

Global services sourcing – IT integration drives innovation

Key findings from KPMG's Sourcing Advisory 2Q14 – Global Pulse Survey

Of all the factors driving the success of global business services (GBS), **information technology (IT)** is one of the **most critical** – but IT is all too often **overlooked** or **under-appreciated**. Few organizations have a **formal strategy** or take a **structured and systematic approach** to leveraging and utilizing IT to drive innovation into their operations and **deliver greater strategic value**.

These are some of the key findings from a survey of leading business and IT service providers and sourcing advisory professionals with KPMG International's member firms advising clients on the front lines.

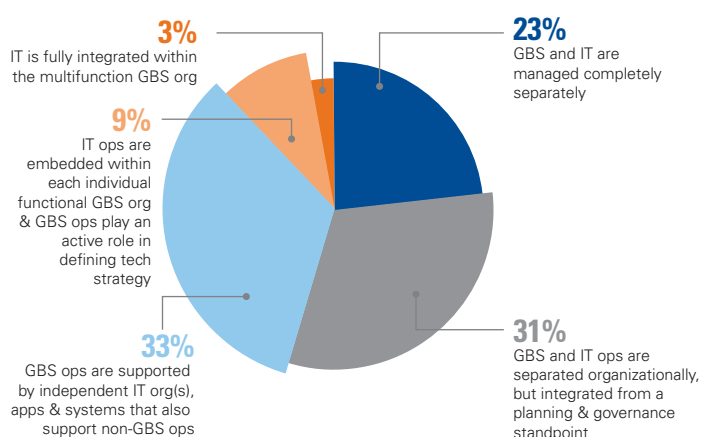
From technology provider to service integrator

KPMG's research shows that companies with more **mature GBS** are **moving their view of IT** from **technology provider** to more broadly focused **service integrator** that:

- Defines and manages **internal and external services** to the business (rather than focusing only on technological needs)
- Manages **supplier relationships** (rather than managing contracts)
- Develops and maintains the **service level agreements** and **usage parameter controls**
- Monitors and improves **service performance**
- Demonstrates and drives **IT supplier investment value**.

The current survey suggests organizations are in the early stages of shifting their IT models toward **closer integration of IT operations** with the GBS efforts they support. At 31 percent, the most common model cited by advisors is one in which GBS and IT operations are separated organizationally but integrated from a planning and governance standpoint. Only about **12 percent of advisors cited fully or partially integrated IT models**.

Advisors: Most Common IT Models to Support GBS Efforts



Source: KPMG Quarterly Global GBS Pulse Survey 2Q14

ERP systems – the fewer, the better

When it comes to supporting more integrated GBS operations, the fewer instances of enterprise software or ERP (e.g. SAP, Oracle) systems deployed globally, the better. Most firms with **more integrated ERP environments** and **less ERP instances** have more **mature GBS operations**. Nearly one-third of KPMG consultants say that typical clients

have multiple different IT systems with non-standardized and harmonized data architectures and standards. Just five percent say clients have a single instance of an ERP system.

Where does IT as a set of processes and tools add the most value?

Advisors say IT adds the **most value** in providing a **standardized set of IT processes and tools that can be leveraged for business services management**. The second biggest value contribution comes from IT's provision of a **standardized platform that can support integrated GBS efforts** across functions, geographies and business units.

The area where IT earned the lowest ranks is in enabling GBS operations to **increase high-level process automation** via "robotics process automation" (RPA). While RPA is a hot topic in today's market, most organizations have a long way to go to execute on it.

Where do IT groups add the most value?

The top two areas where advisors say **IT groups** typically add the most value to GBS efforts are in:

- **Delivering operational value** in supporting GBS operations so they do not need to invest in these resources and capabilities themselves.
- **Delivering strategic value** by working closely with GBS and firm executives to **define a GBS IT strategy and architecture** that maps to and supports the GBS and overall firm business strategy.

The area identified as having the most **room for improvement** was in providing insights into **industry best practices for IT GBS** and helping interpret them in the context of the current GBS organization.

A structured approach to driving innovation through IT

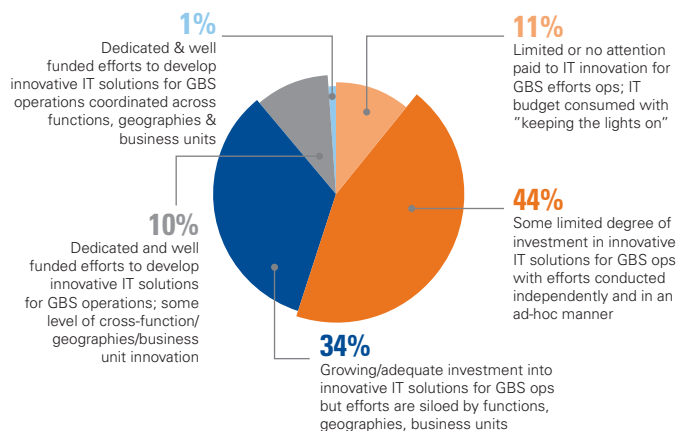
Few organizations have a **formal strategy** or **take a structured and systematic approach to leveraging and utilizing IT to drive innovation into GBS operations**. KPMG consultants say typical organizations have a **limited degree of investment in innovative IT solutions** for GBS operations with efforts conducted **independently** and **ad hoc**. Service providers say such **investment is growing but efforts are siloed** by functions, geographies and business units.

Just one percent of advisors and **no providers** say that typical GBS accounts have **dedicated and well-funded efforts** to

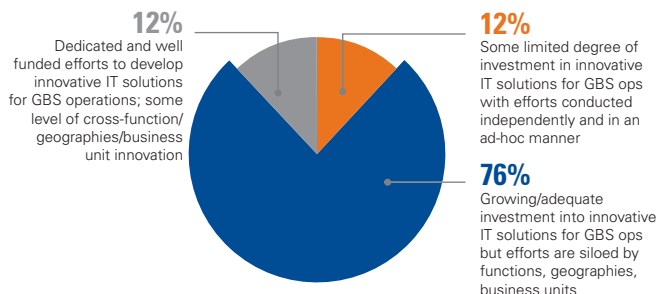
develop innovative IT solutions for GBS operations coordinated across functions, geographies and business units. These findings show that IT is typically an **underutilized resource** when it comes to improving organizations' GBS maturity and capabilities.

GBS IT Innovation Strategy & Capabilities

Advisors



Service Providers



Source: KPMG Quarterly Global GBS Pulse Survey 2Q14

While IT groups and IT itself can support a range of improved GBS efforts, the emphasis on **deploying a standardized platform** is arguably the most critical. **High-performing and highly integrated IT operations and systems are key** to enabling the other high-value capabilities, such as data analytics, access to required operational data, and maintaining secure and robust communications among GBS groups and third-party partners, suppliers and customers.

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

David Brown
Global Head
Shared Services & Outsourcing
Advisory (SSOA)
T: +1 314 803 5369
E: djbrown@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



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