Global Business Services: Disrupt or be disrupted
Technology is advancing operating models—and business services organizations need to drive the transformation
Almost 100 percent of U.S.-based companies are undergoing a business model transformation today, according to a recent KPMG survey of CEOs. The transformation is taking different forms. For many, it entails near-term defensive strategies aimed at even more aggressive cost reduction just to survive. For others, it requires a total rethinking of the products and services offered and the ways in which they go to market.

Global Business Services (GBS) is on the cusp of a major leap forward to support transformation. The next evolution of digitally-enabled business services allows organizations to take better advantage of the technological advances that are having an impact on enterprise operating models.

The evolution of GBS
GBS—a holistic approach built on efficient, adaptable, end-to-end processes that seamlessly integrate resources and capabilities—has, of course, evolved through the years. The 1990s was the decade of shared services. Core services were delivered internally, predominantly through regional models. Select global providers offered multiregional outsourcing. The focus was on transactional activities.

Multisourcing was the focus during the 2000s. Moving work to lower-cost geographic locations around the world emerged during this period, and off- and near-shore became a key element of delivery models. Vendors began delivering niche services, and business service organizations became the integrator of multivendor models. Centers of Excellence (CoEs) emerged, allowing service groups to apply leverage across judgment and controlling activities within functional domains.

In the early 2010s, companies further integrated services across functions, geographies, and sourcing models. GBS emerged as the standard terminology to describe this new model. Lower value activities were typically outsourced or provided through low-cost captive centers, and the increasing focus was on analytical, judgment, and specialist services. In addition, outsourcers modularized services, coupled them with technology, and offered them on an as-and-when-needed basis, giving GBS organizations a more flexible, plug-and-play delivery model.

GBS is on the cusp of another major leap

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While driving down operating costs is cited as the most critical C-suite objective for GBS organizations, #2 is aligning back, middle, and front office to improve customer experience, and #3 is creating real time data that supports predictive vs. reactive decisions. All three are key elements of digitally-enabled business services.

Digitally-enabled business services
The near future will bring more transformational changes. The tried-and-true GBS approaches of offshoring and striving toward global process and technology standardization will only address part of an organization’s service delivery needs. Indeed, in the as-a-Service economy—which is defined by on-demand, precisely targeted, plug-and-play services—GBS’s objectives must extend far beyond cost savings to include: an enhanced customer experience, greater data-based insights, and increased agility and flexibility. Looking to 2020 and beyond, digitally-enabled business services will provide a more technology-leveraged approach with high availability of data, virtual service delivery, and as-a-Service capabilities for front-, back- and middle-office functions to deliver complex, value-added services.

As companies consider enhancing their GBS capabilities digitally, they should begin by defining the transformation they want to achieve and then building muscle in six core areas:

Service portfolio: Embrace technology to address gaps and expand capabilities in the portfolio of services you offer to the enterprise. Consider how, for example, advanced data and analytics can help you not only identify and target new customer segments for the company’s sales organization, but also arm individual sales people with vital purchasing channel preference and price point data for their target accounts. A leading practice is building intelligent automation and data and analytics centers of Excellence (CoE) that operate on behalf of the entire enterprise. Ensure that your business achieves a GBS organizational and functional scale that’s broad enough to drive financial success.

Technology: Match emerging technologies—such as intelligent automation, blockchain, and cloud-based or mobile platforms—to your aspirations for transformation. Reimagine how services can be delivered with the technology choices available. For example, you could use software bots to automate tedious, repetitive tasks, freeing your team members to work on higher value activities. You could also use cognitive computing to analyze call center transcripts, or monitor employees’ bandwidth in real time, and automatically assign projects to appropriately skilled talent. Understand how intelligent automation technologies will affect your workforce. Lead the major changes coming your way instead of reacting to them.

Process and service development: Incorporate new ways of process and service design and development. Adopt digitization management methods such as design thinking and journey mapping to create a deep understanding about how customers, vendors, and employees interact with your company. Doing so may, for example, provide detailed insights into disconnects in your supply chain, or make it clear that consistent, aggressive upselling techniques are taking a toll on the company’s brand. Take strong ownership of your business’s GBS process and create a robust development program to drive operational maturity.

Commercial models: Define new customer and business outcome-focused orientations and engagement models. Analyze how GBS maturity and the integration of digital services can deliver significant performance improvement to your organization. For example, by running GBS as an innovative business unit with a complete set of back- and middle-office functions, firms can significantly accelerate the benefits of acquisitions and mergers, in many cases halving the time to achieve proposed financial benefits.

Talent and organization: Win the war for digital talent. This does not mean simply replacing human employees with automation. Rather, it’s about upskilling talent to enable the workforce of the future, with automation augmenting humans’ more advanced work. Expand talent pools to include skill sets that will be needed in the as-a-Service economy. Enhance organizational, governance, and change management capabilities. Ensure that you know where you will find talent. For example, you could tap into skilled contractors and consultants for a flexible staffing model, or develop existing employees through technical training and curated work experiences. Develop an incentive structure to attract and retain the best talent.

Service delivery models: Refocus the service delivery strategy on what work needs to be performed where and by whom. For instance, the results of enterprise-wide employee satisfaction surveys may drive you to move your help-desk function back in-house, and engage an offshore service provider to automate transactional swivel-chair activities. Balance your use of captive and outsourced service providers to realize the greatest efficiency and effectiveness. Evaluate how an improved service delivery strategy could benefit process and quality outputs, and increase staff productivity.

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Leading GBS organizations are progressing along multiple vectors to advance transformational objectives:

Increasing the scope and influence of their service portfolio...

...while embracing new technologies...

...incorporating innovative development approaches...

...deployed through new commercial models...

...requiring new talent and organizational models.

Rate of GBS Adoption¹

¹Percent of GBS leaders expecting significant or higher levels of future adoption, Digital Business Services (DBS): Building New Muscle for the “As-a-Service” Economy, March 2017

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Digitally-enabled business services help businesses differentiate themselves from the competition

Based on KPMG’s research of major global entities, GBS organizations with fully integrated digital capabilities along with high delivery and operational maturity can deliver year-on-year 1.25% SG&A cost savings as a percentage of revenue, compared to less mature companies where SG&A savings is nonexistent. This group of companies also shows significant working capital improvements. For a $5 billion company, these savings amount to $62.4 million per year in bottom line improvement.

Take action now

Implementing digital business services will be a key competitive advantage in coming years.

To fully embrace the capabilities it offers, GBS organizations should begin by defining their future state and putting the foundation in place.

As you prepare for the changes, here are some critical questions to consider:

— Have you evaluated your organization’s GBS maturity to determine your ability to keep pace with the enormous disruptions taking place in the market today?

— Do you understand your current capabilities in technology, service portfolio, process and service development, commercial models, talent and organization, and service delivery models?

— Is your delivery model flexible enough to adapt to governmental policy levers that impact the value equation (e.g., tax reform, immigration changes and trade treaties)?

— Have you defined your company’s future state for digitally-enabled business services, and a clear path to close capability gaps?

Learn More

We invite you to learn more about how business services organizations can take better advantage of the technological advances that are having an impact on enterprise operating models.

Access our latest research and thought leadership from KPMG Shared Services and Outsourcing Institute:
www.kpmg.com/us/goGBS

How KPMG can help

Regardless of where you are in your digital journey with respect to GBS, KPMG can assist you in taking your next step toward a digitally-enabled operating model. KPMG can prepare you for the digital journey, assist in responding to the associated challenges, and help you realize the significant value this disruptive opportunity presents.

Explore our services: www.kpmg.com/us/gbs
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