delivered globally, while others may require regional support. Technology platforms are shared globally to the fullest extent possible.
- They incorporate end-to-end process ownership. Organizing global support processes end-to-end allows one process owner to standardize and automate the underlying process across countries. While end-to-end process ownership can offer benefits within a single function, e.g., record-to-report (finance & accounting), greater benefits are realized when the end-to-end process crosses functions, e.g., procure-to-pay (supply chain and accounting) and hire-to-retire (human resources and accounting). As shown in the figure below, multinational GBS organizations are not strangers to cross-functional process management.

¹ "10 Key Findings: Trends in Global Business Services," (ScottMadden Inc., and the American Productivity and Quality Center, 2017).

Most GBS and global SS models are using some form of end-to-end process ownership with Procure-to-Pay, Order-to-Cash, and Record-to-Report leading the way.



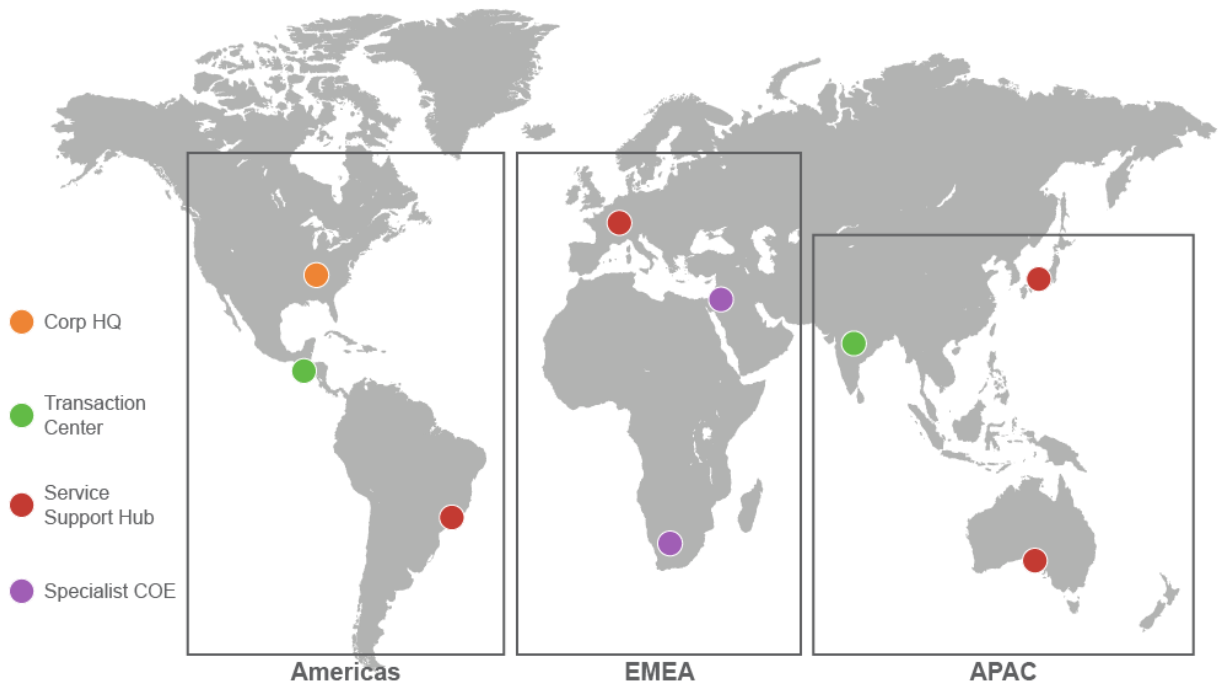
- Finally, they include higher-value functions. GBS organizations move beyond traditional transactional services, such as accounting, to higher-value services, such as forecasting and budgeting. These services are generally provided through some form of Center of Expertise (COE) staffed by a small team of specialists who promote collaboration and apply best practices within the functions in question.

TYPICAL GBS OPERATING STRUCTURES

Most GBS organizations are structured to reflect tiered-service management. The most common framework divides work into four categories: (1) transactional/administrative, (2) functional/programmatic, (3) specialist/consultative, and (4) strategic. These are then used to determine where the work should be performed within the company's global footprint. Transactional work is generally located within one or more transaction centers located in lower labor cost areas. Functional work, which requires in-depth subject matter expertise, is generally located in service support hubs in closer proximity to the customer. Specialist work is generally centralized in some form of COE, but some may be needed locally to deal with country-specific institutions or requirements. A theoretical GBS framework, using the finance function as an example, is shown in the figure below.



Just how these functions are distributed across the company's global footprint depends upon the specific functions involved and the nature of the company's business. A hypothetical GBS organization model is shown in the figure below.

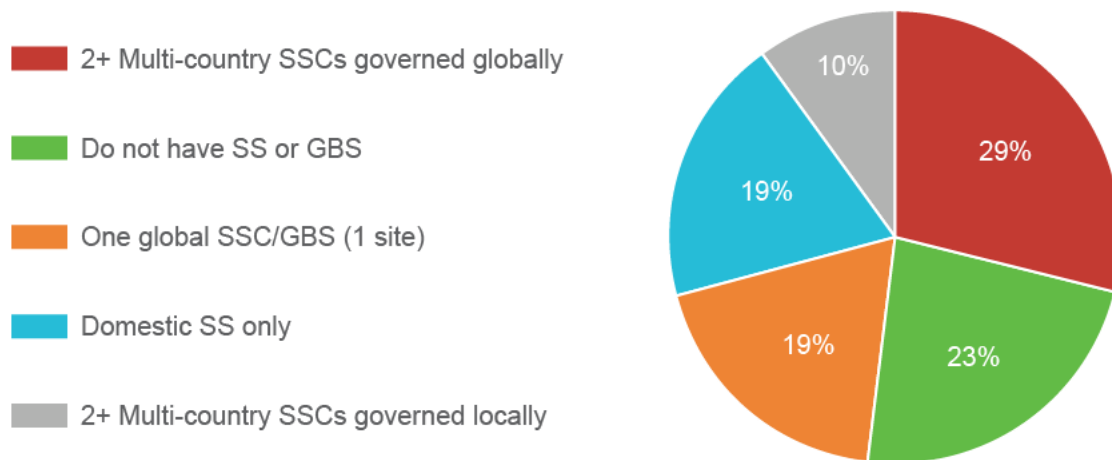


As you might imagine, working out agreements over the design of any GBS global footprint can be daunting. The cost savings and efficiency gains that have been achieved over the past decade are a testimony to those leaders who have struggled to build these worldwide networks.

COMMON IMPLEMENTATION CHALLENGES

While we see an increasing number of multinational companies moving to the GBS model, the move has been gradual, and not everyone has jumped on the bandwagon. A recent flash survey of leading SSOs we conducted indicated that only 29% of multinational shared services centers are currently governed globally. Another 23% are managed locally, and the remainder have no SSO or GBS or their service delivery is only managed domestically or from one foreign site.² (See figure below)

Which best describes your shared services GBS model?



So why, in spite of the benefits achieved by early adopters, are others struggling to move to the GBS model? The answer lies in the nature of the model itself.

- First, the model lends itself to those companies who desire to manage their global operations under centralized control. The GBS model is unlikely to make sense to a global holding company where individual companies are expected to deliver profits free from any detailed control of the global owner.
- Secondly, organizing a single function, such as human resources, under a single global leader located in one country requires navigating thorny issues around local labor laws, customs, and national pride—not to mention the political battles of centralizing functional control. None of this is for the faint-hearted.
- Similarly, sharing technology and related infrastructure across national borders invites concerns regarding privacy, control over intellectual property, and the difficulty of negotiating multi-country software licenses. In some countries, this practice is restricted by law. Even

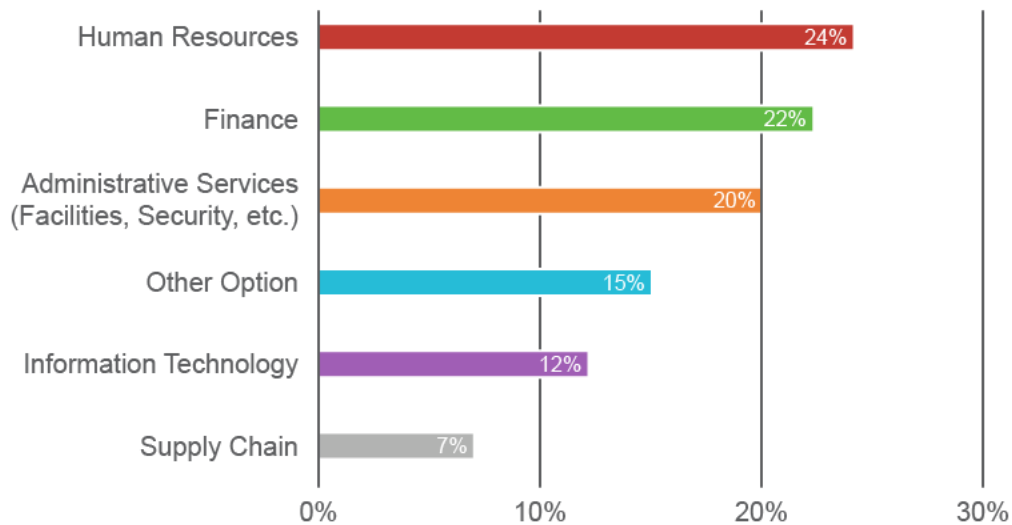
² “ScottMadden Survey Results: Today’s Shared Services and Global Business Services Models,” (ScottMadden, Inc., 2016)

where it is legal, you must get everyone to agree to a single, common technology platform. Whose is it going to be—yours or ours?

- Then there is the problem of adopting end-to-end process management, or better yet, end-to-end cross-process management. This is a battle all to itself. Getting a functional leader to give up control over a segment of his or her functional empire to some new end-to-end process owner is no easy challenge. And, of course, doing this across multiple countries brings the effort to a whole new level.
- On top of all these challenges is concern over the risks associated with meeting country-specific government regulations, as well as managing quality control in remote operational centers. The ScottMadden/APQC survey noted earlier found that 31% of the GBS business managers selected regulatory control as their greatest challenge, while 19% selected quality control.³

In spite of these challenges, a growing number of multinational companies continue to move to the GBS model. Similarly, those who have adopted a GBS model continue to add support services under their GBS umbrella. As shown below, human resources leads the way with finance close behind. Other services, such as IT, facilities, and security, are being added as well.

What functions are in your shares services or GBS operation?



SUMMARY

A GBS model is more than just a shared services model—it requires corporations to step outside of normal organizational boundaries to create the most effective model for the enterprise. Unlock the maximum value from your GBS platform by embracing new technologies and avoiding the common implementation pitfalls. By doing so, the GBS model can help you realize savings, optimize your service delivery, and quickly adapt to changing global market conditions.

³ “10 Key Findings: Trends in Global Business Services,” (ScottMadden Inc., and the American Productivity and Quality Center, 2017).

The second article in the series, "[Intelligent Automation on the Horizon](#)," will explore the inevitable rise of intelligent automation and its impact on service delivery. The third article in the series, "[How Intelligent Automation Will Impact Today's GBS Model](#)," will further explore the quick adoption of intelligent automation technologies to shared services solutions and what that means for GBS organizations.

For more information on how ScottMadden can assist you in designing, implementing, or improving your GBS organization, please contact us.

ABOUT SCOTTMADDEN

ScottMadden has been a pioneer in corporate and shared services since the practice began decades ago. We employ deep, cross-functional expertise to produce practical, measurable outcomes. We have completed more than 1,600 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients range across a variety of industries from entertainment to energy to high tech. Our areas of expertise span the spectrum of middle, back-office corporate, and shared services.

ABOUT THE AUTHORS

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