



Global services sourcing – slowdown overstated

Shared Services and Outsourcing Advisory (SSOA) 1Q14 Global Management Consulting Pulse Survey – key findings

The current economic and political outlook has market pundits predicting the slowdown or reversal of trends toward global services delivery and globalization in general. But organizations should take these predictions with a grain of salt. Few buyers are pulling back from the globalization of service delivery conceptually – but they are much more savvy about what services to source and where to source them.

This is one of the key findings from KPMG International's April 2014, SSOA Pulse Survey of leading business and IT service providers and sourcing advisory professionals.

Global approaches continue to prevail

Despite signs of economic recovery, it is no surprise that some commentators foresee a pullback from global strategic sourcing:

- **Deficits** and increasing **political gridlock** are ongoing struggles for many countries.
- **Growth rates are uncertain** in the European Union, and the **divide** between southern and northern countries and markets in Europe continues to widen.
- **Economic growth is slowing in the BRICs** (Brazil, Russia, India and China).
- **Political turmoil** in Central and Eastern Europe, especially Ukraine and Crimea, is raising concerns among users sourcing services from these regions.

KPMG firms' professionals and service providers say their clients are **not pulling back** from global services business models. They say organizations are **continuing to take a global approach** (onshore/nearshore/offshore) for outsourcing and shared services. And while increased insourcing for strategic and particularly transactional services

is occurring more often than in the past, it remains much more the exception than the norm.

Regardless of current market conditions, companies that previously embraced a global outsourcing model are making **clearer distinctions between strategic and transactional outsourcing**. In these cases, companies are choosing to **insource the strategic portion** of the work, to **source an expert group** for that core strategic function or pursue the use of shared services in lieu of outsourcing.

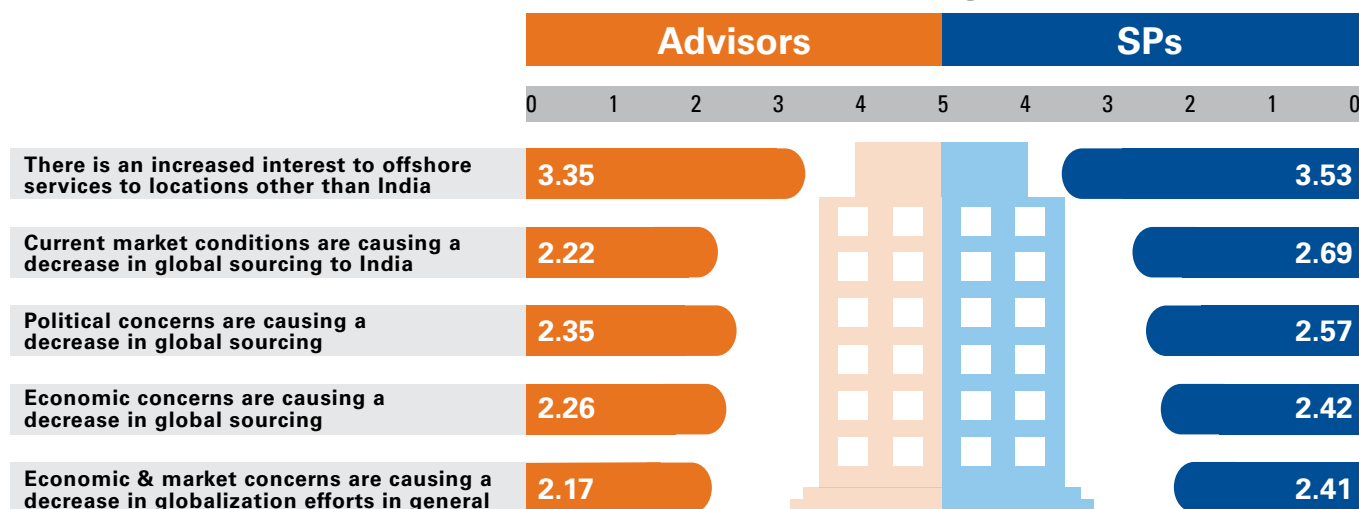
Changing buying patterns

While the growth of global sourcing for services continues, buying patterns are changing and include the **use of more local or nearshore resources** for certain services. For example, one KPMG advisor observed that service centers in Eastern Europe are servicing more EU clients.

Looking ahead to the next 24 months, the most-named trend for respondents is that outsourcing buyers are growing more interested in **offshore services delivered from locations other than India**. This trend has been occurring for several years, as the number of quality and viable global sourcing locations expands and Indian service providers themselves diversify delivery capabilities beyond their home market.

Advisors nor service providers **do not see buyers pulling back** from global sourcing in general or in their use of India-based service providers overall.

Current Market Conditions Impact on Global Sourcing



*Only advisors answered questions on shared services
1 = Strongly disagree, 5 = Strongly agree

Source: SSOA Pulse Survey, KPMG International, April 2014

What's driving change for global services delivery?

According to the survey, other top trends driving change in global services business markets are as follows:

- Organizations' aspirations to embrace and expand a global business services operating model (i.e. integration of shared services and outsourcing efforts across functions and geographies) often outpace the maturity of capabilities to excel at their efforts. To drive improved maturity, organizations need to give priority to **end-to-end process ownership** and the **governance across and between the shared services and outsourcing** that compose global business services.
- Use of data and analytics** to better monitor and leverage skills and resources to improve overall business performance should be high on companies' agendas.
- Improving talent management capabilities** to find, attract, and retain the talent required to staff a competitive global services business should be another key priority. Given prevailing required skills shortages in all markets, organizations that can improve and excel at talent management can win a distinct competitive advantage.
- Organizations should **move beyond a focus on just back-office business operations** (e.g., finance and accounting, human resources, sourcing and procurement) and assess the benefits of including other services in the global services mix, such as supplier management and monitoring, customer care, and real estate and facilities management.

To find out more about the impact of these trends on your organization and potential strategies for response, please contact:

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