

TAKING IT TO THE NEXT LEVEL

# Four Keys to Boosting Global Business Services Capabilities

JEFF SEABLOOM AND MICHAEL FULLWOOD



## EXECUTIVE SUMMARY

The operational strategies of global enterprises are typically characterized by a mix of shared services, centers of excellence and outsourced delivery models designed to leverage economies of scale and scope, organizational and geographic consolidation and process standardization.

Today, businesses are increasingly seeking to move their approach to service delivery further up the maturity ladder. Towards that end, many are deploying a Global Business Services (GBS) model to integrate myriad operational strategies and regional initiatives into a cohesive and coordinated framework. Typically charged with overseeing multiple service centers and functions – including front office operations such as call centers, back office operations such as F&A and industry-specific middle office operations – GBS organizations are designed to drive common practices, protocols and control measures, as well as leverage geographies to reduce costs and address language requirements.

GBS comprise a mix of service delivery models, from captive offshore delivery centers to domestic shared services centers to outsourced delivery. While providing some benefits, many GBS organizations today fail to fully utilize the range of available tools, capabilities and expertise. The result is a missed opportunity to drive significant gains in consistency and standardization, economies of scale and operational transparency, as well as mitigate financial and operational risk.

This ISG white paper examines four ways that GBS organizations can significantly enhance their capabilities, namely by:

- Leveraging automation.
- Developing a digital asset strategy.
- Enhancing change management capabilities.
- Developing robust governance mechanisms.

## GBS THEN AND NOW

The GBS model can be broadly defined as a framework of multiple service centers for front, back and middle office operations. The model is designed to drive cost savings and productivity improvement by leveraging technology innovation, market insight, best practices, process protocols and risk control measures across an enterprise. Traditional approaches to GBS have yielded benefits by consolidating and rationalizing organizations and people and achieving economies of scale.

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Today, top-performing GBS organizations seek to move beyond these table stake benefits and take advantage of new tools and technologies as well as sophisticated change management models and organizational design principles. Specifically, rather than limiting the GBS or shared services initiative to a people and process focus, organizations have an opportunity to build a significantly better operating model and to optimize the transition to and management of that model.

## **ROBOTIC PROCESS AUTOMATION**

Enterprises are increasingly seeking to take advantage of Robotic Process Automation (RPA) technology to reduce costs, improve efficiency and address a wide range of industry-specific challenges. Smart “robots” typically work five to ten times faster than humans, as well as 24 hours per day, 7 days per week without taking vacation, holidays or sick leave.

Depending on the type and volume of robots purchased, the license fees for a RPA “robot” typically range from \$5-15K per year per robot, and can take on the workload of 5 to 10 humans.

While headlines have focused on cost savings through reductions in workforce requirements and increased productivity, RPA benefits extend to a wide range of other areas. Once implemented, an RPA solution immediately produces metrics and data that provide critical insight into operational performance that can be applied to drive continuous improvement of specific functions such as the processing of healthcare claims. Similarly, performance data from RPA solutions can be applied to ensure enterprise-wide integration, balancing of workloads across the enterprise and agile responses to peaks and valleys in demand for resources.

Moreover, in contrast to a human worker, an RPA solution not only performs a process function exactly the same way every time, it provides a more detailed and sustainable audit log of activity. This is critical to industries such as financial services, healthcare and pharmaceuticals, where adherence to strict regulatory compliance standards is imperative.

Another advantage of RPA is that tools can be easily scaled as well as quickly reconfigured or “taught” to perform a wide range of functions – ranging from invoice reconciliation to document review to data consolidation – without any need for training.

Finally, by altering the fundamental premise of labor arbitrage, RPA redefines how sourcing location decisions are reached. This makes onshoring increasingly viable from a cost standpoint – and gives highly regulated organizations operating in high-risk offshore locations an additional lower-risk sourcing option.

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RPA also offers the ability to efficiently access the multiple disparate systems that many large enterprises have acquired following long histories of mergers and acquisitions. In a shared services environment, RPA tools can significantly extend the efficiency benefits of organizational rationalization. In moving to a shared services model, many enterprises consolidate units without full assimilation and harmonization of the myriad entities involved. The result is a hodgepodge of multiple legacy systems that rely on “swivel chair” processes to transfer data from one application to another. Because these processes are based on clearly defined and repeatable rules and logic, they are ideal candidates for automation through RPA.

As such, if a global enterprise moving to a shared services model can reduce headcount by 30 percent through organizational consolidation alone, today's automation tools can drive a comparable improvement through driving productivity and labor arbitrage. Put differently, ignoring the potential of RPA risks leaving significant benefits on the table.

### **DIGITAL PLATFORM STRATEGY**

Management of digital assets is another area where GBS organizations can ramp up their strategic capabilities.

Infrastructure requirements for hardware, software and networking assets evolve on an ongoing basis. This evolutionary change accelerates exponentially when a global enterprise moves to a shared services or GBS model. Requirements for network assets and desktop computers, for example, change dramatically, impacting geographies, utilization and user profiles. However, when transitioning to a new model, many enterprises fail to effectively assess their new environment or renegotiate their existing IT agreements. This results in value leakage from, for example, continuing to pay for network assets and services that have been decommissioned and are no longer in use.

In addition to the transformational change inherent in a shift to a GBS model, many shared services organizations today – regardless of their maturity level – seek to leverage the capabilities of innovations related to cloud-based platforms, mobile computing, converged infrastructure, data analytics and native language generation (NLG). While these innovations decrease reliance on traditional hardware and software licensing models, they drive additional disruption and require the same level of oversight and governance as traditional technologies. Enterprises that fail to consistently evaluate their environments will find themselves facing compliance risks and overpaying for services.

Software licenses pose a particularly thorny set of challenges. Even under stable circumstances, a constantly changing user environment causes software licenses to gradually fall out of alignment. Over time, enterprises find themselves to be significantly out of compliance – often unknowingly – and face the risk of software audits that can result in fines and penalties exceeding millions of dollars.

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The risk of non-compliance increases dramatically when a global enterprise moves to a shared services or GBS environment – and that risk is further exacerbated by a transition to a software-as-a-service model. Software licenses are transferred, users are added or removed and roles, functions and user requirements are redefined. By virtue of the significant organizational change involved, a GBS initiative wreaks havoc with an organization's compliance profile. Ignoring the implications exposes an enterprise to enormous risk, especially when software vendors proactively target enterprises undergoing change as attractive audit targets.

Under the circumstances, a strategy designed to assess, rationalize and optimize the sourcing of the digital asset landscape is imperative.

## **CHANGE MANAGEMENT**

While change management for shared service organizations has traditionally focused on the transitioning of services to the service center, today world-class GBS organizations are expanding their vision to designing and executing a broader strategy of operational alignment.

Integration and convergence are key elements of this strategic approach to change. Organizational change management has traditionally been a leadership-driven “top-down” process. Today's emerging model combines the standard top-down method with a forward-thinking and collaborative bottom-up approach to problem solving. This spurs creativity and innovation at the grass roots level, while enabling affected stakeholders to stamp the change with their fingerprints.

In moving to a new global operating model, the GBS organization must recognize the level of change that must be executed in a compressed timeframe to ensure that new entities and providers are seamlessly integrated. If the transition is mismanaged, the foundation of the new model and the value it delivers are seriously compromised.

A key role of GBS here is one of project management; specifically, to define actions and timelines, assign roles and responsibilities and track milestones. In so doing, the GBS can identify required actions and ensure that staff, tools and technology are efficiently on-boarded. Executing tasks such as equipping a new provider with technology tools and licenses, providing access to servers and applications or resolving security issues frequently requires dealing with high levels of minutiae. An effective GBS can provide the necessary level of attention to detail, and do so in the context of a broader enterprise strategy.

Ensuring communication across multiple stakeholders is another key role for GBS in change management. Successful transitions require regular meetings among and between internal and external stakeholders to identify potential issues and address them proactively. Communication with business users impacted by change is also essential.

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## GOVERNANCE

Once implemented, ongoing management and oversight of a GBS model is imperative to adjust to ongoing changes in business requirements as well as the operating environment. As such, the governance function is not restricted to managing a traditional service provider(s). GBS organizations can extend their purview to ensure adherence to financial, operational and contractual obligations of newly absorbed operational entities, business units in different geographies and partially or wholly owned captive centers. This expanded role goes beyond the review and confirmation of common SLAs and KPIs, and extends to ensuring end-to-end accountability of operations regardless of segmentation.

A key characteristic of mature governance capability is the ability to drive standardization and process consistency across business units and internal and external service providers. While operational standards such as ITIL are common and widely adopted, the challenge lies in reconciling the subtle differences in the way in which different entities apply those standards. Even the slightest difference, if repeated and multiplied thousands of times a day across an enterprise, can undermine the accuracy of the data that supports the underlying foundation of operational governance. As a result, the strategic layers of management higher up the governance pyramid become a house of cards.

Bad data not only compromises service quality, it poses significant business and financial risk. Specifically, accurate operational data is essential to adhering to increasingly stringent regulatory standards regarding third-party relationships. As compliance becomes an increasingly urgent priority for highly regulated industries such as financial services, healthcare and pharmaceuticals, process consistency and data accuracy are emerging as must-haves for top-performing enterprises.

An effective GBS organization can drive true standardization and consistency across internal entities and external providers by applying the rigorous process discipline needed to identify and resolve the nuanced differences in how different parties interpret and apply different standards.

## NEW OPPORTUNITIES

GBS capabilities are evolving and maturing, creating a new set of opportunities beyond organizational consolidation through shared services. These opportunities include Capex and Opex savings for hardware, software and network assets, productivity and labor arbitrage gains and enhanced compliance and risk management capabilities.

In this new environment, suppliers must adapt to new service delivery models and become active partners in the GBS journey through the development of new contract mechanisms and commercial constructs and development of innovation opportunities.

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### **TAKING IT TO THE NEXT LEVEL:**

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Jeff Seabloom has over three decades of experience as an executive, entrepreneur and advisor to Fortune 1000 firms. He has managed large, complex sourcing engagements in multinational enterprises, with a focus on the retail, CPG and hospitality sectors. A pioneer in the ERP and supply chain markets, Jeff has remained at the forefront of understanding how these areas are impacted by emerging technologies such as cloud and robotics. Jeff is an expert in channel alliances and partnerships, as well as an accomplished negotiator on licensing and support in software and hardware contracts.



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Michael's areas of expertise involve a wide range of business process services, including sourcing assessment, RFP management, contract negotiations and transitions. He has guided major global businesses through multi-functional transformational and sourcing projects for G&A functions and service delivery. Michael has three-fold experience as an executive delivery buyer (as Director of FP&A for a global telecommunication firm); as a delivery seller (as a director with an outsourcing services provider); and most recently during the past eight years as a third-party advisor.



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