

Audit Committee News

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Leveraging Global Business Services & Digital Labor

Align value to the C-suite agenda



The convergence of Global Business Services (GBS), robotic process automation (RPA), machine learning and advances analytics represent the most disruptive force since the Industrial Revolution. Between now and 2025, up to two-thirds of the \$9 trillion knowledge worker market place may be affected.

GBS is a next-generation operational and organizational model for enterprises to deliver business processes such as HR, finance, IT, and customer care to internal and external customers. It's often applied on a global scale using multiple service delivery models, including outsourcing, shared services and, increasingly, cloud solutions.

Why are organizations considering significant investment in GBS? Because it can help them:

- reduce costs
- get to market faster
- drive process excellence
- unlock the power of data and analytics
- mitigate overall business risk and ensure compliance
- enable excellence and consistency in the customer experience
- build an internal repository of high-quality talent
- establish a consistent brand experience
- accelerate time to benefit from mergers and acquisitions.

Alternative service delivery models, such as shared services and outsourcing, have focused primarily on reducing operating costs. Innovation through outsourcing is often

cited as well, but that benefit is not always achieved. GBS, however, if executed well, can add value to the business far beyond cost savings.

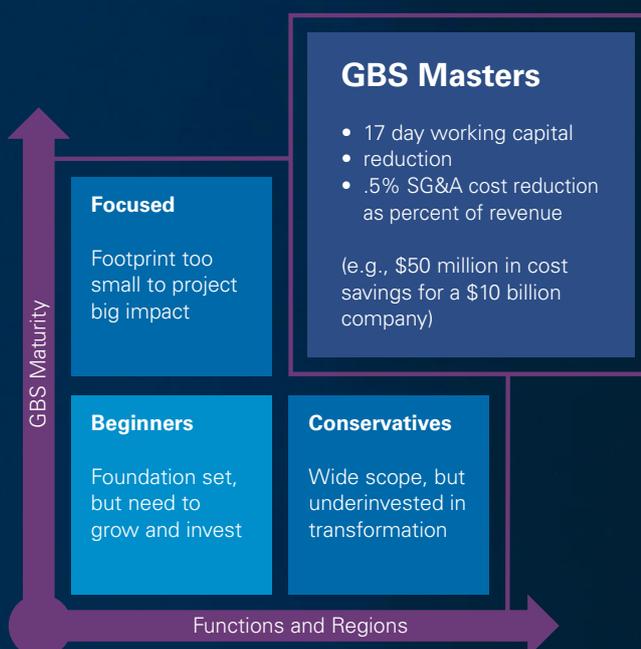
Of course, potential cost savings from GBS are significant. Typical cost reductions range from 20 to 40 percent as a company's use of GBS becomes more mature. KPMG research has found other potential financial benefits as well. For example, organizations performing at the highest levels of GBS maturity can achieve 3 – 5 percent higher return on equity (Figure 1).

The true value of GBS lies in its potential to deliver top-line business value. Progressive organizations increasingly focus GBS efforts on support services that can drive business value into the enterprise as a whole, as opposed to the common goal of cost savings that shared services and outsourcing paradigms typically provide. This value-based point of view requires changing both the philosophical and operational approaches for using shared services and outsourcing.

Digital labor: a confluence of capabilities

Digital labor – which today comprises basic robotic process automation, enhanced RPA, and cognitive automation – is enabled by a confluence of capabilities that include rules-based macros, artificial intelligence, and natural-language processing. At the most basic level, robots, or bots, automate the steps in a process instead of having people move transactions from one step to the next. At the most complex level, cognitive systems draw on historical data to handle exception processing, make judgments to resolve

Figure 1: Categories of GBS Organizations



customer issues, and complement knowledge workers to provide new insights (Figure 2).

Digital labor can be particularly effective in a GBS environment. Indeed, looking at the benefits above, it's clear there's significant alignment between the value digital labor can deliver and the expectations of leading GBS organizations. While digital labor will be disruptive to labor markets and business models, its advancement is near inevitable. All organizations should focus on understanding what digital labor cannot do now but will be able to do in the future and prepare their operations and workforces for their growth and maturation.

Take strategic and operational action now:

GBS and digital labor are here to stay. Businesses that use outsourcing services should begin identifying potential gaps, and taking the strategic and operational steps necessary to ensure continuity of services and, ultimately, that success is achieved as this new model becomes the standard.

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

- How are economic value measures, like working capital or ROI, linked to GBS objectives and delivery by maturity level?
- How do you separate the hype from the reality when it comes to timelines, providers, offerings, etc.?
- How do you best reframe your strategy and business model to digitize your business processes, eliminate

manual activities and drive greater cost efficiency, responsiveness, and productivity?

- Do you understand how your governance model will be affected by a move to automation?
- Are you knowledgeable about the tax and risk implications?

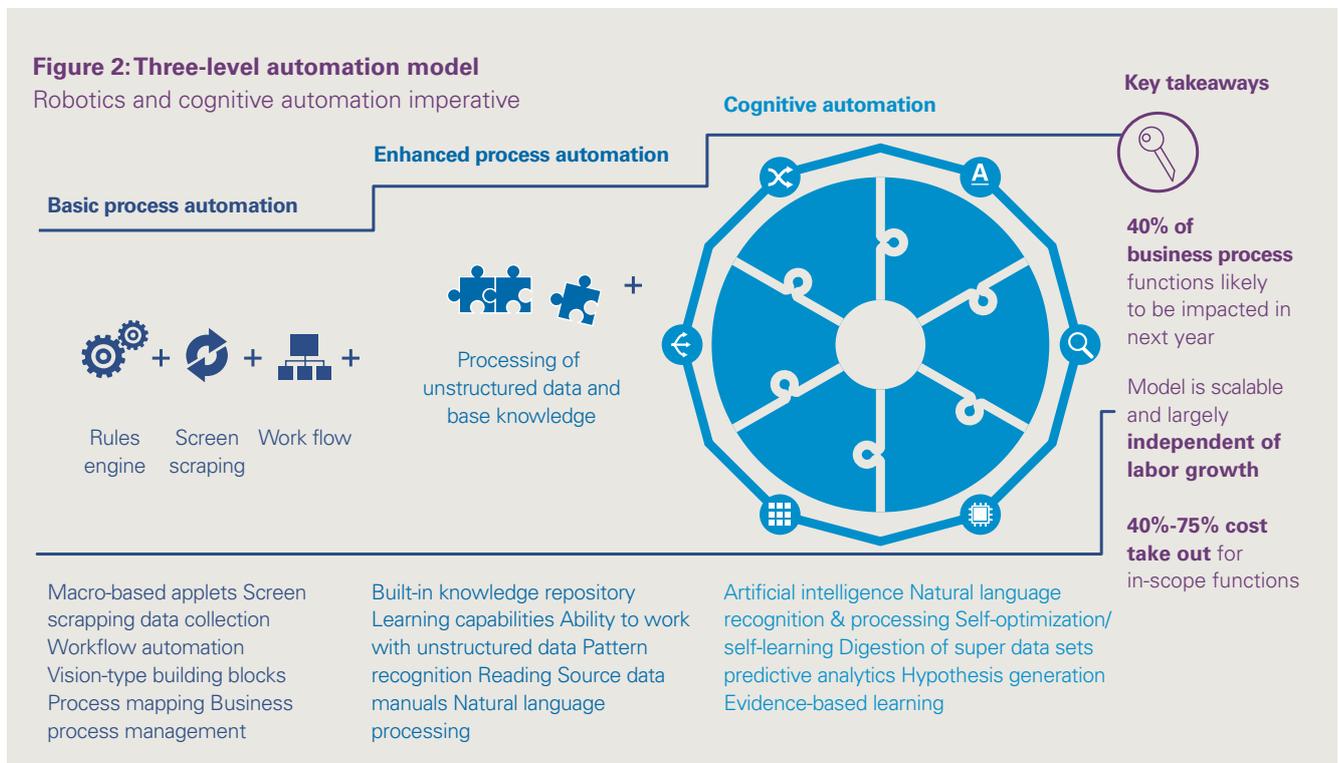
Looking forward

There is no one-size fits all model for GBS. The impact of actions taken vary significantly. It is worth carefully prioritizing the actions with the greatest impacts on your company's current level of GBS maturity, scope of organization, and target operating model aspirations. The justification for GBS expansion and investment goes far beyond simple transactional cost savings to encompass more holistic measures such as working capital improvement, leveraged expertise and other business outcomes. A comprehensive approach is needed, identifying and communicating a broad value proposition in order to bring your company to the next level of GBS.



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