









Transition to Global Business Services

What could go wrong and
how to get it right

Global Business Services offers many potential benefits

Organisations have evolved their service delivery models to leverage outsourcing, offshoring as well as corporate, middle and shared services operating models to deliver on their strategic imperatives. This evolved model, often collectively referred to as Global Business Services (GBS), can enable a host of benefits across the breadth of the organisation's operating model and is commonly used as a lever to reduce the cost base, drive performance, uplift capability and accelerate transformation.

 Service Delivery	 Technology	 Process	 Performance and Insights	 People	 Governance and Controls
<ul style="list-style-type: none"> • Cost savings • Increased focus on Core Competencies • Access to expertise 	<ul style="list-style-type: none"> • State-of-the-Art technology • Rapid technology adoption • Risk mitigation 	<ul style="list-style-type: none"> • Streamlined processes • Process improvements • Faster process implementation 	<ul style="list-style-type: none"> • Data driven decisions • Continuous improvement • Benchmarking 	<ul style="list-style-type: none"> • Access to talent • Reduced HR burden • Flexibility and scalability 	<ul style="list-style-type: none"> • Risk management • Compliance • Transparency

But the path to get there can be fraught with risks...

Pursuing outsourcing and offshoring opportunities has increased significantly post COVID but can involve significant risks across all aspects of service delivery and operations. However, these risks can be effectively managed if done right.

People

Increased employee attrition (especially with today's low unemployment), loss of institutional knowledge and performance issues due to poor knowledge transfer.

Process

Inability to drive efficiencies and process failure due to fragmented processes. Loss of process control and ownership.

Operational

Prolonged business disruptions, degradation of service quality, decline in customer satisfaction and rework due to poor transition.

Commercial

Benefit erosion and value leakage due to poor contractual agreements and lack of competitive tension. Loss of flexibility and inability to adapt to impacts of changing technology landscape (e.g., impacts of Gen AI).



Reputational

Reputational damage due to negative public sentiment over employee displacement and decline in service quality.

Change Management

Resistance to change and cultural integration issues, inability to effectively manage strategic service providers and transition challenges when changing service providers.

Technology and Data

Technology transition challenges and inability to maximise value due to lack of standardised processes, unclear technology roadmap, legacy or outdated technology and technology/data integration impediments. Increased information security risks.

Regulatory and Compliance

Misalignment with relevant regulatory clauses or prudential standards (e.g., CPS230, CPS 231, CPS 232), concentration risk, loss of control over regulatory and compliance requirements, including supplier risk management.

Business Continuity

Increased location risks when offshoring to specific locations including higher risk of natural disasters, political instability, and pandemic.

Key things to get right

The Critical Success Factors to get the GBS transition right include the following:

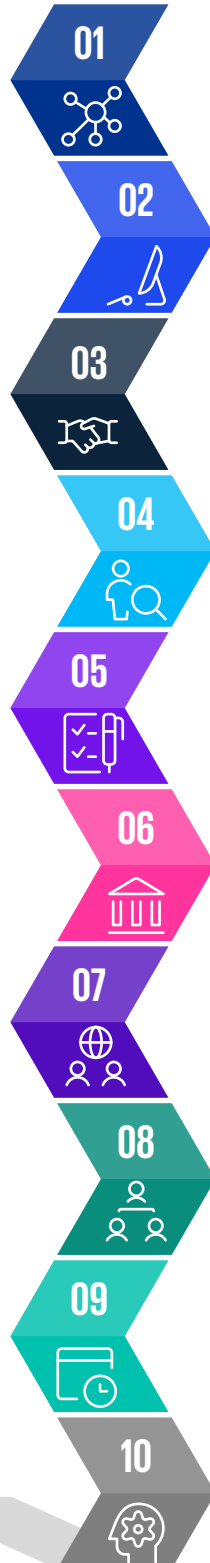
Develop and execute robust change management plans and engage advocates at all levels of the organisation at appropriate stages to achieve strong executive sponsorship, stakeholder buy-in and proactive management of change impacts.

Select the right external service providers and leverage their capability. Select service providers that best align with your financial objectives, non-financial goals and corporate culture. Drive success through external partner involvement and expertise in design and transition.

Bring in independent experts to augment internal capability in partnering and transition management to help de-risk the program, ensure beneficial contracts and develop best possible outcomes for the organisation.

Develop well defined and sufficiently detailed solution designs and transition plans. Clearly define the outsourcing and/or offshoring solution designs including what processes are in-scope, how many FTEs and what capabilities are required, what systems and tools to use, how changes in the technology landscape will be dealt with, what transformation opportunities will be pursued, what are the governance frameworks, what are the performance expectations and how services will evolve over time, how transition will be carried-out, how backlogs will be managed, etc.

Check that timelines are achievable considering the scope and complexity of the transition and adjust as needed. Delaying the transition is not always a bad outcome. Consider the impact on other changes in the organisation to ensure that transition timelines are not adversely impacted.



Own the design and transition. Leaving design and transition to the service providers may result in limited focus and misalignment. Organisations are best to play a real hands-on role in developing the solution designs, planning and executing transition activities to ensure the outcomes are fit-for-purpose and consider the holistic requirements and best interest of the organisation.

Resource adequately. Plan and ensure adequate internal resources including the people, process and technology expertise required to support the program throughout the market engagement, design and transition stages. Consider the role of your SMEs in transition as the effort may be significant and may impact business-as-usual activities.

Ensure strong program governance and rigour. Do not underestimate transition risks and complexity. Invest time and effort to fully define requirements, designs and plans, apply robust approaches for transition, knowledge transfer and quality assurance. Proactively manage program activities and risks and implement strong stage gate control.

Be clear about retained organisation changes. Have a clear understanding of what processes and roles will remain and how these will change over time, what knowledge transfer needs to happen, and what capabilities need to be developed in the retained organisation to effectively support and optimise the new operating model.

Develop and implement effective Intellectual Property and Knowledge Management strategies. This includes retention of critical resources, developing back-up subject matter experts, ensuring quality of process documentation and appropriate knowledge transfer approach for critical and complex processes.



Contacts



Carl Pretorius

Partner
Management Consulting
T: +61 450 645 447
E: cpretorius3@kpmg.com.au



Jayne Parish

Partner
Management Consulting
Phone: +61 417 691 413
Email: jparish@kpmg.com.au



Alice Sonido

Director
Management Consulting
Phone: +61 407 930 790
Email: asonido1@kpmg.com.au

[KPMG.com.au](https://www.kpmg.com.au)



©2024 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

Liability limited by a scheme approved under Professional Standards Legislation.